Urban Tilth

Financial Statements

December 31, 2023 and 2022

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Independent Auditors' Report

To the Board of Directors of
Urban Tilth

Opinion

We have audited the accompanying financial statements of Urban Tilth (the Organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 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 those 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 the Organization'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 the Organization'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.

Baker Tilly US, LLP

Los Angeles, California
December 5, 2024

Urban Tilth

Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Cash	$ 8,793,179	$ 18,212,410
Accounts receivable	68,777	453,099
Contributions and grants receivable, net	1,516,458	1,886,172
Prepaid expenses	113,625	60,726
Property and equipment, net	13,891,820	5,899,145
Note receivable from related party	1,696,666	-
Other assets	18,750	18,750
Total assets	$ 26,099,275	$ 26,530,302
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 1,731,951	$ 146,127
Accrued liabilities	159,093	7,777
Notes payable	10,000,000	10,000,000
Total liabilities	11,891,044	10,153,904
Net Assets		
Without donor restrictions	8,428,923	5,371,201
With donor restrictions	5,779,308	11,005,197
Total net assets	14,208,231	16,376,398
Total liabilities and net assets	$ 26,099,275	$ 26,530,302

See notes to financial statements

Urban Tilth

Statement of Activities
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Revenue:			
Memberships	$ 166,417	$ -	$ 166,417
Product sales	46,856	-	46,856
Other income	87,833	-	87,833
Total revenue	301,106	-	301,106
Support:			
Foundation grants	1,474,374	1,773,578	3,247,952
Government grants	339,168	10,100	349,268
Individual and corporate contributions	1,002,788	2,277,208	3,279,996
Total support	2,816,330	4,060,886	6,877,216
Net assets released from restrictions	9,286,775	(9,286,775)	-
Total revenue and support	12,404,211	(5,225,889)	7,178,322
Expenses			
Program services	7,978,786	-	7,978,786
Management and general	1,246,100	-	1,246,100
Fundraising	121,603	-	121,603
Total expenses	9,346,489	-	9,346,489
Change in net assets	3,057,722	(5,225,889)	(2,168,167)
Net Assets, Beginning	5,371,201	11,005,197	16,376,398
Net Assets, Ending	$ 8,428,923	$ 5,779,308	$ 14,208,231

See notes to financial statements

Urban Tilth

Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Revenue:			
Memberships	$ 167,353	$ -	$ 167,353
Product sales	49,374	-	49,374
Other income	2,121	-	2,121
Total revenue	218,848	-	218,848
Support:			
Foundation grants	5,082,687	4,943,640	10,026,327
Government grants	596,575	10,400	606,975
Individual and corporate contributions	779,136	625,970	1,405,106
Total support	6,458,398	5,580,010	12,038,408
Net assets released from restrictions	3,122,618	(3,122,618)	-
Total revenue and support	9,799,864	2,457,392	12,257,256
Expenses			
Program services	3,199,006	-	3,199,006
Management and general	1,084,203	-	1,084,203
Fundraising	49,943	-	49,943
Total expenses	4,333,152	-	4,333,152
Change in net assets	5,466,712	2,457,392	7,924,104
Net Assets, Beginning	(95,511)	8,547,805	8,452,294
Net Assets, Ending	$ 5,371,201	$ 11,005,197	$ 16,376,398

See notes to financial statements

Urban Tilth

Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services	Management and General	Fundraising	Total
Salaries and employee benefits	$ 3,549,073	$ 591,160	$ 84,409	$ 4,224,642
Contribution expense	2,744,180	-	-	2,744,180
Events	659,405	39,953	-	699,358
Professional fees	42,105	218,497	15,392	275,994
Other supplies	259,183	320	-	259,503
Cost of good sold	152,035	-	-	152,035
Depreciation expense	116,344	34,487	-	150,831
Licenses and fees	125,663	9,484	-	135,147
Repairs and maintenance	89,087	30,728	-	119,815
Computer expense	44,017	44,974	14,549	103,540
Insurance	13,649	72,795	4,550	90,994
Utilities	14,747	66,893	-	81,640
Office supplies	41,190	35,789	1,058	78,037
Farm and garden supplies	70,980	1,292	-	72,272
Occupancy	16,557	46,389	-	62,946
Advertising	36,222	13,135	1,645	51,002
Vehicle expense	2,390	25,702	-	28,092
Telephone	1,959	12,837	-	14,796
Interest expense	-	1,290	-	1,290
Bad debt expense	-	375	-	375
Total expenses	$ 7,978,786	$ 1,246,100	$ 121,603	$ 9,346,489

See notes to financial statements

Urban Tilth

Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Total
Salaries and employee benefits	$ 2,138,664	$ 680,381	$ 19,305	$ 2,838,350
Program events	364,195	-	-	364,195
Other supplies	253,016	824	-	253,840
Cost of goods sold	139,405	-	-	139,405
Farm and garden supplies	89,975	55	274	90,304
Professional fees	27,463	51,764	1,420	80,647
Advertising	43,598	32,374	2,943	78,915
Insurance	10,983	58,573	3,661	73,217
Occupancy	24,663	30,085	11,700	66,448
Repairs and maintenance	37,747	13,529	5,115	56,391
Utilities	13,567	40,537	-	54,104
Licenses and fees	16,555	32,975	4,055	53,585
Office supplies	27,403	20,355	7	47,765
Depreciation expense	-	34,476	-	34,476
Bad debt expense	-	24,541	-	24,541
Interest expense	-	24,354	-	24,354
Computer expense	6,792	15,088	-	21,880
Telephone	1,906	15,970	-	17,876
Vehicle expense	2,403	8,322	-	10,725
Other expense	671	-	1,463	2,134
Total expenses	$ 3,199,006	$ 1,084,203	$ 49,943	$ 4,333,152

Urban Tilth

Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Change in net assets	$ (2,168,167)	$ 7,924,104
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	150,831	34,476
Bad debt expense	375	24,541
Noncash contributions to related party	2,744,180	-
Changes in operating asses and liabilities:		
Accounts receivables	383,947	(167,661)
Contributions and grants receivable, net	369,714	1,750,130
Prepaid expenses	(52,899)	(33,263)
Other assets	-	54,900
Accounts payable	1,585,824	31,230
Accrued liabilities	151,316	5,481
Net cash provided by operating activities	3,165,121	9,623,938
Cash Flows From Investing Activities		
Purchases of property and equipment	(12,584,352)	(3,852,950)
Net cash used in investing activities	(12,584,352)	(3,852,950)
Cash Flow From Financing Activities		
Proceeds from notes payable	-	10,000,000
Net cash provided by financing activities	-	10,000,000
Net (decrease) increase in cash	(9,419,231)	15,770,988
Cash, Beginning	18,212,410	2,441,422
Cash, Ending	$ 8,793,179	$ 18,212,410
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	$ 1,290	$ 24,354
Noncash Investing Activities		
Transfer of properties to related party in exchange for note receivable	$ 2,196,666	$ -

See notes to financial statements

1. Description of Business

Organization

Urban Tilth (the Organization) is a California nonprofit organization committed to educate diverse communities about organic gardening and to support a network of gardens dedicated to sustainable, local food production. Urban Tilth inspires, hires, and trains local residents to cultivate agriculture, feed our community, and restore relationships to land to build a more sustainable food system, within a just and healthier community.

2. Summary of Significant Accounting Policies

The summary of significant accounting policies presented below is designed to assist in understanding the Organization's financial statements. The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America for Not-for-Profit Organizations (GAAP).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the functional allocation of expenses.

Net Assets

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. The Organization did not have any net assets designated by the Board of Directors at December 31, 2023 and 2022.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, or are required to be maintained permanently by the Organization.

Cash and Cash Equivalents

The Organization considers all highly liquid short-term investments, with original maturity dates of three months or less when purchased to be cash equivalents. The Organization did not have any cash equivalents at December 31, 2023 and 2022.

Contributions, Grants and Accounts Receivable

Contributions and grants receivable are unconditional promises to give that are recognized as contributions or grants when the promise is received. Contributions and grants receivable that are expected to be collected in less than one year are reported at a net realizable value. Contributions and grants receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution or grant revenue.

Accounts receivable are stated at the amount management expects to collect from outstanding customer balances.

Effective January 1, 2023, the Organization prospectively adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)*. During 2023, under the standard, the Organization recognizes an allowance for credit losses for trade receivables to present the net amount expected to be collected as of the statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events based on management's expectation as of the statement of financial position date. Receivables are written off when the Organization determines that such receivables are deemed uncollectible. The Organization pools its receivables based on similar risk characteristics in estimating its expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the Organization measures those receivables individually. The Organization also continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change.

The Organization utilizes the loss rate method when determining its lifetime expected credit losses on its receivables. This method is used for calculating an estimate of losses based primarily on the Organization's historical loss experience. In determining its loss rates, the Organization evaluates information related to its historical losses, adjusted for current conditions, and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and reasonable and supportable forecast period consider all the following: past due receivables, historical collection rates, the federal reserve projected change in real Gross Domestic Product (GDP) and National Credit Union Administration (NCUA's) most current loan loss to average asset ratio. For receivables that are not expected to be collected within the normal business cycle, the Organization considers current and forecasted direction of the economic and business environment.

During the year ended December 31, 2023, the Organization experienced no credit losses. As of December 31, 2023, accounts receivable are expected to be collected in full and no adjustments are considered necessary.

Property and Equipment

Property and equipment in excess of $2,500, if purchased, are recorded at cost or, if donated, at fair market value at the time of receipt. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the related assets, ranging from three to twenty-eight years. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Revenue Recognition

Support

Unconditional contributions and grants are recognized as revenue when the promise to give is made by the donor. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give are excluded from support and revenues until the conditions are substantially met. At December 31, 2023, the Organization had outstanding conditional promises to give in the amount of $1,696,666 (refer to Note 9). At December 31, 2022, there were no conditional promises to give.

Services

Revenue recognition is evaluated under Accounting Standards Codification (ASC) No. 606 through the following five steps:

1) identification of the contract or contracts with a customer;
2) identification of the performance obligations in the contract;
3) determination of the transaction price;
4) allocation of the transaction price in the contract; and
5) recognition of revenue when or as a performance obligation is satisfied. The Organization assesses the contract term as the period in which the parties to the contract have presently enforceable rights and obligations.

Memberships

Membership revenue is recognized when received.

Product Sales

Revenues from product sales are recognized when the products are sold.

Functional Allocation of Expenses

The costs of providing the various program services and other activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefits based on factors such as employee time and square footage.

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code, Section 23701d. Accordingly, it has not provided for income taxes in these financial statements.

Each year, management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions the Organization has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these financial statements.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Financial Instruments – Credit Losses (Topic 326).* The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. For financial instruments included in the scope, the CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial assets is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current accounting principles generally accepted in the United States of America, which generally require that a loss be incurred before it is recognized. On January 1, 2023, the Organization adopted the ASU using the modified retrospective approach. There was no adjustment to beginning net assets upon adoption.

Subsequent Events

The Organization has evaluated subsequent events through December 5, 2024, which is the date the financial statements were approved and available to be issued.

3. Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal, including cash, accounts receivable and contributions receivable. The table below presents financial assets available to fund general operating expenditures within one year at December 31, 2023 and 2022:

	2023	2022
Cash	$ 8,793,179	$ 18,212,410
Accounts receivable	68,777	453,099
Contributions and grants receivable	1,516,458	1,886,172
Total financial assets	10,378,414	20,551,681
Donor restricted assets not available for use within one year	(331,000)	(350,000)
Total financial assets available to meet general expenditures within one year	$ 10,047,414	$ 20,201,681

4. Contributions and Grants Receivable

At December 31, 2023 and 2022, contributions and grants receivable consist of unconditional promises to give and have been recorded at their present values. Those receivables that are due in future periods have been discounted to their present values, using a discount rate of 3%. The receivables are expected to be collected as follows:

	2023	2022
Due in less than one year	$ 1,208,577	$ 1,564,500
Due in one to five years	331,000	350,000
Total contributions and grants receivable	1,539,577	1,914,500
Less discount to present value	(23,119)	(28,328)
Total	$ 1,516,458	$ 1,886,172

5. Property and Equipment

At December 31, 2023 and 2022, property and equipment consist of the following:

	2023	2022
Land	$ 1,700,094	$ 2,050,094
Building	3,636,485	503,642
Furniture and equipment	241,667	114,505
Vehicle	270,075	90,097
	5,848,321	2,758,338
Accumulated depreciation	(254,842)	(111,963)
	5,593,479	2,646,375
Construction in progress	8,298,341	3,252,770
Total	$ 13,891,820	$ 5,899,145

6. Notes Payable

In December 2019, the Organization entered into a loan agreement for $300,000 with an unrelated party. The loan is noninterest bearing and has no specified timetable for it to be repaid. The loan was repaid in full during the year ended December 31, 2021. In June 2022, the Organization entered into a new loan agreement with the same unrelated party in the amount of $6,000,000 with the same terms.

In November 2022, the Organization entered into two loan agreements with a different unrelated party for a total borrowing of $3,000,000. The loan is to be repaid in full on or before November 2027 and is noninterest bearing.

In November 2022, the Organization entered into a loan agreement with a different unrelated party for a total borrowing of $1,000,000. The loan is to be repaid in full on or before November 2027 and is noninterest bearing. At both December 31, 2023 and 2022, notes payable total $10,000,000.

7. Net Assets With Donor Restrictions

At December 31, 2023 and 2022, net assets with donor restriction consists of the following:

	2023	2022
Time restricted	$ 1,019,958	$ 600,000
Time and purpose restricted:		
Rich City Rides	-	342,000
Richmond Our Power Coalition	496,500	550,000
Purpose restricted:		
Rich City Rides	1,207,252	1,510,322
NRF Capital Campaign	1,169,444	5,423,032
Richmond Our Power Coalition	1,108,611	1,749,180
Greenway Gardens	234,967	235,404
Cooperation Richmond	216,726	245,809
Wellness Fund	113,500	113,500
Magic Cabinet	101,968	-
Watersheds	46,915	26,000
Richmond High School Gardens	34,500	34,500
Verde Partnership Garden	24,000	24,000
Just Transition	-	85,500
Various Projects	4,967	65,950
Total	$ 5,779,308	$ 11,005,197

For the years ended December 31, 2023 and 2022, net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

	2023	2022
Time restricted	$ 34,000	$ 2,703,000
NRF Capital Campaign	4,483,088	-
Rich City Rides	3,579,812	180,676
Richmond Our Power Coalition	320,611	100,000
Cooperation Richmond	317,307	11,957
Watersheds	149,605	-
Just Transition	123,750	37,500
Magic Cabinet	45,360	-
Wellness Fund	30,000	30,500
Verde Partnership Garden	25,303	5,000
Greenway Gardens	17,480	36,057
Nebeta Farm Project	10,000	-
Travel to Convening	1,000	-
Various Projects	149,459	17,928
Total	$ 9,286,775	$ 3,122,618

8. Concentrations

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, account receivable and contributions receivable. Cash balances with any one institution may, at times, be in excess of federally insured amounts (currently $250,000 per depositor). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

At December 31, 2023, approximately 73% of the contributions receivable were from four donors. At December 31, 2022, approximately 47% of the contributions receivable were from three donors.

During the year ended December 31, 2023, the Organization received approximately 37% of its contributions from two donors. During the year ended December 31, 2022, the Organization received approximately 44% of its contributions from two donors.

9. Related Party Transactions

The Organization leases office space on a month-to-month basis from an entity affiliated with the Organization. During the years ended December 31, 2023 and 2022, the Organization paid $62,946 and $66,448, respectively.

During 2023, the Organization purchased properties previously being leased to its fiscally sponsored project, Rich City Rides (RCR), for a total purchase price of $4,440,846. The properties were purchased with the intent to subsequently transfer them to Rich City, a new California nonprofit public benefit corporation formed to take over RCR from the Organization. The Organization purchased the building with cash, of which $2,224,180 was raised through the RCR project.

On October 18, 2023, the properties were transferred to Rich City in exchange for a promissory note of $2,196,666. The promissory note matures on December 31, 2024, and bears an interest rate of 7%, which will begin to accrue on any unpaid balance after the maturity date. Subsequent to entering into the promissory note, RCR, still a fiscally sponsored project of the Organization at the time, raised an additional $500,000 on behalf of Rich City to reduce the balance of the promissory note. As of December 31, 2023, the remaining balance on the note receivable was $1,696,666.

The Organization recognized contribution expense of $2,744,180 related to the transfer of properties to Rich City during the year ended December 31, 2023, which represents the portion of cash used to fund the initial purchase of the building in the amount of $2,224,180 and subsequent donations of $500,000 raised through the RCR project.

The remaining programs and operations of RCR will be transferred to Rich City in phases as Rich City is able to set up critical administrative systems.

In August 2023, the Organization and RCR entered into grant agreements with the City of Richmond as a subgrantee of the Transformative Climate Communities (TCC) grant, for grants amounting to $7,042,833 and $3,680,567, respectively. The City of Richmond is a related party of one of the officers of the Organization. The grants terminate on December 31, 2028. The Organization expended and recognized $155,991 under these grants for the year ended December 31, 2023, of which $150,733 is outstanding at December 31, 2023 and included in contributions and grants receivable on the statement of financial position.