

URBAN GREEN LAB, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2022

**URBAN GREEN LAB, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Urban Green Lab, Inc.

Opinion

We have audited the accompanying statements of Urban Green Lab, Inc. which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Urban Green Lab, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Urban Green Lab, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Urban Green Lab, Inc. adopted new accounting guidance, ASC 842 Leases, effective January 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Urban Green Lab, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually, or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to the risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Urban Green Lab, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Urban Green Lab, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.


May 12, 2023

URBAN GREEN LAB, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

Current Assets

Cash and cash equivalents	\$ 798,564
Prepaid expense	5,670
Total current assets	<u>804,234</u>

Noncurrent Assets

Property and Equipment (net of accumulated depreciation of \$188,843)	10,000
Operating lease right-of-use assets	159,769
Total noncurrent assets	<u>169,769</u>

Total assets	<u><u>\$ 974,003</u></u>
--------------	--------------------------

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 363
Operating lease liabilities, current maturities	53,928
Total current liabilities	<u>54,291</u>

Long-Term Liabilities

Operating lease liabilities, less current maturities	108,909
Total long-term liabilities	<u>108,909</u>

Total liabilities	163,200
-------------------	---------

Net Assets

With donor restrictions	80,125
Without donor restrictions	730,678
Total net assets	<u>810,803</u>

Total liabilities and net assets	<u><u>\$ 974,003</u></u>
----------------------------------	--------------------------

The accompanying notes are an integral part of these financial statements

URBAN GREEN LAB, INC.
STATEMENT OF ACTIVITIES
DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue			
Public Support:			
Contributions	\$ 676,686	\$ 80,125	\$ 756,811
Government grant revenue	4,000	-	4,000
Gain on forgiveness of note payable	63,320	-	63,320
Total public support	744,006	80,125	824,131
Revenue:			
Program fees	4,719	-	4,719
Interest income	100	-	100
Total revenue	4,819	-	4,819
Net assets released from restrictions	26,750	(26,750)	-
Total public support and revenue	775,575	53,375	828,950
Expenses			
Program services:			
Classrooms	80,357	-	80,357
Households	62,506	-	62,506
Workplaces	89,673	-	89,673
Food waste	99,206	-	99,206
Total program services	331,742	-	331,742
Supporting services:			
Management and general	165,159	-	165,159
Fundraising	181,917	-	181,917
Total supporting services	347,076	-	347,076
Total expenses	678,818	-	678,818
Change in net assets	96,757	53,375	150,132
Net assets at beginning of year, as restated	633,921	26,750	660,671
Net assets at end of year	\$ 730,678	\$ 80,125	810,803

The accompanying notes are an integral part of these financial statements

URBAN GREEN LAB, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Program Services</u>					<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Classrooms</u>	<u>Households</u>	<u>Workplaces</u>	<u>Food Waste</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries	\$ 67,559	\$ 51,530	\$ 66,014	\$ -	\$ 185,103	\$ 40,488	\$ 132,470	\$ 172,958	\$ 358,061
Payroll taxes	5,037	3,837	4,958	-	13,832	2,970	9,429	12,399	26,231
Employee benefits	7,739	5,685	8,230	-	21,654	9,745	8,281	18,026	39,680
Total compensation	<u>80,335</u>	<u>61,052</u>	<u>79,202</u>	<u>-</u>	<u>220,589</u>	<u>53,203</u>	<u>150,180</u>	<u>203,383</u>	<u>423,972</u>
Programming	-	-	-	60,000	60,000	-	-	-	60,000
Professional fees	-	150	-	20,000	20,150	36,625	12,562	49,187	69,337
Marketing	-	-	2,936	17,886	20,822	-	9,741	9,741	30,563
Office rent	-	-	-	-	-	28,093	-	28,093	28,093
Office expenses	-	-	-	-	-	4,283	-	4,283	4,283
Training	-	225	713	-	938	12,668	-	12,668	13,606
Software fees	-	-	3,591	-	3,591	3,099	5,385	8,484	12,075
Dues and subscriptions	-	-	-	-	-	2,223	1,778	4,001	4,001
Operating lease expense	-	-	-	-	-	4,972	-	4,972	4,972
Insurance	-	-	-	-	-	9,446	-	9,446	9,446
Travel	-	-	1,180	1,320	2,500	1,432	870	2,302	4,802
Meetings	22	1,021	1,631	-	2,674	2,984	1,401	4,385	7,059
Staff and board appreciation	-	-	-	-	-	2,035	-	2,035	2,035
Utilities	-	-	-	-	-	1,927	-	1,927	1,927
Supplies	-	58	23	-	81	639	-	639	720
Miscellaneous	-	-	397	-	397	1,530	-	1,530	1,927
Total expenses by function	<u>\$ 80,357</u>	<u>\$ 62,506</u>	<u>\$ 89,673</u>	<u>\$ 99,206</u>	<u>\$ 331,742</u>	<u>\$ 165,159</u>	<u>\$ 181,917</u>	<u>\$ 347,076</u>	<u>\$ 678,818</u>
Current year's percentages	11.84%	9.21%	13.21%	14.61%	48.87%	24.33%	26.80%	51.13%	100.00%

The accompanying notes are an integral part of these financial statements

URBAN GREEN LAB, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

Cash Flows From Operating Activities:

Change in net assets	\$ 150,132
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Gain on forgiveness of note payable	(63,320)
Changes in operating assets and liabilities:	
Grants receivable	84,950
Prepaid expense	(4,827)
Accounts payable	(620)
Net cash provided by operating activities	<u>166,315</u>

Cash Flows From Investing Activities:

Purchase of leasehold improvements	<u>(10,000)</u>
Net cash used in investing activities	<u>(10,000)</u>

Net change in cash and cash equivalents	156,315
Cash and cash equivalents at beginning of year	<u>642,249</u>
Cash and cash equivalents at end of year	<u>\$ 798,564</u>

The accompanying notes are an integral part of these financial statements

URBAN GREEN LAB, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Urban Green Lab, Inc. (the “Organization”) is a nonprofit organization chartered in the State of Tennessee in 2009, to teach communities how to live sustainably. This is implemented by organizing, training, and connecting for classrooms, households, and workplaces. The Organization is supported primarily through corporate and foundation contributions.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor’s instructions.

Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as net assets without donor restrictions. When a restriction expires in a period after the contributions are received, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

URBAN GREEN LAB, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Presentation-continued

The amount for each of these classes of net assets is displayed in the statement of financial position and the amount of change in each class of net assets is displayed in the statement of activities.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments, with an original maturity when purchased of three months or less, to be cash and cash equivalents. At December 31, 2022, the Organization had no cash equivalents.

Property and Equipment

Property and equipment are recorded at cost to the Organization, or if donated, at the estimated fair market value at the date of donation. All depreciation is computed using the straight-line method based on the estimated useful life of the asset. Expenditures for repairs and maintenance are charged to operations when incurred. Estimated useful lives are 7 years each for vehicles and mobile lab, and 3 years for leasehold improvements. Expenditures for repairs and maintenance are charged to operations when incurred.

Support and Revenue Recognition

Government Grants and Contributions: Government Grants and contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest are received. Conditional promises to give, including those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Government grants and contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Program fees: Program fees are recognized at the time fees are earned, regardless of when it is received. Such program fees are for sustainability training services rendered to local businesses and governmental units.

URBAN GREEN LAB, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is a nonprofit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purpose (unless that income is otherwise excluded by the IRC). Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The Organization is not classified as a private foundation.

Expense Recognition and Allocation

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Meetings, travel, and other expenses that cannot be directly identified are also allocated on the basis of activity reports prepared by key personnel.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the website is updated with requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising.

URBAN GREEN LAB, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

New Accounting Pronouncement

On January 1, 2022, the Organization adopted Financial Accounting Standards Board issued Accounting Standards Update 2016-02, Leases (ASC 842). The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. As a result of adopting the new standard effective January 1, 2022, the Organization recorded operating lease right-of-use assets and operating lease liabilities of \$164,190. Adoption of the new standard did not materially impact the Company's net income and had no impact on beginning retained earnings or cash flows.

The Organization determines whether an arrangement is or contains a lease at lease inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. On the commencement date, operating leases are recorded as operating lease right-of-use ("ROU") assets and operating lease liabilities in the statement of financial position.

For operating leases, the lease liability is measured as the present value of the lease payments over the lease term using either the rate implicit in the lease, if it is determinable, or the Organization's incremental borrowing rate if the implicit rate is not determinable. Operating ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs and prepayments of rent, less any unamortized lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term. The Organization has elected not to recognize a ROU asset and lease liability for leases with an initial term of 12 months or less but includes the expense associated with short-term leases in lease expense in the statement of activities.

ROU assets are assessed for impairment in accordance with the Organization's long-lived asset policy. Management reassesses lease classification and remeasures ROU assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with ASC 842.

URBAN GREEN LAB, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization has \$718,439 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash that is not subject to donor or other contractual restrictions that make it unavailable for general expenditure within one year of the balance sheet date.

The Organization has a goal to maintain financial assets, which consist of cash on hand to meet 90 days of normal operating expenses. The Organization also has a policy to structure its financial assets to be available as its general expenditures, liabilities, and any other obligations come due.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2022:

Mobile lab	\$ 137,573
Vehicle	51,270
Leasehold improvements	<u>10,000</u>
	\$ 198,843
Less accumulated depreciation	<u>(188,843)</u>
	<u>\$ 10,000</u>

NOTE 4 – CONCENTRATION OF RISK

Amounts held in a financial institution occasionally are in excess of the Federal Deposit Insurance Corporation limit. The organization deposits its cash with a high-quality financial institution, and management believes the organization is not exposed to significant credit risk on those amounts

NOTE 5 – GAIN ON FORGIVENESS OF NOTE PAYABLE

On January 28, 2021, the Organization was granted a loan from City National Bank in the aggregate amount of \$63,320, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (“CARES”), which was enacted March 27, 2020. Funds from the loan were used for qualifying expenses including payroll costs, costs used to continue group health care benefits, rent, and utilities. As such, the conditions for forgiveness had been met and on January 26, 2022, the PPP loan was forgiven. This forgiveness is recognized in the Statement of Activities in the revenue section as a gain on forgiveness of note payable.

URBAN GREEN LAB, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 6 – LEASES

The Organization leases office space under an operating lease expiring in October 2025. No renewal or termination options are provided for in the above operating lease. In the normal course of business, operating leases are generally renewed or replaced by other leases.

The components of lease expense for December 31, 2022 is as follows:

Operating lease expense	\$4,972
-------------------------	---------

Additional supplemental information regarding assumptions for operating lease is as follows for December 31, 2022:

Weighted-average remaining lease term (years)	2.83
Weighted-average discount rate	4.03%

As of December 31, 2022, the maturity of the operating lease liabilities is as follows:

	Maturity
2023	59,307
2024	60,913
2025	<u>51,900</u>
Total undiscounted cash flows	\$172,120
Less: present value discount	<u>(9,283)</u>
Total operating lease liabilities	\$ <u>162,837</u>

NOTE 7 – REVOLVING LINE OF CREDIT

The Organization has a \$50,000 unsecured revolving line of credit requiring any outstanding principal plus all accrued unpaid interest to be paid in one payment on January 15, 2024. Interest portion on any outstanding principal balance will be at a variable rate based on .75% over the prime rate not to be less than 4.00% or more than the lesser of 30.00% or the maximum rate allowed by applicable law. As of December 31, 2022, the Organization had no borrowings against this revolving line of credit.

URBAN GREEN LAB, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2022, net assets with donor restrictions are available for the following purposes:

Environmental Justice	\$ 52,275
Classrooms	15,000
Food Waste	<u>12,850</u>
Total	<u>\$ 80,125</u>

NOTE 9 – RESTATEMENT OF NET ASSETS

For the year ended December 31, 2021, recognition of grant receivables for foundation grant awards was not made. The impact on the financial statements was an increase to beginning net assets as follows:

Net assets – beginning of year, as previously reported	\$ 585,732
Adjustment to record employee retention credit receivable	<u>74,939</u>
Net assets – beginning of year, as restated	<u>\$ 660,671</u>

NOTE 10 – RETIREMENT PLAN

The Organization has a simplified employee pension plan for essentially all employees developed pursuant to Internal Revenue Code Section 408(p). The Organization matches employees' contributions of up to 3% of annual salary and totaled \$10,287 for the year ending December 31, 2022.

NOTE 11 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through May 12, 2023, the issuance of the Organization's financial statements.