

Groundwork Hudson Valley, Inc.

Financial Statements

December 31, 2018 and 2017

Independent Auditors' Report

Board of Directors
Groundwork Hudson Valley, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Groundwork Hudson Valley, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years 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 these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Groundwork Hudson Valley, Inc. as of December 31, 2018 and 2017, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Organization adopted new accounting guidance in 2018 resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

PKF O'Connor Davies, LLP

Harrison, New York
August 8, 2019

Groundwork Hudson Valley, Inc.

Statements of Financial Position

	December 31,	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 313,190	\$ 84,608
Contracts and grants receivable	337,937	424,134
Pledges receivable	-	2,400
Due from related party	-	584
Prepaid expenses and other assets	7,092	5,249
Security deposits	3,660	3,990
Fixed assets, net	944,751	620,821
	<u>\$ 1,606,630</u>	<u>\$ 1,141,786</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 256,450	\$ 196,720
Deferred revenue	-	6,177
Lines of credit	-	202,614
Due to related party	20,000	20,000
Total Liabilities	<u>276,450</u>	<u>425,511</u>
Net Assets		
Without donor restrictions	1,285,595	592,716
With donor restrictions	44,585	123,559
Total Net Assets	<u>1,330,180</u>	<u>716,275</u>
	<u>\$ 1,606,630</u>	<u>\$ 1,141,786</u>

See notes to financial statements

Groundwork Hudson Valley, Inc.

Statements of Activities
Year Ended December 31,

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Government grants	\$ 1,114,982	\$ -	\$ 1,114,982	\$ 663,316	\$ -	\$ 663,316
Private grants	114,620	73,000	187,620	47,954	250,171	298,125
Contributions	508,938	-	508,938	324,088	-	324,088
In-kind services	3,500	-	3,500	26,208	-	26,208
Fundraising events, net of direct benefit to donors, of \$65,124 and \$62,230	353,990	-	353,990	409,227	-	409,227
Program service income	71,254	-	71,254	100,308	-	100,308
Shared costs income	10,776	-	10,776	13,736	-	13,736
Interest and other income	2,241	-	2,241	4,525	-	4,525
Net assets released from restriction	151,974	(151,974)	-	228,011	(228,011)	-
Total Revenue and Support	<u>2,332,275</u>	<u>(78,974)</u>	<u>2,253,301</u>	<u>1,817,373</u>	<u>22,160</u>	<u>1,839,533</u>
EXPENSES						
Program services	1,201,162	-	1,201,162	1,097,467	-	1,097,467
Administration	202,785	-	202,785	238,084	-	238,084
Fundraising	235,449	-	235,449	235,732	-	235,732
Total Expenses	<u>1,639,396</u>	<u>-</u>	<u>1,639,396</u>	<u>1,571,283</u>	<u>-</u>	<u>1,571,283</u>
Change in Net Assets	692,879	(78,974)	613,905	246,090	22,160	268,250
NET ASSETS						
Beginning of year	<u>592,716</u>	<u>123,559</u>	<u>716,275</u>	<u>346,626</u>	<u>101,399</u>	<u>448,025</u>
End of year	<u>\$ 1,285,595</u>	<u>\$ 44,585</u>	<u>\$ 1,330,180</u>	<u>\$ 592,716</u>	<u>\$ 123,559</u>	<u>\$ 716,275</u>

See notes to financial statements

Groundwork Hudson Valley, Inc.

Statements of Functional Expenses
Year Ended December 31, 2018
(With comparative totals for 2017)

	2018					2017	
	Program Services	Administration	Fundraising			Total	Total
			Fundraising	Direct Costs of Fundraising Events	Total Fundraising		
Payroll	\$ 459,570	\$ 114,495	\$ 137,215	\$ -	\$ 137,215	\$ 711,280	820,619
Payroll taxes and benefits	94,245	23,480	28,139	-	28,139	145,864	168,748
Program materials and supplies	392,188	-	-	-	-	392,188	192,259
Program consultants	63,251	-	-	-	-	63,251	100,727
Professional fees (including in-kind services of \$3,500 and \$17,250)	3,529	47,195	39,953	21,100	61,053	111,777	87,767
Occupancy	45,880	7,255	4,835	7,500	12,335	65,470	65,627
Fundraising event costs	-	-	19,765	36,524	56,289	56,289	58,759
Insurance	31,788	2,712	-	-	-	34,500	33,095
Travel	19,114	-	-	-	-	19,114	23,287
Office expenses	8,842	1,566	1,044	-	1,044	11,452	16,945
Technology and communications	7,057	993	661	-	661	8,711	8,888
Other	6,706	5,089	3,837	-	3,837	15,632	18,817
Depreciation	68,992	-	-	-	-	68,992	37,975
Total Expenses	1,201,162	202,785	235,449	65,124	300,573	1,704,520 #	1,633,513
Expenses deducted directly from revenues on the statement of activities							
Direct cost of special events	-	-	-	(65,124)	(65,124)	(65,124)	(62,230)
Total Expenses Reported by Function	\$ 1,201,162	\$ 202,785	\$ 235,449	\$ -	\$ 235,449	\$ 1,639,396	\$ 1,571,283

See notes to the financial statements

Groundwork Hudson Valley, Inc.

Statements of Functional Expenses
Year Ended December 31, 2017

	Program Services	Administration	Fundraising		Total Fundraising	Total
			Fundraising	Direct Costs of Fundraising Events		
Payroll	\$ 514,898	\$ 156,572	\$ 149,149	\$ -	\$ 149,149	\$ 820,619
Payroll taxes and benefits	105,881	32,197	30,670	-	30,670	168,748
Program materials and supplies	192,259	-	-	-	-	192,259
Program consultants	100,727	-	-	-	-	100,727
Professional fees (including in-kind services of \$3,500 and \$17,250)	16,679	26,330	23,958	20,800	44,758	87,767
Occupancy	45,903	7,336	4,888	7,500	12,388	65,627
Fundraising event costs	-	-	24,829	33,930	58,759	58,759
Insurance	29,883	3,212	-	-	-	33,095
Travel	23,287	-	-	-	-	23,287
Office expenses	13,084	2,317	1,544	-	1,544	16,945
Technology and communications	7,153	1,041	694	-	694	8,888
Other	9,738	9,079	-	-	-	18,817
Depreciation	37,975	-	-	-	-	37,975
Total Expenses	1,097,467	238,084	235,732	62,230	297,962	1,633,513
Expenses deducted directly from revenues on the statement of activities						
Direct cost of special events	-	-	-	(62,230)	(62,230)	(62,230)
Total Expenses Reported by Function	\$ 1,097,467	\$ 238,084	\$ 235,732	\$ -	\$ 235,732	\$ 1,571,283

See notes to the financial statements

Groundwork Hudson Valley, Inc.

Statements of Cash Flows

	Year Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 613,905	\$ 268,250
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	68,992	37,975
Donated fixed assets	-	(8,958)
Changes in operating assets and liabilities		
Contracts and grants receivable	86,197	(225,104)
Pledges receivable	2,400	(1,650)
Due from related party	584	(44)
Prepaid expenses and other assets	(1,843)	3,839
Security deposits	330	(80)
Accounts payable and accrued expenses	59,730	9,428
Deferred revenue	(6,177)	(13,843)
Due to related party	-	20,000
Net Cash from Operating Activities	824,118	89,813
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(392,922)	(243,592)
CHANGES IN CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lines of credit	397,424	162,614
Repayment of lines of credit	(600,038)	-
Net Cash from Financing Activities	(202,614)	162,614
Net Change in Cash and Cash Equivalents	228,582	8,835
CASH AND CASH EQUIVALENTS		
Beginning of year	84,608	75,773
End of year	\$ 313,190	\$ 84,608
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 4,108	\$ 2,236
Noncash Investing Transactions		
Disposal of fully depreciated fixed assets	15,031	-

See notes to financial statements

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2018 and 2017

1. Organization

Groundwork Hudson Valley, Inc. (the "Organization") is a non-for-profit corporation, incorporated in the State of New York. The Organization has been a dynamic force for change in distressed communities in the lower Hudson Valley by working to make neglected neighborhoods more livable and sustainable through an array of on-the-ground environmental projects that directly involve local residents.

The Organization is exempt from Federal taxes under Section 501(c)(3) of the Internal Revenue Code and similar New York State statutes. The Organization has been designated as an organization which is not a private foundation.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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 the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Change in Accounting Principle

In 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958), which requires changes to the financial reporting model of not-for-profit organizations. On January 1, 2018, the Organization adopted the new guidance, which requires the Organization to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the Organization to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

Classes of Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are those funds having no restriction as to use or purpose imposed by donors. Net assets with donor restrictions are those whose use by the Organization has been limited by donors to a specific period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments with a maturity of three months or less, at time of purchase to be cash and cash equivalents.

Contracts and Grants Receivable

Contracts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in accounts receivable. As of December 31, 2018 and 2017, no allowance for doubtful accounts has been deemed necessary.

Pledges Receivable

The Organization discounts pledges that are expected to be collected beyond one year using a risk adjusted rate to estimate present value.

Recognition of Pledges

U.S. GAAP requires that unconditional promises to give be recorded as revenue and receivable, discounted for future cash flows, at the time the pledge is made. If the pledge is restricted by the donor, it is recorded as income in net assets with donor restrictions. As the time or purpose restriction is satisfied, net assets with donor restrictions are released and transferred to net assets without donor restrictions to offset the costs incurred for the restricted purpose. The effect of this accounting treatment for pledges and net asset transfer is to have a net asset increase (surplus) in one year followed by a net asset decrease (loss) in the subsequent years, even though the funds are being received or used in subsequent years.

Fixed Assets

Fixed assets are stated at cost or, if donated, at estimated fair value on the date of the gift, and depreciated using the straight line method over the estimated useful lives of such assets. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the term of the lease inclusive of expected renewals. Purchases are capitalized based on the economic useful life of the assets and in accordance with guidelines issued by various governmental agencies for reimbursement purposes. When the grantor retains title or when it is probable that the title will revert to the grantor upon certain contingent events, the purchases are expensed in the year the funds are received and spent. The estimated lives by asset class are as follows:

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies *(continued)*

Fixed Assets (continued)

	Years
Science barge and related structures and equipment	15
Ecohouse	10
Furniture and equipment	5-10
Vehicles	3-5
Leasehold improvements	lease term

Donated Services

Donated services are reported in the financial statements at fair value, if those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and that would typically be purchased if not donated. Contributions of donated non-cash assets are recorded at their fair value in the period received. During the years ended December 31, 2018 and 2017, \$3,500 and \$26,208 were donated to the Organization and have been reported in the statements of activities, respectively.

During the years ended December 31, 2018 and 2017, \$28,300 was donated to the Organization in relation to fundraising events and have been reported in the statements of activities net of expenses, respectively.

Board members and other individuals volunteer their time and perform a variety of tasks that assist the Organization. These services do not meet the above criteria and have not been recorded in the financial statements.

Contributions

All contributions, including unconditional promises to give, are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions. When a donor restriction expires, that is when a stipulated time restrictions are reclassified to net assets without donor restrictions and are reported as such in the statement of activities.

Revenue Recognition

The Organization receives government contract and private grants, which are reviewed to determine if they contain traits more similar to contributions or exchange transactions. For those contracts and grants that have been determined to be exchange transactions, revenue is recognized when earned. The difference between grants earned and cash received is recorded as either contracts and grants receivables or deferred income.

Contract or grant revenue is recognized for these programs as expenses are incurred up to the maximum of the contract or grant award.

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies *(continued)*

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the functions benefited. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for tax periods prior to December 31, 2015.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is August 8, 2019.

3. Fixed Assets

Fixed assets consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Land - lot for community garden	\$ 79,193	\$ 79,193
Depreciable assets:		
Science barge and related structures and equipment	\$ 1,144,972	\$ 752,050
Ecohouse	17,543	17,543
Furniture and equipment	3,914	18,945
Vehicles	40,017	40,017
Leasehold improvements	<u>9,179</u>	<u>9,179</u>
Total depreciable assets	<u>1,215,625</u>	<u>837,734</u>
Accumulated depreciation and amortization	<u>(350,067)</u>	<u>(296,106)</u>
Net depreciable assets	<u>865,558</u>	<u>541,628</u>
	<u>\$ 944,751</u>	<u>\$ 620,821</u>

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2018 and 2017

4. Lines of Credit

In 2017, the Organization repaid and closed its working capital line of credit agreement in the amount of \$40,000 with Sterling National Bank. Interest expense in the year of repayment was \$1,679.

In 2017, the Organization opened two lines of credit with The Westchester Bank (the "Bank"). The first line of credit provides for borrowings up to \$245,000 with an interest rate of 2% above prime. The purpose of this line of credit is to support the costs of dry docking repairs for the science barge project. The science barge project is funded by private and government grants on a reimbursement basis. Any outstanding payments are due upon the maturity date of November 30, 2018. As of December 31, 2018 the line of credit has been repaid. Interest expense for the year ended December 31, 2018 and 2017 was \$2,993 and \$557. This line of credit was closed in 2018 when the project ended.

The second line of credit provides working capital borrowings up to \$50,000, with an interest rate of 2.25% above prime. This is a revolving line of credit due on demand or at its maturity date of November 30, 2019. No funds were drawn in 2017 from the second line of credit and there was no interest expense for the year ended December 31, 2017. Interest expense for the year ended December 31, 2018 was \$510. As of December 31, 2018, the line of credit has been repaid.

In 2018, the Organization opened a third line of credit with the Bank to provide additional borrowings up to \$325,000 with an interest rate of 2% above prime. The purpose of this line of credit is to support the development of a new playground being created by the Organization. The playground project is funded by several private and government grants on a reimbursement basis. Any outstanding payments are due upon the maturity date of May 31, 2019. Interest expense for the year ended December 31, 2018 was \$605. As of December 31, 2018, the line of credit has been repaid. This line of credit was renewed in 2019, with a new maturity date of November 30, 2019.

In 2018, the Organization opened a fourth line of credit with the Bank to provide additional borrowings up to \$175,000 with an interest rate of 2% above prime. The purpose of this line of credit is to support expenses related to the Science Barge funded by several private and government grants on a reimbursement basis. Any outstanding payments are due upon the maturity date of November 30, 2019. No funds were drawn in 2018 from the line of credit, and there was no interest expense for the year ended December 31, 2018.

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2018 and 2017

5. Related Party Transactions

The Organization is one of the Groundwork Trusts in the national network of Groundwork USA, Inc. ("GWUSA"). The Organization is related to GWUSA in that they share administrative offices and staff. GWUSA reimburses the Organization for staff, occupancy, and other administrative costs that the Organization incurs on behalf of GWUSA. These reimbursements are reflected as shared costs income on the statements of activities.

As of December 31, 2018 and 2017, the Organization had outstanding balances due from GWUSA of \$0 and \$584, respectively.

GWUSA made grants to the Organization totaling approximately \$106,906 and \$60,631 in 2018 and 2017.

As of December 31, 2018 and 2017, the Organization has an outstanding loan payable in the amount of \$20,000 due to a member of the Board of Directors (the "Board"). The loan bears no interest and the lender has not established terms of repayment.

In June 2017, the Organization received a donated vehicle from a member of the Board. The vehicle has an estimated fair market value of \$8,958.

6. Net Assets with Donor Restrictions

Changes in net assets with donor restrictions consist of the following at December 31:

<u>Purpose / Restriction</u>	<u>2017</u>	<u>Additions</u>	<u>Releases</u>	<u>2018</u>
Greenway, parks and rivers	\$ 65,490	\$ 28,000	\$ (72,221)	\$ 21,269
Sustainability education	48,495	20,000	(45,179)	23,316
Youth development	9,574	25,000	(34,574)	-
	<u>\$ 123,559</u>	<u>\$ 73,000</u>	<u>\$(151,974)</u>	<u>\$ 44,585</u>

<u>Purpose / Restriction</u>	<u>2016</u>	<u>Additions</u>	<u>Releases</u>	<u>2017</u>
Greenway, parks and rivers	\$ 57,634	\$ 135,000	\$(127,144)	\$ 65,490
Sustainability education	23,687	78,741	(53,933)	48,495
Youth development	20,078	36,430	(46,934)	9,574
	<u>\$ 101,399</u>	<u>\$ 250,171</u>	<u>\$(228,011)</u>	<u>\$ 123,559</u>

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2018 and 2017

7. Commitments and Contingencies

Lease Commitments

The Organization leases office space and certain equipment under various non-cancelable operating leases. At December 31, 2018, aggregate future minimum annual rental payments are payable as follows:

2019	\$ 35,532
2020	16,158
2021	<u>1,476</u>
	<u>\$ 53,166</u>

Government Contracts

Government contracts are subject to audit by various governmental agencies. Management is of the opinion that expense adjustments, if any, resulting from governmental agency audits, will not be material. Disallowances and adjustments, if any, resulting from such audits will be reflected in the financial statements in the year of settlement. As such, no reserves have been recorded.

8. Significant Concentrations

Cash includes cash balances held in bank accounts that are federally insured. At times cash deposits may exceed the federally insured limit of the financial institution and expose the organization to credit risk. The Organization believes it is not exposed to any significant risk of loss of these funds.

Five large funders provided approximately 52% and 31% of the Organization's revenue and support in 2018 and 2017, respectively. Future giving is not guaranteed. Any Significant changes in the giving levels of these funding sources could have a major impact on the operations of the Organization.

9. Retirement Plan

The Organization has a SIMPLE Individual Retirement Account plan whereby eligible employees can contribute pre-tax dollars up to statutory limits. All contributions made to the plan are fully vested. The Organization provides an employer contribution of 2% of salary for all eligible employees, which totaled \$12,561 and \$14,741 in 2018 and 2017, respectively.

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2018 and 2017

10. Liquidity

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$ 313,190
Contracts and grants receivable	<u>337,937</u>
Total financial assets available within one year	651,127
Less :	
Net assets with donor restrictions	<u>(44,585)</u>
Total financial assets available within one year for general expenditures	<u>\$ 606,542</u>

At December 31, 2018, the Organization has an available revolving line of credit of \$50,000 for working capital.

As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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