LAVA MAE[x]
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

HEALY AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANT

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HEALY AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

July 7, 2021

Board of Directors
Lava Mae[x]
Alameda, California

I have audited the financial statements of Lava Mae[x] (a nonprofit public benefit corporation), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lava Mae^x as of December 31, 2020, 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.

Healy and Associates

Healy and Associates
Concord, California

LAVA MAE[x]
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 712,090
Grants and contributions receivable	76,100
Prepaid expenses	36,029
Total Current Assets	824,219
Other assets	294
Fixed assets, net	120,452
Total Assets	$ 944,965
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 53,941
PPP grant payable	216,000
Total Liabilities	269,941
COMMITMENTS AND CONTINGENCIES	
NET ASSETS	
Without donor restrictions	635,024
With donor restrictions	40,000
Total Net Assets	675,024
Total Liabilities and Net Assets	$ 944,965

LAVA MAE^{x}
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Foundation grants and awards	$ 610,900	$ 160,000	$ 770,900
Individual contributions	544,834	-	544,834
Corporate contributions	405,918	145,000	550,918
In-kind revenue	110,800	-	110,800
Fiscal sponsor (On the Horizon)	23,000	-	23,000
Other income	10,289	-	10,289
	1,705,741	305,000	2,010,741
Net assets released from restriction	368,176	(368,176)	-
TOTAL REVENUE AND SUPPORT	2,073,917	(63,176)	2,010,741
EXPENSES			
Program services	1,418,675	-	1,418,675
Administrative services	488,648	-	488,648
Fundraising expenses	170,398	-	170,398
TOTAL EXPENSES	2,077,721	-	2,077,721
CHANGE IN NET ASSETS	(3,804)	(63,176)	(66,980)
NET ASSETS, beginning of year	638,828	103,176	742,004
NET ASSETS, end of year	$ 635,024	$ 40,000	$ 675,024

LAVA MAE[x]
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services	Administrative Services	Fundraising Expenses	Total
Wages	$ 688,755	$ 237,831	$ 73,632	$ 1,000,218
Payroll taxes	54,196	19,956	5,445	79,597
Employee benefits	55,713	8,795	6,391	70,899
Total Personnel Expenses	798,664	266,582	85,468	1,150,714
Grants paid to others	233,000	-	-	233,000
Professional services	35,362	28,821	83,274	147,457
In-kind expenses	110,800	-	-	110,800
Depreciation	43,990	47,618	-	91,608
Donation of vehicles to others	71,269	-	-	71,269
Program supplies and expenses	51,453	-	-	51,453
Rent	18,150	25,464	-	43,614
Insurance	15,748	15,975	-	31,723
Recruiting	-	27,157	-	27,157
IT services	3,872	22,225	528	26,625
Program vehicle expenses	15,917	-	-	15,917
Equipment and maintenance	1,951	11,215	-	13,166
Building maintenance	-	11,185	-	11,185
Fiscal sponsorship (On the Horizon)	10,750	-	-	10,750
Meetings	1,006	8,756	-	9,762
Utilities and building services	2,140	4,838	-	6,978
Office supplies	-	6,929	-	6,929
Travel	1,518	3,858	59	5,435
Dues and memberships	-	4,856	-	4,856
Miscellaneous expenses	868	909	869	2,646
Program cleaning supplies	2,217	-	-	2,217
Printing, shipping, and postage	-	1,794	-	1,794
Advertising	-	163	200	363
Taxes and fees	-	303	-	303
Total Expenses	$ 1,418,675	$ 488,648	$ 170,398	$ 2,077,721

LAVA MAE[x]
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	(66,980)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation		91,608
Donation of vehicles		71,269
CHANGES IN ASSETS AND LIABILITIES:		
Grants and contributions receivable		(69,895)
Prepaid expenses		3,456
Other assets		4,500
Accounts payable and accrued expenses		25,206
NET CASH PROVIDED BY OPERATING ACTIVITIES		59,164
CASH FLOWS FROM FINANCING ACTIVITIES:		
PPP grant proceeds		216,000
NET CASH PROVIDED BY FINANCING ACTIVITIES		216,000
NET CHANGE IN CASH AND CASH EQUIVALENTS		275,164
CASH AND CASH EQUIVALENTS, beginning of year		436,926
CASH AND CASH EQUIVALENTS, end of year	$	712,090

NOTE A – NATURE OF ACTIVITIES

Lava Mae[x] (Organization) is a California nonprofit public benefit corporation, founded in 2015 with its principal office in Alameda. The Organization's mission is to raise awareness of, and both provide and support the delivery of, health, hygiene, and other charitable services for those experiencing or at risk for, homelessness. In November 2019, the Organization shifted from providing direct service to helping others replicate its programs and approach around the world.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method and Basis of Presentation

The accounting records of the Organization are maintained on the accrual basis of accounting. The financial statements of the Organization have been prepared in accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents
Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months, which are neither held for nor restricted by donors for long term purposes. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Grants and Contributions Receivable
Grants and contributions receivable are recorded at net realizable value. An allowance for doubtful accounts is established based on factors such as historical experience, economic conditions, credit quality, age of the account balances, and a review of subsequent collections. Management determined no allowance for doubtful accounts was necessary as of December 31, 2020.

Fair Value Measurements
The Organization's financial instruments include cash and cash equivalents measured using Level 1 inputs. The carrying amount of these financial instruments has been estimated by management to approximate fair value. Fair value is defined as "the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date." When determining the inputs used to measure fair value, the highest priority is given to observable inputs and lowest priority is given to unobservable inputs. Accounting Standards Codification (ASC) 820-10, *Fair Value Measurement*, establishes a fair value hierarchy to prioritize the inputs used in measuring fair value. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1— Quoted prices for identical assets in active markets.

Level 2—Observable inputs other than Level 1, which include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets.

Fixed Assets
Fixed asset additions in excess of $5,000 are recorded at cost, or if donated, at fair value on the date of donation, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Maintenance and repairs that do not extend the useful lives of the respective assets are expensed as incurred.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Exemption Status

The Organization has received exempt status under section 501(c)(3) of the Internal Revenue Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS along with related state filings. The related tax returns are subject to examination by federal and state taxing authorities generally for three years after they are filed. The Organization has no unrelated business income, and management has analyzed tax positions taken and has concluded that there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Revenue Recognition

The Organization is supported primarily through contributions from foundations, individuals, corporations, and in-kind donation of goods and services.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, 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 substantially met.

Donated Services and In-kind Contributions

Donated professional services or goods are recorded at the respective fair values of the services or goods received. For the year ended December 31. 2020, the Organization received approximately $110,800 in goods. In addition, volunteers contribute significant amounts of time to the program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP.

Functional Allocation of Expenses

The costs of program activities and supporting services have been summarized on a functional basis in the statements of functional expenses. The statement presents the natural classification of detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect costs such as general and administrative expenses include costs that are not directly identifiable with any specific program, but which provide the overall support and direction of the Organization. Such expenses which are common to multiple functions have been allocated among the various functions benefited based on time spent in the functional area.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Newly Adopted Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires organizations to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the organization expects to be entitled to in exchange for those goods and services. The Organization adopted the standard on January 1, 2020. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows.

Relevant Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The new standard establishes a comprehensive new lease accounting model. The standard clarifies the definition of a lease and causes lessees to recognize leases on the statement of financial position as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. It is effective for financial statements issued for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.

NOTE C – CONCENTRATIONS

At December 31, 2020, the Organization has $217,619 in cash held in financial institutions exceeding insured limits. To date, the Organization has not experienced, nor does it anticipate, any losses with respect to such accounts. Management monitors the creditworthiness of the financial institutions on an on-going basis.

For the year ended December 31, 2020, one donor accounted for 24% of total revenue (excluding in-kind revenue).

At December 31, 2020, 82% of grants receivable are due from one funder.

NOTE D – FIXED ASSETS

At December 31, 2020, fixed assets consisted of:

Vehicles and mobile trailers	$ 219,950
Computers and IT	127,580
Total fixed assets	$ 347,530
Less: Accumulated depreciation	(227,078)
Total fixed assets, net	$ 120,452

For the year ended December 31, 2020, depreciation expense was $91,608. In addition, during the year ended December 31, 2020, the Organization donated some of its vehicles and trailers to another nonprofit organization. The disposal of the fixed assets is $71,269 and is reflected as donation of vehicles to others in the accompanying statement of functional expenses.

NOTE E – PPP GRANT PAYABLE

In April 2020, the Organization received $216,000 from the Payroll Protection Program, offered through the Small Business Administration, in response to COVID-19. The PPP carries an interest rate of 1% and becomes payable two years after issuance. The Organization received forgiveness of the $216,000, plus interest of $2,012, in March 2021.

NOTE F – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	$712,090
Grants and contributions receivable	76,100
Total Financial Assets	788,190
Less amounts not available to be used within one year:	
Net assets with purpose restrictions to be met in one year	(40,000)
Financial assets available to meet cash needs for general expenditures within one year	$748,190

The Organization has $748,190 in financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE G – COMMITMENTS

Rental expense for the year ended December 31, 2020 was $43,614. In August 2020 the Organization closed its primary offices within San Francisco at the conclusion of their long-term lease for office space. The Organization leases offices in Los Angeles on a month to month basis. Subsequent to year end, the Organization entered into a lease for office space in Los Angeles from May 2021 through November 2022. The future commitments for the leases are $22,600 and $22,000 for the years ended December 31, 2021 and 2022, respectively.

NOTE H – CONTINGENCIES

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management believes the Organization has complied with the terms of all grants.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of non-essential businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter could negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS

For the year ended December 31, 2020, net assets with donor restriction activity consisted of the following:

Nature of Restriction	Beginning Balance	Income and Contributions	Released from Restriction	Ending Balance
Specific purpose	$ 53,176	$ 305,000	($318,176)	$ 40,000
Time restriction	50,000	-	(50,000)	-
Total	$ 103,176	$ 305,000	($368,176)	$ 40,000

NOTE J – EMPLOYEE BENEFITS

The Organization's employees are entitled to paid time off based upon length of service and other factors. As of December 31, 2020, the respective accrued vacation liability was $44,951. This amount is reflected as accrued expenses in the statement of financial position.

NOTE K – FISCAL SPONSORSHIPS

For the year ended December 31, 2020, the Organization served as fiscal sponsor for On the Horizon. In this capacity, the Organization is responsible for ensuing funds are properly spent to achieve the project's goals. As a condition of this arrangement, such goals must align with and further the Organization's mission. The Organization anticipates continuing this fiscal sponsorship until the project's completion in summer 2021. During the year ended December 31, 2020, the Organization received $23,000 for the fiscally sponsored project and disbursed $10,750, while earning an administrative fee of $0.

NOTE L – SUBSEQUENT EVENTS

In February 2021, the Organization received a second draw of $213,500 from the PPP grant funding offered through the Small Business Administration.

In March 2021, the Organization received forgiveness of the $216,000, plus interest of $2,012, on the first draw from the PPP grant funding offered through the Small Business Administration.

Management has evaluated subsequent events for recognition and disclosure through July 7, 2021, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2020, that required recognition or disclosure in the financial statements.