

**URBAN GREEN LAB, INC.**  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**  
**DECEMBER 31, 2023**

**URBAN GREEN LAB, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

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## 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, 2023, 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, 2023, 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.

### **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.

*Thomasen Financial Resources*

April 14, 2024

**URBAN GREEN LAB, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2023**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$	360,892
Contributions receivable		50,000
Grants receivable		20,450
Total current assets		<u>431,342</u>

**Noncurrent Assets**

Property and Equipment (net of accumulated depreciation of \$8,005)		40,192
Operating lease right-of-use assets		105,483
Total noncurrent assets		<u>145,675</u>

Total assets	\$	<u><u>577,017</u></u>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$	3,307
Accrued expenses		3,217
Operating lease liabilities, current maturities		57,784
Total current liabilities		<u>64,308</u>

**Long-Term Liabilities**

Operating lease liabilities, less current maturities		51,125
Total long-term liabilities		<u>51,125</u>

Total liabilities		115,433
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**Net Assets**

With donor restrictions		48,490
Without donor restrictions		413,094
Total net assets		<u>461,584</u>

Total liabilities and net assets	\$	<u><u>577,017</u></u>
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The accompanying notes are an integral part of these financial statements

**URBAN GREEN LAB, INC.  
STATEMENT OF ACTIVITIES  
DECEMBER 31, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Public Support and Revenue</b>			
Public Support:			
Contributions	\$ 588,659	\$ 640	\$ 589,299
Grant revenue	15,000	20,000	35,000
Government grant revenue	8,144	-	8,144
Total public support	<u>611,803</u>	<u>20,640</u>	<u>632,443</u>
Revenue:			
Program fees	6,156	-	6,156
Interest income	101	-	101
Total revenue	<u>6,257</u>	<u>-</u>	<u>6,257</u>
Net assets released from restrictions	<u>52,275</u>	<u>(52,275)</u>	<u>-</u>
<b>Total public support and revenue</b>	<u>670,335</u>	<u>(31,635)</u>	<u>638,700</u>
<b>Expenses</b>			
Program services:			
Classrooms	188,741	-	188,741
Households	145,002	-	145,002
Workplaces	198,524	-	198,524
Special initiatives	125,066	-	125,066
Total program services	<u>657,333</u>	<u>-</u>	<u>657,333</u>
Supporting services:			
Management and general	146,768	-	146,768
Fundraising	183,818	-	183,818
Total supporting services	<u>330,586</u>	<u>-</u>	<u>330,586</u>
<b>Total expenses</b>	<u>987,919</u>	<u>-</u>	<u>987,919</u>
<b>Change in net assets</b>	<u>(317,584)</u>	<u>(31,635)</u>	<u>(349,219)</u>
Net assets at beginning of year	730,678	80,125	810,803
<b>Net assets at end of year</b>	<u>\$ 413,094</u>	<u>\$ 48,490</u>	<u>\$ 461,584</u>

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, 2023**

	<u>Program Services</u>					<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Classrooms</u>	<u>Households</u>	<u>Workplaces</u>	<u>Special Initiatives</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries	\$ 120,192	\$ 79,124	\$ 124,545	\$ 47,302	\$ 371,163	\$ 41,484	\$ 106,794	\$ 148,278	\$ 519,441
Payroll taxes	10,133	7,125	10,521	4,685	32,464	3,070	3,923	6,993	39,457
Employee benefits	9,273	12,870	10,004	5,806	37,953	9,596	9,874	19,470	57,423
Total compensation	<u>139,598</u>	<u>99,119</u>	<u>145,070</u>	<u>57,793</u>	<u>441,580</u>	<u>54,150</u>	<u>120,591</u>	<u>174,741</u>	<u>616,321</u>
Professional fees	4,400	4,400	4,400	4,400	17,600	29,419	13,757	43,176	60,776
Marketing	22,559	23,599	23,837	40,643	110,638	1,011	26,358	27,369	138,007
Operating lease expense	11,933	11,933	11,933	11,933	47,732	2,983	8,951	11,934	59,666
Office expenses	-	-	-	-	-	2,194	-	2,194	2,194
Training	1,432	-	827	1,140	3,399	15,431	12	15,443	18,842
Software fees	796	796	4,387	-	5,979	3,868	9,849	13,717	19,696
Insurance	-	-	-	-	-	10,421	-	10,421	10,421
Travel	3,569	471	3,260	490	7,790	2,103	1,499	3,602	11,392
Meetings	722	1,114	1,196	174	3,206	5,111	171	5,282	8,488
Staff and board appreciation	-	-	122	-	122	8,346	-	8,346	8,468
Professional fees grant and award	250	-	-	5,000	5,250	-	-	-	5,250
Utilities	1,976	1,976	1,976	1,975	7,903	494	1,482	1,976	9,879
Supplies	-	88	10	12	110	2,856	17	2,873	2,983
Depreciation	-	-	-	-	-	8,005	-	8,005	8,005
Miscellaneous	1,506	1,506	1,506	1,506	6,024	376	1,131	1,507	7,531
Total expenses by function	<u>\$ 188,741</u>	<u>\$ 145,002</u>	<u>\$ 198,524</u>	<u>\$ 125,066</u>	<u>\$ 657,333</u>	<u>\$ 146,768</u>	<u>\$ 183,818</u>	<u>\$ 330,586</u>	<u>\$ 987,919</u>
Current year's percentages	19.10%	14.68%	20.10%	12.66%	66.54%	14.86%	18.61%	33.46%	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, 2023**

**Cash Flows From Operating Activities:**

Change in net assets	\$ (349,219)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	8,005
Changes in operating assets and liabilities:	
Contributions receivable	(50,000)
Grants receivable	(20,450)
Prepaid expense	5,670
Accounts payable	2,944
Accrued expenses	3,217
Net cash used in operating activities	<u>(399,833)</u>

**Cash Flows From Investing Activities:**

Purchase of property and equipment	<u>(37,839)</u>
Net cash used in investing activities	<u>(37,839)</u>

Net change in cash and cash equivalents	(437,672)
Cash and cash equivalents at beginning of year	798,564
Cash and cash equivalents at end of year	<u>\$ 360,892</u>

The accompanying notes are an integral part of these financial statements



**URBAN GREEN LAB, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

**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, 2023**

**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, 2023, 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 for furniture and fixtures, 3 years for computer equipment and 3 years for leasehold improvements. Expenditures for repairs and maintenance are charged to operations when incurred.

**Support and Revenue Recognition**

*Contributions, Grants, and Government Grants:* Contributions, Grants, and Government Grants 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. Contributions, Grants, and Government Grants 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, 2023**

**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, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Leases**

The Organization leases office space for its operating headquarters. The determination of whether an arrangement is a lease is made at the lease's inception. For contracts entered into on or after the effective date or at the inception of a contract, the Organization assessed whether the contract is, or contains, a lease. The assessment is based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether the Organization obtains the right to substantially all the economic benefit from the use of the asset throughout the period, and (3) whether the Organization has the right to direct the use of the asset. The Organization has also elected not to recognize right-of-use ("ROU") assets and lease liabilities for short-term leases that have a term of twelve months or less but includes the expense associated with short-term leases in rent expense in the statement of activities. The effect of short-term leases would not be material to the ROU assets and lease liabilities.

The operating lease is recorded as an operating lease ROU asset and operating lease liability in the statement of financial position. For the operating lease, the lease liability is measured as the present value of the lease payments over the lease term using the rate implicit in the lease, if it is determinable. The operating lease does not provide an implicit rate and as such, the Organization has elected to utilize the incremental borrowing rate to calculate the lease asset and liability. Operating ROU asset is 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 term may include renewal or extension options to the extent they are reasonably certain to be exercised. Operating lease expense is recognized on a straight-line basis over the lease term 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, 2023**

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprise the following as of December 31, 2023:

Financial assets at year-end:	
Cash and cash equivalents	\$360,892
Contributions receivable	50,000
Grants receivable	<u>20,450</u>
 Total financial assets	 \$431,342
 Less amounts not available to be used within one year	
Donor-restricted funds cash and cash equivalents	28,490
Grants receivable with donor restrictions	<u>20,000</u>
Financial assets to meet cash needs for General expenditures within one year	 <u>\$382,852</u>

The Organization has a goal to maintain financial assets, which consist of cash on hand to meet six months 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, 2023:

Furniture and fixtures	\$31,441
Leasehold improvements	10,000
Leasehold improvements	<u>6,756</u>
	\$48,197
Less accumulated depreciation	<u>(8,005)</u>
	<u>\$ 40,192</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

**URBAN GREEN LAB, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 5 – 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 component of lease expense for December 31, 2023 is as follows:

Operating lease expense	\$59,666
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Additional supplemental information regarding assumptions for operating lease is as follows for December 31, 2023:

Weighted-average remaining lease term (years)	1.83
Weighted-average discount rate	4.03%

As of December 31, 2023, the maturity of the operating lease liabilities is as follows:

<b>Maturity</b>	
2024	\$ 60,913
2025	<u>51,900</u>
Total undiscounted cash flows	\$112,813
Less: present value discount	<u>( 3,904)</u>
Total operating lease liabilities	<u>\$108,909</u>

**NOTE 6 – 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, 2025. Interest portion on any outstanding principal balance will be at a variable rate based on the prime rate not to be less than 4.50% or more than the lesser of 30.00% or the maximum rate allowed by applicable law. As of December 31, 2023, the Organization had no borrowings against this revolving line of credit.

**URBAN GREEN LAB, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

At December 31, 2023, net assets with donor restrictions are available for the following purposes:

Environmental Justice	\$ 20,000
Classrooms	15,000
Food Waste	<u>13,490</u>
Total	<u>\$ 48,490</u>

**NOTE 8 – 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 \$15,348 for the year ending December 31, 2023.

**NOTE 9 – SUBSEQUENT EVENTS**

The Organization evaluated subsequent events through April 14, 2024, the issuance of the Organization's financial statements.