

UNITY SHOPPE, INC.
FINANCIAL STATEMENTS
JUNE 30, 2022

UNITY SHOPPE, INC.

JUNE 30, 2022

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Unity Shoppe, Inc.
Santa Barbara, California

Opinion

We have audited the accompanying financial statements of Unity Shoppe, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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 Unity Shoppe as of June 30, 2022, and the changes in its net assets and its cash flows for the year 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. 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 Unity Shoppe 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 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 Unity Shoppe'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 generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 Unity Shoppe'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Unity Shoppe'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.

Report on Summarized Comparative Information

We have previously audited Unity Shoppe, Inc.'s June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those statements in our report dated April 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McGowan Guntermann

Santa Barbara, California

March 23, 2023

UNITY SHOPPE, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2022

(With Comparative Totals for June 30, 2021)

	ASSETS			(Memo)
	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
Current Assets				
Cash and cash equivalents	\$ 2,724,872	\$ -	\$ 2,724,872	\$ 2,741,647
Investments (Note 4)	253,654	-	253,654	197,946
Beneficial interest in assets held by others (Note 2)	146,633	-	146,633	148,012
Inventory	740,604	-	740,604	809,042
Accounts receivable	16,494	-	16,494	-
Pledges receivable, net (Note 3)	-	-	-	7,000
Total Current Assets	3,882,257	-	3,882,257	3,903,647
Other Assets				
Net property and equipment (Note 6)	8,899,196	-	8,899,196	9,052,368
Amortized loan costs	10,959	-	10,959	14,060
Total Other Assets	8,910,155	-	8,910,155	9,066,428
Total Assets	\$ 12,792,412	\$ -	\$ 12,792,412	\$ 12,970,075
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued expenses	\$ 60,553	\$ -	\$ 60,553	\$ 75,118
Current portion of mortgage and notes payable (Note 7)	102,581	-	102,581	97,710
Total Current Liabilities	163,134	-	163,134	172,828
Long-term Liabilities				
Mortgage and notes payable (Note 7)	3,012,644	-	3,012,644	3,460,908
Total Long-Term Liabilities	3,012,644	-	3,012,644	3,460,908
Total Liabilities	3,175,778	-	3,175,778	3,633,736
Net Assets				
Without Donor Restrictions				
Operating net assets	3,686,030	-	3,686,030	3,687,577
Board designated	146,633	-	146,633	148,012
Property and equipment, net of related debt	5,783,971	-	5,783,971	5,493,750
Total Without Donor Restrictions	9,616,634	-	9,616,634	9,329,339
With Donor Restrictions				
Total Net Assets	-	-	-	7,000
Total Net Assets	9,616,634	-	9,616,634	9,336,339
Total Liabilities and Net Assets	\$ 12,792,412	\$ -	\$ 12,792,412	\$ 12,970,075

The accompanying notes are an integral part of these financial statements.

UNITY SHOPPE, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>	<u>(Memo)</u>
	<u>Restrictions</u>	<u>Restrictions</u>	<u>2022</u>	<u>Total</u>
				<u>2021</u>
Public Support and Revenue				
Public Support				
Contributions	\$ 1,961,977	\$ -	\$ 1,961,977	\$ 3,045,719
In-kind contributions	2,146,277	-	2,146,277	1,436,415
PPP loan forgiveness	-	-	-	302,750
Other	1,249	-	1,249	-
Special events (net of expenses of \$79,457 and \$92,489)	<u>467,733</u>	<u>-</u>	<u>467,733</u>	<u>617,866</u>
Total Public Support	<u>4,577,236</u>	<u>-</u>	<u>4,577,236</u>	<u>5,402,750</u>
Revenue				
Retail store sales, net	179,066	-	179,066	22,055
Investment income (loss), net of fees	(33,732)	-	(33,732)	79,248
Net assets released from restrictions	<u>7,000</u>	<u>(7,000)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>152,334</u>	<u>(7,000)</u>	<u>145,334</u>	<u>101,303</u>
Total Public Support and Revenue	<u>4,729,570</u>	<u>(7,000)</u>	<u>4,722,570</u>	<u>5,504,053</u>
Expenses				
Program Services	<u>4,029,127</u>	<u>-</u>	<u>4,029,127</u>	<u>3,878,647</u>
Supporting Services				
Administrative	292,210	-	292,210	267,015
Fundraising	<u>120,938</u>	<u>-</u>	<u>120,938</u>	<u>107,528</u>
Total Supporting Services	<u>413,148</u>	<u>-</u>	<u>413,148</u>	<u>374,543</u>
Total Expenses	<u>4,442,275</u>	<u>-</u>	<u>4,442,275</u>	<u>4,253,190</u>
Change in Net Assets	287,295	(7,000)	280,295	1,250,863
Net Assets, Beginning of Year	<u>9,329,339</u>	<u>7,000</u>	<u>9,336,339</u>	<u>8,085,476</u>
Net Assets, End of Year	<u>\$ 9,616,634</u>	<u>\$ -</u>	<u>\$ 9,616,634</u>	<u>\$ 9,336,339</u>

The accompanying notes are an integral part of these financial statements.

UNITY SHOPPE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	Program Services	Administrative	Fundraising	Total 2022	(Memo) Total 2021
Payroll Related Expenses					
Salaries and wages	\$ 1,006,861	\$ 88,841	\$ 88,841	\$ 1,184,543	\$ 1,007,788
Employee benefits	96,730	8,535	8,535	113,800	103,057
Payroll taxes	73,399	11,086	11,086	95,571	76,495
Total Payroll Related Expenses	<u>1,176,990</u>	<u>108,462</u>	<u>108,462</u>	<u>1,393,914</u>	<u>1,187,340</u>
Operating Expenses					
Accounting fees	10,056	24,595	-	34,651	34,723
Advertising and promotions	11,894	-	8,792	20,686	22,169
Bank fees	5,456	9,914	-	15,370	17,335
Delivery and auto	-	-	-	-	24,187
In kind distributions	2,214,714	-	-	2,214,714	2,173,509
Insurance	42,430	6,810	-	49,240	84,258
Interest expense	82,707	80,294	-	163,001	131,093
Licenses, fees and taxes	-	2,850	-	2,850	5,257
Occupancy	3,208	-	292	3,500	42,000
Office expenses	87,678	17,308	3,392	108,378	77,059
Outside services	29,546	8,169	-	37,715	63,460
Program expenses	77,395	-	-	77,395	123,440
Repairs and maintenance	63,381	-	-	63,381	27,404
Utilities	75,823	2,466	-	78,289	63,006
Total Operating Expenses	<u>2,704,288</u>	<u>152,406</u>	<u>12,476</u>	<u>2,869,170</u>	<u>2,888,900</u>
Depreciation and amortization	<u>147,849</u>	<u>31,342</u>	<u>-</u>	<u>179,191</u>	<u>176,950</u>
2022 Total Expenses	<u>\$ 4,029,127</u>	<u>\$ 292,210</u>	<u>\$ 120,938</u>	<u>\$ 4,442,275</u>	
2021 Total Expenses (Memo)	<u>\$ 3,878,647</u>	<u>\$ 267,015</u>	<u>\$ 107,528</u>		<u>\$ 4,253,190</u>

The accompanying notes are an integral part of these financial statements.

UNITY SHOPPE, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	2022	(Memo) 2021
Cash Flows from Operating Activities:		
Change in net assets	\$ 280,295	\$ 1,250,863
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	179,191	176,950
Unrealized (gain) loss on investments	33,890	(75,395)
Loan forgiveness	-	(302,750)
Decrease (increase) in:		
Accounts and pledges receivable	(9,494)	93,000
Inventory	68,438	737,095
Decrease in:		
Accounts payable and accrued expenses	(14,565)	(132,723)
Net Cash Provided by Operating Activities	537,755	1,747,040
 Cash Flows From Investing Activities:		
Purchase of property and equipment	(50,310)	(43,032)
Purchase of securities	(60,827)	(13,430)
Net Cash Used by Investing Activities	(111,137)	(56,462)
 Cash Flows from Financing Activities:		
Principal paid on mortgages and notes	(443,393)	(243,074)
Net Cash Used By Financing Activities	(443,393)	(243,074)
 Net Increase (Decrease) in Cash	(16,775)	1,447,504
 Cash - Beginning of Year	2,741,647	1,294,143
 Cash - End of Year	\$ 2,724,872	\$ 2,741,647
 Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ 163,001	\$ 131,093
 Non-cash transactions consisted of the following:		
In-kind contributions	\$ 2,146,277	\$ 1,436,415

The accompanying notes are an integral part of these financial statements.

UNITY SHOPPE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Unity Shoppe, Inc. (the Organization) is a nonprofit corporation that encourages self-sufficiency and independence by providing education and the necessities of life to families, children, seniors, and persons with disabilities during periodic times of crises. These necessities are provided in a dignified manner without regard to political affiliation, religious belief, or ethnic identity.

Basis of Accounting

The Organization uses the accrual basis of accounting, recognizing revenues when earned and expenses when incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Description of Net Assets

The Organization reports information regarding its financial position and activities in two classes of net assets - with donor restrictions and without donor restrictions - based on the existence or absence of donor-imposed restrictions.

Without Donor Restrictions

Net assets without donor restrictions represent net assets that are not subject to donor-imposed time or use restrictions. Net assets without donor restrictions include board designated funds.

With Donor Restrictions

Net assets with donor restrictions represent net assets that are subject to donor-imposed time or use restrictions. Net assets with donor restrictions generally include contributions and bequests receivable and planned gifts. Earnings on net assets with donor restrictions are reported as an increase in net assets with donor restrictions. Earnings on donor-restricted endowment funds that have not yet been appropriated are also classified as net assets with donor restrictions. When a restriction expires, 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”. Net assets with donor restrictions include perpetual income trusts for which the related income is reported as contributions without donor restrictions when received on the Statement of Activities. The change in value of the underlying assets is recorded as an unrealized gain or loss in net assets with donor restrictions on the Statement of Activities. Net assets with donor restrictions also consist of those donor-restricted endowments held by the Organization as defined under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Cash and Cash Equivalents

The Organization classifies cash, money market accounts and time certificates held by financial institutions as cash and cash equivalents.

UNITY SHOPPE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

Management believes that all receivables are fully collectible; therefore, no allowance for uncollectible amounts has been recorded.

Investments

Investments are recorded at market value. All gains and losses on investments are reported as increases or decreases to unrestricted net assets specifically restricted by donors.

Inventory

Inventory is recorded at cost for purchased items and fair market value for donated items.

Property and Equipment

Equipment is recorded at cost or, if donated, at fair market value at the time of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specified purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 40 years. Assets with a cost of \$1,000 or more and useful life of more than one year are capitalized.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Contributions

All contributions are considered to be available for use without restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with restrictions.

UNITY SHOPPE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-Kind Contributions

The Organization solicits donations of items to be sold in its thrift store. The Organization records these donations at their estimated fair market value.

Donated Services

The Organization relies heavily on volunteers to perform certain services for some of its programs. Because these services do not meet specified criteria for recognition as income and expense, the value of these services has not been included in the Statement of Activities. Management estimates that over 500 local volunteers donated dozens of hours to Unity throughout the year. Many of these volunteers are local high school students completing their required Community Service Hours.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Estimates and assumptions include, but are not limited to depreciation, valuation of in-kind donations, estimated life of fixed assets, and allocation of expenses among programs. It is at least reasonably possible that the significant estimates used will change within the next year.

Tax Exempt Status

The Organization is a public benefit corporation and is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 2370(1)(d); therefore, no provision for income taxes is required. The Organization is not considered a private foundation.

The Organization evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of June 30, 2022, the Organization had no uncertain tax positions requiring accrual.

The Organization files tax returns in California and U.S. federal jurisdictions. The Organization is no longer subject to U.S. federal and state examinations by tax authorities for fiscal years ending before June 30, 2018 and June 30, 2017, respectively.

UNITY SHOPPE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 23, 2023, the date the financial statements.

Note 2 – BENEFICIARY INTEREST IN ASSETS HELD BY OTHERS

The Organization has transferred assets to the Santa Barbara Foundation (the Foundation), which is holding them as an agency fund for the benefit of the Organization. The Fund is subject to the Foundation's investment and spending policies, which currently result in a distribution to the Organization of 5% of the average quarterly value of the previous 12 quarters. The Organization has historically chosen to forego distributions from the Fund in favor of increasing the balance invested in the Fund. In accordance with California State law, the Foundation retains sole and absolute discretion over distributions from the Fund. However, the Fund Agreement allows the Foundation to seek the Organization's advice concerning the timing and amounts of distributions from the Fund to the Organization. The Organization also may request an extraordinary distribution from the Fund. The funding of any extraordinary distribution is at the Foundation's sole discretion.

The Organization reports the fair value of the Fund as Beneficial Interest in Assets Held by Others in the statement of financial position and reports distributions received as investment income. Changes in the value of the Fund are reported as gains or losses in the statement of activities. The value at June 30, 2022, is \$146,633.

Note 3 – PLEDGES, GRANTS, AND BEQUESTS RECEIVABLE

Accounts receivable represent amounts due to the Organization for services rendered by the Organization through June 30, 2022. Pledges receivable represent multi-year commitments and irrevocable bequests by donors.

A provision for uncollectible accounts is determined based upon an analysis of the pledges, loans, grants and accounts receivable at the end of each fiscal year. Management expects no material write-offs for receivables at June 30, 2022; therefore, there no current provision has been made. All receivables are expected to be collected, in full, in the subsequent fiscal year.

Note 4 – INVESTMENTS

Investments consist of stocks and a small portfolio of alternate investments donated as part of a bequest. These investments totaled \$253,654 and \$197,946 at June 30, 2022 and June 30, 2021, respectively.

UNITY SHOPPE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5 – FAIR VALUE MEASUREMENT

The Organization has established a framework for measuring fair value and expanding disclosures about fair value measurements. Accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; discounted cash flows; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3: Unobservable inputs that are supported by little or no market activity;

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statement of Financial Position, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. As of June 30, 2022, there were no Level 3 investments.

The following table presents assets and liabilities recognized in the accompanying Statement of Financial Position measured at fair value on a recurring basis and the level in which the fair value measurements fall at June 30, 2022:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 253,654	\$ -	\$ -	\$ 253,654
Beneficiary interest in assets held by others	<u>-</u>	<u>146,633</u>	<u>-</u>	<u>146,633</u>
Total assets measured at fair value	<u>\$ 253,654</u>	<u>\$ 146,633</u>	<u>\$ -</u>	<u>\$ 400,287</u>

UNITY SHOPPE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2022; depreciation expense for the year ended June 30, 2022, totaled \$179,191.

Land	\$ 4,000,000
Building	5,870,599
Equipment	178,486
Vehicles	<u>162,327</u>
Total property and equipment	10,211,412
Less accumulated depreciation	<u>(1,312,216)</u>
Net property and equipment	<u>\$ 8,899,196</u>

Note 7 – MORTGAGE AND NOTES PAYABLE

Mortgage payable to Community West Bank secured by a first deed of trust on the building located at 110 W Sola Street, Santa Barbara, CA. Monthly payments of \$10,714 commenced August 17, 2017, and includes an initial interest rate of 4.58% per annum; a balloon payment of \$1,159,788 on July 17, 2025. Outstanding balance at June 30, 2022, is \$1,356,979. The interest rate on this loan is variable, and was 5.53% as of June 30, 2022.

Mortgage payable to Community West Bank secured by a first deed of trust on the building located at 1209 State Street, Santa Barbara, CA. Monthly payments of \$11,553 commenced September 5, 2017, and includes an initial interest rate of 5.04% per annum; a balloon payment of \$1,466,745 on July 5, 2027. Outstanding balance at June 30, 2022, is \$1,758,246. The interest rate on this loan is variable, and was 4.11% as of June 30, 2022.

Principal payments are expected to be as follows:

June 30, 2023	\$ 102,581
June 30, 2024	107,256
June 30, 2025	113,042
June 30, 2026	1,253,461
June 30, 2027	62,255
Thereafter	<u>1,476,630</u>
Total	<u>\$3,115,225</u>

Note 8 – CONCENTRATIONS, CREDIT RISK AND UNCERTAINTIES

Concentrations

The Organization derives the majority of its revenue for services rendered to residents that reside within Santa Barbara County.

UNITY SHOPPE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 8 – CONCENTRATIONS, CREDIT RISK AND UNCERTAINTIES (continued)

Credit Risk

The Organization maintains cash balances insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. As of June 30, 2022, uninsured cash and cash equivalent balances totaled approximately \$2,512,000.

Uncertainties

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Organization's financial position, changes in net assets and cash flows in 2023 and the future.

Note 9 – RELATED PARTIES

During the year ended June 30, 2018, the President of the Organization made two loans to the Organization in order to enable them to purchase a building. One of these loans was for \$650,000 and the other was for \$58,000. In the year ended June 30, 2019, the loan for \$650,000 was forgiven by the President. The forgiveness was recorded as a contribution to the Organization in the year ended June 30, 2019. In addition, an additional amount of \$80,000 was added to the other smaller loans bringing the total of this loan to \$138,000 as of June 30, 2019. During the year ended June 30, 2020, an additional \$17,916 was loaned to the Organization, bringing the total of this loan to \$155,916 as of June 30, 2020. The outstanding loans were paid off in full during the year ended June 30, 2021.

The Organization's President passed away during the year ended June 30, 2021. Subsequent to year end, pursuant to the President's trust agreement, the Organization elected to take ownership of the President's primary residence, valued at approximately \$4,600,000, as referenced in the trust, as well as related debt on the property, approximately \$3,200,000. As part of the election, the Organization also took on the responsibility of paying out cash distributions totaling approximately \$1,400,000 to beneficiaries named in the trust.

The Organization refinanced the debt on the residence on August 25, 2021, and closed escrow on the sale of the property on March 7, 2022. The Organization received approximately \$1.2 million in net proceeds, after paying off the remaining debt on the property.

Note 10 – LIQUIDITY

Financial assets available to meet cash needs for general expenditure for the following year are comprised of current assets and investments, adjusted for amounts unavailable due to illiquidity, endowments and other funds spending policy appropriations beyond one year, and current liabilities payable to vendors, financial institutions, and nonprofit organizations.

UNITY SHOPPE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 10 – LIQUIDITY (continued)

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2022:

Current assets	
Cash and cash equivalents available within one year	\$ 2,724,872
Accounts receivable	<u>16,494</u>
Total Current Assets	<u>2,741,366</u>
Investments	<u>253,654</u>
Current liabilities	<u>(163,134)</u>
Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2022	<u>\$ 2,831,886</u>

Note 11 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by satisfying the restricted purposes specified by donors. For the year ended June 30, 2022, the passage of time restrictions resulted in net assets released from restriction of \$7,000.