

The Connie Rice Institute for Urban Peace
dba Urban Peace Institute

Financial Statements

June 30, 2022



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Connie Rice Institute for Urban Peace
dba Urban Peace Institute
Los Angeles, California

Opinion

We have audited the accompanying financial statements of The Connie Rice Institute for Urban Peace dba Urban Peace Institute (the "Organization"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, 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 The Connie Rice Institute for Urban Peace dba Urban Peace Institute as of June 30, 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 of 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Connie Rice Institute for Urban Peace 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 The Connie Rice Institute for Urban Peace'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 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, 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 generally accepted auditing standards, 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 Connie Rice Institute for Urban Peace'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 Connie Rice Institute for Urban Peace'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.



Armanino^{LLP}
Los Angeles, California

February 27, 2023

The Connie Rice Institute for Urban Peace
 dba Urban Peace Institute
 Statement of Financial Position
 June 30, 2022

ASSETS

Cash		\$ 972,744
Contributions and grants receivable		<u>1,718,992</u>
 Total assets		 <u><u>\$ 2,691,736</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable		\$ 47,366
Accrued expenses		28,045
Credit card payables		<u>22,082</u>
Total liabilities		<u>97,493</u>
 Net assets		
Without donor restrictions		
Undesignated		1,444,243
Board-designated		<u>200,000</u>
Total without donor restrictions		1,644,243
With donor restrictions		<u>950,000</u>
Total net assets		<u>2,594,243</u>
 Total liabilities and net assets		 <u><u>\$ 2,691,736</u></u>

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

The Connie Rice Institute for Urban Peace
 dba Urban Peace Institute
 Statement of Activities
 For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Grants and contributions	\$ 1,764,910	\$ 950,000	\$ 2,714,910
Government grants and contracts	946,771	-	946,771
Program revenue	333,070	-	333,070
Other revenue	<u>277,230</u>	<u>-</u>	<u>277,230</u>
Total revenues and other support	<u>3,321,981</u>	<u>950,000</u>	<u>4,271,981</u>
 Functional expenses			
Program services	1,166,499	-	1,166,499
Management and general	446,566	-	446,566
Fundraising	<u>134,476</u>	<u>-</u>	<u>134,476</u>
Total functional expenses	<u>1,747,541</u>	<u>-</u>	<u>1,747,541</u>
 Change in net assets	1,574,440	950,000	2,524,440
 Net assets, beginning of year	<u>69,803</u>	<u>-</u>	<u>69,803</u>
 Net assets, end of year	<u>\$ 1,644,243</u>	<u>\$ 950,000</u>	<u>\$ 2,594,243</u>

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

The Connie Rice Institute for Urban Peace
 dba Urban Peace Institute
 Statement of Functional Expenses
 For the Year Ended June 30, 2022

	Urban Peace Academy	Technical Assistance and Training	Smart Justice	Community Safety and Health	Total Program Services	Management and general	Fundraising	Total
Personnel expenses								
Salaries and wages	\$ 179,857	\$ 22,936	\$ 93,618	\$ 114,111	\$ 410,522	\$ 162,837	\$ 57,335	\$ 630,694
Employee benefits	15,373	2,214	10,769	12,687	41,043	59,704	2,971	103,718
Payroll taxes	12,053	1,218	7,879	9,628	30,778	23,209	-	53,987
Total personnel expenses	207,283	26,368	112,266	136,426	482,343	245,750	60,306	788,399
Professional services	377,973	20,947	2,954	188,112	589,986	52,085	32,404	674,475
Rent	-	-	-	-	-	75,137	-	75,137
Public relations	14,343	85	-	1,361	15,789	7,382	38,346	61,517
Other expenses	730	13,961	1,360	13,859	29,910	6,798	1,903	38,611
Office expenses	5,053	253	460	358	6,124	30,725	412	37,261
Licenses and fees	2,894	236	1,799	16,079	21,008	6,766	-	27,774
Travel	3,511	5,996	180	1,021	10,708	2,607	321	13,636
Development	10,526	-	-	-	10,526	-	679	11,205
Liability insurance	-	-	-	-	-	10,339	-	10,339
Recruitment	-	-	105	-	105	8,977	105	9,187
	<u>\$ 622,313</u>	<u>\$ 67,846</u>	<u>\$ 119,124</u>	<u>\$ 357,216</u>	<u>\$ 1,166,499</u>	<u>\$ 446,566</u>	<u>\$ 134,476</u>	<u>\$ 1,747,541</u>

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

The Connie Rice Institute for Urban Peace
 dba Urban Peace Institute
 Statement of Cash Flows
 For the Year Ended June 30, 2022

Cash flows from operating activities	
Change in net assets	\$ 2,524,440
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Changes in operating assets and liabilities	
Accounts receivable	(1,718,992)
Accounts payable	47,366
Accrued expenses	28,045
Credit card payables	<u>22,082</u>
Net cash provided by operating activities	<u>902,941</u>
Net increase in cash	902,941
Cash, beginning of year	<u>69,803</u>
Cash, end of year	<u><u>\$ 972,744</u></u>

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

The Connie Rice Institute for Urban Peace
dba Urban Peace Institute
Notes to Financial Statements
June 30, 2022

1. NATURE OF OPERATIONS

The Connie Rice Institute for Urban Peace, doing business as the Urban Peace Institute (the "Organization"), was formed in August 2015 as a California non-profit corporation headquartered in Los Angeles, California. The Organization works on the ground in Los Angeles to create safe, healthy, and thriving communities. Rooted in the past and current struggles for justice and equity, the Organization has successfully reduced gun and gang violence to historic lows, trained over 4,000 peacemakers in public health approaches to reduce violence, as well as championed smart justice reforms to end youth incarceration. For over two decades, the Organization has worked to improve community health and safety in underserved Black and Brown communities.

The Organization is a recognized leader in the field of community safety, just policing, and systems reform to end gun and community violence. For over two decades, the Organization has worked to develop and implement innovative solutions to address community violence and engage in ground-level systems reform. This work began in 1999 as a program of Advancement Project, and beginning in 2015, as an organization fiscally sponsored by Community Partners. In December 2021, the Organization separated from fiscal sponsorship with Community Partners as its programs and impact continued to expand. The Organization now acts as an independent nonprofit organization, with the continued mission to prevent violence, achieve safety, and improve community health. As the Organization was in existence and earning revenues prior to the separation from Community Partners, a full year of activities is presented in the accompanying financial statements.

The Organization is supported primarily through donor contributions and grants. The Organization's Board of Directors ("Board") is comprised of professionals and thought leaders from law, education, and community.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP"). 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 have been classified and are reported as follows:

- *Net assets without donor restrictions* - Includes net assets available for use in general operations and not subject to donor restrictions. The Organization's board may designate net assets without donor restrictions for specific purposes. Donor restricted contributions whose restrictions are met in the same reporting period, are reported as unrestricted support. This category of net assets also includes board-designated funds (See Note 7).

The Connie Rice Institute for Urban Peace
dba Urban Peace Institute
Notes to Financial Statements
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *Net assets with donor restrictions* - Includes net assets subject to donor-imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect 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. Accordingly, actual events and results could differ from those assumptions and estimates.

Cash

Cash consists of cash held in checking and saving accounts from financial institutions. The Organization maintains cash deposits in bank accounts which may exceed federally insured limits of \$250,000. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Contributions and grants receivable

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the barrier has been overcome and/or right of release/right of return no longer exists.

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Organization determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At December 31, 2021, management has determined that no allowance was necessary.

The Connie Rice Institute for Urban Peace
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Notes to Financial Statements
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants and contracts

Grants and contracts are generally received under contracts from federal, state, county and city agencies. These contracts are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures or provided services in compliance with specific contract or grant provisions. The Organization has elected a simultaneous release option to account for these grants and contracts and thus are recorded as grants and contracts without donor restriction upon satisfaction of the barriers. Amounts received prior to incurring qualifying expenditures or performing the required services are reported as deferred revenue. The Organization did not have any deferred revenue related to government grants and contracts for the year ended June 30, 2022.

The Organization received conditional contributions that have not been recognized in the statement of activities. At June 30, 2022, the Organization has been approved for cost reimbursable grants of approximately \$1,000,000 that have not been recognized because qualifying expenditures have not yet been incurred.

Donated services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recorded at fair value in the period received if the services (a) create or enhance non-financial assets or (b) required specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no donated services that met the criteria for recognition in the current year.

Functional expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

Income tax status

The Organization has received tax-exempt status under the Internal Revenue Code Section 501(c)(3) and under the California Revenue Code Section 23701(d). Accordingly, the Organization is exempt from paying Federal and California income taxes except on any unrelated business income. The Organization had no unrelated business income for the year.

The Organization has evaluated its current tax provisions and has concluded that as of June 30, 2022, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

The Connie Rice Institute for Urban Peace
 dba Urban Peace Institute
 Notes to Financial Statements
 June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

The Organization has evaluated events subsequent to June 30, 2022, to assess the need for potential recognition or disclosure in the consolidated financial statements. Such events were evaluated through February 27, 2023, the date the consolidated financial statements were available to be issued. Based upon this evaluation, no subsequent events occurred that require recognition or additional disclosure in the consolidated financial statements, except as described in Note 6.

3. SEPARATION FROM COMMUNITY PARTNERS

As described in Note 1, the Organization operated through Community Partners until December 2021. The parties adopted a formal separation agreement, which provided for the transfer of all assets and liabilities related to the Urban Peace Institute project to the Organization. Because the Urban Peace Institute's government contracts were held by Community Partners, the two parties estimated contracts receivable that would be collected by Community Partners and expenses that would be paid by Community Partners, resulting in a net projected amount due to the Organization of approximately \$187,000.

Community Partners has made payments to the Organization as Community Partners received payments on the Urban Peace Institute contracts. As of January 1, 2022, the estimated remaining amount due from Community Partners was \$76,642.

4. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consisted of the following:

The California Wellness Foundation	\$ 750,000
Weingart Foundation	200,000
Gang Reduction and Youth Development	247,050
City of Los Angeles	217,934
Community Partners	171,317
Los Angeles County	73,115
Community Health Council	44,510
Southern California Association of Governments	15,000
Other	<u>66</u>
	<u>\$ 1,718,992</u>

All contributions and grants receivable are due within one year.

The Connie Rice Institute for Urban Peace
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 Notes to Financial Statements
 June 30, 2022

5. RETIREMENT PLAN

The Organization established a 403(b) plan available to all employees regardless of full-time or part-time status, and makes required contributions equal to 3% of salaries for eligible employees. The Organization contributed \$17,249 to the plan during the year ended June 30, 2022.

6. COMMITMENTS AND CONTINGENCIES

The Organization occupies office space leased by Community Partners on its behalf. On September 20, 2022, the Organization and the landlord signed an assignment of the lease, which extends through August 31, 2025. Community Partners continued to pay the landlord during the period between the separation from Community Partners and assignment of the lease out of funds due on contracts with Community Partners entered into on behalf of the Urban Peace Institute. The lease assumed subsequent to June 30, 2022 requires monthly payments ranging from \$7,641 to \$8,349. In addition to the office lease, the Organization has an agreement for use of a copier over a period of 60 months that requires a base payment of \$295.64 per month plus a per copy fee.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>	
2023	\$ 97,989
2024	100,822
2025	20,246
2026	<u>2,956</u>
	<u>\$ 222,013</u>

Total rent expense under all operating leases in effect during the year ended June 30, 2022 was \$75,137.

7. NET ASSETS WITHOUT DONOR RESTRICTIONS

Board-designated net assets of \$200,000 represent funds set aside by the Board as an endowment to generally fund the needs of the Organization. No specific designations have been determined by the Board as of June 30, 2022.

The Connie Rice Institute for Urban Peace
 dba Urban Peace Institute
 Notes to Financial Statements
 June 30, 2022

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

The California Wellness Foundation	\$ 750,000
Weingart Foundation	<u>200,000</u>
	<u><u>\$ 950,000</u></u>

9. LIQUIDITY AND FUNDS AVAILABLE

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2022 to fund general expenditures and other obligations when they become due:

Cash and cash equivalents	\$ 972,744
Contributions and grants receivable	<u>1,718,992</u>
	2,691,736
Donor imposed restrictions for a specified purpose	(950,000)
Board-designated funds	<u>(200,000)</u>
	<u><u>\$ 1,541,736</u></u>

The Organization has established a board-designated reserve for working capital and future operating costs. Although the Organization does not intend to spend from this board-designated endowment, these amounts could be made available if necessary.