

Groundwork Hudson Valley, Inc.

Financial Statements

December 31, 2021 and 2020

Independent Auditors' Report

Board of Directors
Groundwork Hudson Valley, Inc.

Opinion

We have audited the accompanying financial statements of Groundwork Hudson Valley, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Groundwork Hudson Valley, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Groundwork Hudson Valley, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Groundwork Hudson Valley, Inc.'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 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 Groundwork Hudson Valley, Inc.'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 Groundwork Hudson Valley, Inc.'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.

PKF O'Connor Davies, LLP

Harrison, New York
August 3, 2022

Groundwork Hudson Valley, Inc.

Statements of Financial Position

	December 31,	
	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 693,970	\$ 516,653
Contracts and grants receivable	798,165	231,802
Prepaid expenses and other assets	5,703	12,378
Security deposits	3,660	3,660
Fixed assets, net	<u>862,625</u>	<u>903,782</u>
	<u>\$ 2,364,123</u>	<u>\$ 1,668,275</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 44,318	\$ 41,421
Deferred revenue	<u>82,072</u>	<u>-</u>
Total Liabilities	<u>126,390</u>	<u>41,421</u>
Net Assets		
Without donor restrictions	2,116,941	1,543,088
With donor restrictions	<u>120,792</u>	<u>83,766</u>
Total Net Assets	<u>2,237,733</u>	<u>1,626,854</u>
	<u>\$ 2,364,123</u>	<u>\$ 1,668,275</u>

Groundwork Hudson Valley, Inc.

Statements of Activities
Year Ended December 31,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Government grants	\$ 658,551	\$ -	\$ 658,551	\$ 511,878	\$ -	\$ 511,878
Private grants	645,346	237,000	882,346	51,000	214,667	265,667
Contributions	174,712	-	174,712	217,199	-	217,199
In-kind services	-	-	-	33,950	-	33,950
Fundraising events, net of direct benefit to donors, of \$42,014 and \$-	292,589	-	292,589	301,011	-	301,011
Program service income	109,530	-	109,530	6,920	-	6,920
Shared costs income	7,100	-	7,100	23,767	-	23,767
Interest and other income	2,280	-	2,280	1,189	-	1,189
Net assets released from restriction	199,974	(199,974)	-	136,892	(136,892)	-
Total Revenue and Support	<u>2,090,082</u>	<u>37,026</u>	<u>2,127,108</u>	<u>1,283,806</u>	<u>77,775</u>	<u>1,361,581</u>
EXPENSES						
Program services	1,118,163	-	1,118,163	871,059	-	871,059
Administration	148,856	-	148,856	161,219	-	161,219
Fundraising	249,210	-	249,210	274,949	-	274,949
Total Expenses	<u>1,516,229</u>	<u>-</u>	<u>1,516,229</u>	<u>1,307,227</u>	<u>-</u>	<u>1,307,227</u>
Change in Net Assets	573,853	37,026	610,879	(23,421)	77,775	54,354
NET ASSETS						
Beginning of year	<u>1,543,088</u>	<u>83,766</u>	<u>1,626,854</u>	<u>1,566,509</u>	<u>5,991</u>	<u>1,572,500</u>
End of Year	<u>\$ 2,116,941</u>	<u>\$ 120,792</u>	<u>\$ 2,237,733</u>	<u>\$ 1,543,088</u>	<u>\$ 83,766</u>	<u>\$ 1,626,854</u>

See notes to financial statements

Groundwork Hudson Valley, Inc.

Statement of Functional Expenses
Year Ended December 31, 2021

	<u>Program Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Direct Costs of Fundraising Events</u>	<u>Total</u>
Payroll	\$ 548,665	\$ 73,962	\$ 120,185	\$ -	\$ 742,812
Payroll taxes and benefits	104,883	14,138	22,974	-	141,995
Program facilities and materials	56,768	-	-	-	56,768
Program consultants	158,134	-	-	-	158,134
Professional fees	7,248	49,456	73,630	-	130,334
Occupancy	41,356	5,575	9,059	-	55,990
Fundraising event costs	-	-	8,046	35,064	43,110
Insurance	35,250	1,696	2,756	-	39,702
Travel	5,242	303	-	-	5,545
Office expenses	5,946	1,112	1,302	-	8,360
Technology and communications	4,792	1,440	6,486	6,950	19,668
Conferences and meetings	1,486	471	199	-	2,156
Other	1,246	703	4,573	-	6,522
Depreciation and amortization	<u>147,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,147</u>
Total Expenses	1,118,163	148,856	249,210	42,014	1,558,243
Expenses deducted directly from revenues on the statement of activities					
Direct cost of special events	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,014)</u>	<u>(42,014)</u>
Total Expenses Reported by Function	<u>\$ 1,118,163</u>	<u>\$ 148,856</u>	<u>\$ 249,210</u>	<u>\$ -</u>	<u>\$ 1,516,229</u>

See notes to financial statements

Groundwork Hudson Valley, Inc.

Statement of Functional Expenses
Year Ended December 31, 2020

	<u>Program Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Payroll	\$ 452,394	\$ 72,479	\$ 104,795	\$ 629,668
Payroll taxes and benefits	80,851	12,953	18,729	112,533
Program facilities and materials	64,398	-	-	64,398
Program consultants	36,129	-	-	36,129
Professional fees (including in-kind services of \$33,950)	7,477	60,916	98,803	167,196
Occupancy	57,446	8,476	12,255	78,177
Fundraising event costs	-	-	26,558	26,558
Insurance	31,877	1,683	2,433	35,993
Travel	2,203	-	-	2,203
Office expenses	5,024	1,071	1,164	7,259
Technology and communications	5,245	1,488	2,268	9,001
Conferences and meetings	7,924	1,345	1,836	11,105
Other	1,691	808	6,108	8,607
Depreciation and amortization	<u>118,400</u>	<u>-</u>	<u>-</u>	<u>118,400</u>
 Total Expenses Reported by Function	 <u>\$ 871,059</u>	 <u>\$ 161,219</u>	 <u>\$ 274,949</u>	 <u>\$ 1,307,227</u>

See notes to financial statements

Groundwork Hudson Valley, Inc.

Statements of Cash Flows

	Year Ended December 31,	
	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 610,879	\$ 54,354
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	147,147	118,400
Gain on sale of property and equipment	(1,600)	-
Changes in operating assets and liabilities		
Contracts and grants receivable	(566,363)	61,393
Prepaid expenses and other assets	6,675	(2,596)
Accounts payable and accrued expenses	2,897	17,560
Deferred revenue	<u>82,072</u>	<u>(14,239)</u>
Net Cash from Operating Activities	<u>281,707</u>	<u>234,872</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(105,990)	(14,061)
Proceeds from the sale of property and equipment	<u>1,600</u>	<u>-</u>
Net Cash from Investing Activities	<u>(104,390)</u>	<u>(14,061)</u>
Net Change in Cash and Cash Equivalents	177,317	220,811
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>516,653</u>	<u>295,842</u>
End of Year	<u>\$ 693,970</u>	<u>\$ 516,653</u>

See notes to financial statements

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

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. Some of the more significant estimates made by management include the allowance for doubtful receivables and depreciation expense.

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 statements of activities as net assets released from restrictions.

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.

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

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. At December 31, 2021 and 2020, 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. All receivables are expected to be received within the next year.

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. Items with a cost in excess of \$5,000 are capitalized. 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.

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

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

Fixed Assets (Continued)

The estimated lives by asset class are as follows:

	<u>Years</u>
Science barge and related structures and equipment	15
Ecohouse	10
Furniture and equipment	5-10
Vehicles	3-5

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 year ended December 31, 2021, no donated services were received. During the year ended December 31, 2020, \$33,950 was donated to the Organization and reported in the statement of activities.

For the years ended December 31, 2021 and 2020, there were no donations to the Organization in relation to fundraising expenses.

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 general use unless specifically restricted by the donor or subject to other legal restrictions. When a donor restriction expires, that is when a stipulated time restriction ends, or purpose has been fulfilled net assets are reclassified to net assets without donor restrictions and are reported as such in the statements of activities.

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

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

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 receivable or deferred revenue.

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

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications on the basis of the allocation of payroll costs, function and other bases as determined by management of the Organization to be appropriate.

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 years prior to December 31, 2018.

Evaluation of Subsequent Events 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 3, 2022.

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

3. Fixed Assets

Fixed assets consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Non-depreciable Assets:		
Land - lot for community garden	\$ 79,193	\$ 79,193
Construction in progress	<u>9,700</u>	<u>-</u>
Total Non-depreciable Assets	<u>88,893</u>	<u>79,193</u>
Depreciable Assets:		
Science barge and related structures and equipment	1,233,222	1,180,416
Ecohouse	17,543	17,543
Furniture and equipment	3,914	3,914
Vehicles	69,488	40,017
Leasehold improvements	<u>9,179</u>	<u>9,179</u>
Total Depreciable Assets	1,333,346	1,251,069
Accumulated depreciation and amortization	<u>(559,614)</u>	<u>(426,480)</u>
Net Depreciable Assets	<u>773,732</u>	<u>824,589</u>
	<u>\$ 862,625</u>	<u>\$ 903,782</u>

4. Line of Credit

In 2017, the Organization opened a line of credit with Valley Bank (the "Bank"). The line of credit provides working capital borrowings up to \$50,000, with an interest rate of 2.25% above prime. The line of credit is secured by substantially all assets of the Organization. This is a revolving line of credit due on demand. In February 2020, the line of credit borrowings increased to \$100,000 and maturity continues to be due on demand. No funds were drawn during 2021 and 2020.

5. Paycheck Protection Program

On April 29, 2020, the Organization received loan proceeds in the amount of \$131,300 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times their 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest is forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act as amended, over a period between eight to twenty-four weeks (the "Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries below a certain threshold during the Covered Period and does not qualify for certain safe harbors.

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

5. Paycheck Protection Program *(continued)*

On June 1, 2021, the Small Business Association (“SBA”) notified the Organization that the PPP loan has been forgiven. For the year ended December 31, 2020, the Organization recognized \$131,300 of the proceeds from the PPP loan as government support in the statements of activities.

On February 15, 2021, the Organization obtained a second PPP loan in the amount of \$146,775. On October 5, 2021, the SBA notified the Organization that the second PPP loan had been forgiven. For the year ended December 31, 2021, the Organization recognized \$146,775 of the PPP loan proceeds as government support in the statements of activities.

6. 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. GWUSA reimburses the Organization for 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.

GWUSA made grants to the Organization totaling \$55,000 and \$51,667 in 2021 and 2020.

7. Net Assets With Donor Restrictions

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

<u>Purpose / Restriction</u>	2021			
	Beginning Balance	Additions	Releases	Ending Balance
Climate resilience	\$ 34,317	\$ 92,000	\$ (79,258)	\$ 47,059
Sustainability education	3,491	50,000	(9,165)	44,326
Youth development	-	95,000	(65,593)	29,407
Professional development	<u>45,958</u>	<u>-</u>	<u>(45,958)</u>	<u>-</u>
	<u>\$ 83,766</u>	<u>\$ 237,000</u>	<u>\$(199,974)</u>	<u>\$ 120,792</u>
<u>Purpose / Restriction</u>	2020			
	Beginning Balance	Additions	Releases	Ending Balance
Climate resilience	\$ 2,500	\$ 94,667	\$ (62,850)	\$ 34,317
Sustainability education	3,491	25,000	(25,000)	3,491
Youth development	-	45,000	(45,000)	-
Professional Development	<u>-</u>	<u>50,000</u>	<u>(4,042)</u>	<u>45,958</u>
	<u>\$ 5,991</u>	<u>\$ 214,667</u>	<u>\$(136,892)</u>	<u>\$ 83,766</u>

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

8. Commitments and Contingencies

Lease Commitments

The Organization leases office space and certain equipment under various non-cancelable operating leases through July 2026. At December 31, 2021, aggregate future minimum annual rental payments are payable as follows:

2022	\$ 30,408
2023	3,408
2024	3,408
2025	3,408
2026	<u>2,840</u>
	<u>\$ 43,472</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.

9. Concentrations and Risks

Credit Risk

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. At December 31, 2021 and 2020, approximately \$179,000 and \$28,000 of cash was maintained with institutions in excess of the federally insured limits.

Operating Risk

Five large funders provided approximately 44% and 31% of the Organization's revenue and support in 2021 and 2020. Most of the funders represented 86% and 71% of the contracts and grants receivable balance at December 31, 2021 and 2020. 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.

The Coronavirus pandemic may have an adverse effect on the operations. Given the uncertainty around the extent and timing of the potential spread or migration of the Coronavirus and around imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition.

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

10. 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 \$11,708 and \$9,708 in 2021 and 2020.

11. Liquidity

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 693,970	\$ 516,653
Contracts and grants receivable	<u>798,165</u>	<u>231,802</u>
Total financial assets available within one year	1,492,135	748,455
Less :		
Net assets with donor restrictions	<u>(120,792)</u>	<u>(83,766)</u>
Total financial assets available within one year for general expenditures	<u>\$ 1,371,343</u>	<u>\$ 664,689</u>

At December 31, 2021, the Organization had an available revolving line of credit of \$100,000 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.
