

Groundwork Hudson Valley, Inc.

Financial Statements

December 31, 2023 and 2022

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, 2023 and 2022 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, 2023 and 2022, 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
July 10, 2024

Groundwork Hudson Valley, Inc.

Statements of Financial Position

	December 31,	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 457,103	\$ 664,457
Investments	376,384	400,973
Contracts and grants receivable	411,922	370,556
Prepaid expenses and other assets	23,574	9,438
Security deposits	3,660	3,660
Operating lease right-of-use assets, net	49,615	12,578
Fixed assets, net	629,846	730,708
	<u>\$ 1,952,104</u>	<u>\$ 2,192,370</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 35,729	\$ 46,358
Deferred revenue	15,323	177,674
Operating lease liability	50,165	12,578
Total Liabilities	<u>101,217</u>	<u>236,610</u>
Net Assets		
Without donor restrictions	1,734,998	1,934,712
With donor restrictions	115,889	21,048
Total Net Assets	<u>1,850,887</u>	<u>1,955,760</u>
	<u>\$ 1,952,104</u>	<u>\$ 2,192,370</u>

See notes to financial statements

Groundwork Hudson Valley, Inc.

Statements of Activities
Year Ended December 31,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Government grants	\$ 477,401	\$ -	\$ 477,401	\$ 364,903	\$ -	\$ 364,903
Private grants	520,170	180,000	700,170	297,475	142,000	439,475
Contributions	110,869	-	110,869	339,908	-	339,908
In-kind services	17,900	-	17,900	-	-	-
Fundraising events, net of direct benefit to donors of \$35,485 and \$31,643	271,125	-	271,125	230,003	-	230,003
Program service income	171,223	-	171,223	162,666	-	162,666
Shared costs income	13,385	-	13,385	6,734	-	6,734
Investment and other income	32,000	-	32,000	10,024	-	10,024
Net assets released from restriction	<u>85,159</u>	<u>(85,159)</u>	<u>-</u>	<u>241,744</u>	<u>(241,744)</u>	<u>-</u>
Total Revenue and Support	<u>1,699,232</u>	<u>94,841</u>	<u>1,794,073</u>	<u>1,653,457</u>	<u>(99,744)</u>	<u>1,553,713</u>
EXPENSES						
Program services	1,353,706	-	1,353,706	1,330,631	-	1,330,631
Administration	227,743	-	227,743	194,330	-	194,330
Fundraising	<u>317,497</u>	<u>-</u>	<u>317,497</u>	<u>310,725</u>	<u>-</u>	<u>310,725</u>
Total Expenses	<u>1,898,946</u>	<u>-</u>	<u>1,898,946</u>	<u>1,835,686</u>	<u>-</u>	<u>1,835,686</u>
Change in Net Assets	(199,714)	94,841	(104,873)	(182,229)	(99,744)	(281,973)
NET ASSETS						
Beginning of year	<u>1,934,712</u>	<u>21,048</u>	<u>1,955,760</u>	<u>2,116,941</u>	<u>120,792</u>	<u>2,237,733</u>
End of Year	<u>\$ 1,734,998</u>	<u>\$ 115,889</u>	<u>\$ 1,850,887</u>	<u>\$ 1,934,712</u>	<u>\$ 21,048</u>	<u>\$ 1,955,760</u>

See notes to financial statements

Groundwork Hudson Valley, Inc.

Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services	Administration	Fundraising	Direct Costs of Fundraising Events	Total
Payroll	\$ 729,534	\$ 125,116	\$ 157,315	\$ -	\$ 1,011,965
Payroll taxes and benefits	141,080	24,195	30,422	-	195,697
Program facilities and materials	83,312	-	-	-	83,312
Program consultants	123,505	-	-	-	123,505
Professional fees	6,498	60,313	81,077	-	147,888
Occupancy	53,425	9,163	11,521	-	74,109
Insurance	39,212	2,308	2,901	-	44,421
Event venue and supply costs	-	-	17,782	35,485	53,267
Travel	15,749	61	1,890	-	17,700
Office expenses	8,359	1,747	1,985	-	12,091
Technology and communications	7,062	2,073	6,570	-	15,705
Conferences and meetings	6,800	1,815	1,467	-	10,082
Other	1,164	952	4,567	-	6,683
Depreciation and amortization	138,006	-	-	-	138,006
Total Expenses	1,353,706	227,743	317,497	35,485	1,934,431
Expenses deducted directly from revenue on the statement of activities					
Direct cost of fundraising events	-	-	-	(35,485)	(35,485)
Total Expenses Reported by Function	\$ 1,353,706	\$ 227,743	\$ 317,497	\$ -	\$ 1,898,946

See notes to financial statements

Groundwork Hudson Valley, Inc.

Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services	Administration	Fundraising	Direct Costs of Fundraising Events	Total
Payroll	\$ 732,731	\$ 110,598	\$ 163,473	\$ -	\$ 1,006,802
Payroll taxes and benefits	128,823	19,445	28,741	-	177,009
Program facilities and materials	97,671	-	-	-	97,671
Program consultants	110,632	-	-	-	110,632
Professional fees	8,069	49,412	73,276	-	130,757
Occupancy	46,857	7,073	10,454	-	64,384
Event venue and supply costs	-	-	18,890	31,343	50,233
Insurance	37,128	1,917	2,833	-	41,878
Travel	14,345	303	-	-	14,648
Office expenses	9,295	1,679	2,075	-	13,049
Technology and communications	6,464	1,710	5,280	300	13,754
Conferences and meetings	5,427	1,006	1,210	-	7,643
Other	1,272	1,187	4,493	-	6,952
Depreciation and amortization	131,917	-	-	-	131,917
Total Expenses	1,330,631	194,330	310,725	31,643	1,867,329
Expenses deducted directly from revenue on the statement of activities					
Direct cost of fundraising events	-	-	-	(31,643)	(31,643)
Total Expenses Reported by Function	<u>\$ 1,330,631</u>	<u>\$ 194,330</u>	<u>\$ 310,725</u>	<u>\$ -</u>	<u>\$ 1,835,686</u>

See notes to financial statements

Groundwork Hudson Valley, Inc.

Statements of Cash Flows

	Year Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (104,873)	\$ (281,973)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	138,006	131,917
Unrealized gain on investments	(55)	(501)
Changes in operating assets and liabilities		
Contracts and grants receivable	(41,366)	427,609
Prepaid expenses and other assets	(14,136)	(3,735)
Operating lease right-of-use assets	(37,037)	12,578
Accounts payable and accrued expenses	(10,628)	2,040
Deferred revenue	(162,351)	95,602
Operating lease liability	37,587	(12,578)
Net Cash from Operating Activities	<u>(194,853)</u>	<u>370,959</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(37,145)	-
Purchase of investments	(925,416)	(950,472)
Proceeds from the sale of investments	950,060	550,000
Net Cash from Investing Activities	<u>(12,501)</u>	<u>(400,472)</u>
Net Change in Cash and Cash Equivalents	(207,354)	(29,513)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>664,457</u>	<u>693,970</u>
End of Year	<u>\$ 457,103</u>	<u>\$ 664,457</u>
SUPPLEMENTAL INFORMATION		
Noncash Investing Transactions		
Disposal of fully depreciated fixed assets	\$ 3,913	\$ 63,634

See notes to financial statements

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

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.

Adoption of New Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board issued an accounting pronouncement related to the measurement of credit losses on financial instruments. This pronouncement and subsequently issued Accounting Standards Updates, clarified certain provisions of the new guidance, changed the incurred loss model for most financial assets and required the use of an expected loss model for instruments measured at amortized cost and certain other instruments that are not measured at fair value through net income. Under this model, entities are required to estimate the lifetime expected credit losses on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. The adoption of this guidance on January 1, 2023, expanded the Organization's required disclosures for its expected credit losses for accounts receivable but did not have a material effect on its financial statements.

Classes of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

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

Classes of Net Assets (continued)

Net Assets With Donor Restrictions – Assets subject to usage limitations based on donor- imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may be need to be maintained in perpetuity.

Earnings related to restricted net assets are included in net assets without donor- restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

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. At December 31, 2023 and 2022, 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.

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

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

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 expended in the year the funds are received and spent. The estimated lives by asset class are as follows:

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

Donated Services

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills and that would typically be purchased if not provided by donation, are recorded at their fair value in the period received. During the year ended December 31, 2022, no donated services were received.

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 as net assets released from restrictions.

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

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.

Fair Value Measurements

The Organization follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investment Valuation and Income Recognition

Investments are carried at fair value. Certificates of deposits are stated at cost plus accrued interest, which approximates fair value. Contributions of stocks or other financial assets are sold immediately so that the settlement of the contribution equals the trade date of the sale transaction.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use ("ROU") assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

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

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are recorded at amortized cost less an allowance for credit losses that are not expected to be recovered. The Organization recognizes the allowance for credit losses at inception of the receivable and reassesses at every reporting date based on the asset's expected collectability. The allowance is based on multiple factors including historical experience uncollectible accounts, the credit quality of the customer base, the aging of such receivables and current macroeconomic conditions, as well as expectations of conditions in the future, if applicable. The Organization's allowance for credit losses is based on the assessment of the collectability of assets pooled together with similar risk characteristics.

The Organization records a provision for expected credit losses using a historical lossrate method based on the ratio of its historical write-offs to its average accounts receivable. At each reporting period, the Organization assesses whether financial assets in a pool continue to display similar risk characteristics. If particular receivables no longer display risk characteristics that are similar to those of the receivables in the pool, the Organization may determine that it should move those receivables to a different pool or perform an individual assessment of expected credit losses for those specific receivables.

The Organization's accounts receivable are short-term in nature and written off only when all collection attempts have failed. If any recoveries are made from any accounts previously written off, they are recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the Organization's accounting policy election. There were no write offs for the years ended December 31, 2023 and 2022.

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, 2020.

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

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

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 July 10, 2024.

3. Investments and Investment Return

The following are major categories of investments measured at fair value at December 31, 2023 and 2022. All investments are valued using Level 1 inputs under the fair value hierarchy.

Investments in certificate of deposit have maturity dates less than 12 months from year end. Investments in treasury bills have maturity dates of one year or less. Investments consist of the following:

	2023	2022
Certificate of deposit	\$ 129,799	\$ 200,473
Treasury bill	246,585	200,500
	<u>\$ 376,384</u>	<u>\$ 400,973</u>

Total investment income consisted of interest of \$31,692 and \$10,024 for the years ended December 31, 2023 and 2022, which includes earnings on cash and cash equivalents.

4. Fixed Assets

Fixed assets consist of the following at December 31:

	2023	2022
Non-depreciable Assets:		
Land - lot for community garden	<u>\$ 79,193</u>	<u>\$ 79,193</u>
Depreciable Assets:		
Science barge and related structures and equipment	1,233,976	1,196,831
Furniture and equipment	-	3,914
Vehicles	69,488	69,488
Leasehold improvements	<u>9,179</u>	<u>9,179</u>
Total Depreciable Assets	1,312,643	1,279,412
Accumulated depreciation and amortization	<u>(761,990)</u>	<u>(627,897)</u>
Net Depreciable Assets	<u>550,653</u>	<u>651,515</u>
	<u><u>\$ 629,846</u></u>	<u><u>\$ 730,708</u></u>

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

5. Line of Credit

The Organization opened a line of credit with Valley Bank (the "Bank"). The line of credit provides working capital borrowings up to \$100,000, with an interest rate of 1.50% above prime. The prime rate was 8.5% and 7.5% at December 31, 2023 and 2022. The line of credit is secured by substantially all assets of the Organization. This is a revolving line of credit due on demand. No funds were drawn during 2023 and 2022.

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 \$272,252 and \$117,663 in 2023 and 2022.

7. Net Assets With Donor Restrictions

Changes in net assets with donor restrictions consist of the following for the years ended December 31:

Purpose / Restriction	2023			
	Beginning Balance	Additions	Releases	Ending Balance
Climate resilience	\$ 5,192	\$ -	\$ (5,192)	\$ -
Sustainability education	15,856	25,000	(24,967)	15,889
Youth development	-	155,000	(55,000)	100,000
	<u>\$ 21,048</u>	<u>\$ 180,000</u>	<u>\$ (85,159)</u>	<u>\$ 115,889</u>

Purpose / Restriction	2022			
	Beginning Balance	Additions	Releases	Ending Balance
Climate resilience	\$ 47,059	\$ 62,000	\$ (103,867)	\$ 5,192
Sustainability education	44,326	25,000	(53,470)	15,856
Youth development	29,407	55,000	(84,407)	-
	<u>\$ 120,792</u>	<u>\$ 142,000</u>	<u>\$ (241,744)</u>	<u>\$ 21,048</u>

Groundwork Hudson Valley, Inc.

Notes to Financial Statements December 31, 2023 and 2022

8. Leases

The Organization evaluated current contracts to determine which met the criteria of a lease. The ROU assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

The Organization's operating lease consists of a copier lease. The lease term excludes an end of lease purchase option, available at the Organization's option, which it is not reasonably certain to exercise. Therefore, the payments associated with the purchase are not included in the ROU asset nor the lease liability recognized at December 31, 2023.

For the year ended December 31:

	<u>2023</u>	<u>2022</u>
Operating lease expense	<u>\$ 38,058</u>	<u>\$ 3,408</u>
Supplemental cash flows		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 34,408	\$ 3,408
ROU assets obtained in exchange for operating lease liability	\$ 69,658	\$ 15,472
Weighted average remaining lease term		
Operating leases	1.45	4
Weighted average discount rate		
Operating leases	4.00%	4.00%

Minimum future lease payments under the operating leases at December 31, 2023, for each of the following years and in the aggregate are:

2024	\$ 41,708
2025	6,608
2026	<u>3,408</u>
Total future minimum lease payments	51,724
Less present value discount	<u>(1,559)</u>
	<u>\$ 50,165</u>

Groundwork Hudson Valley, Inc.

Notes to Financial Statements December 31, 2023 and 2022

8. Leases (*continued*)

In addition, the Organization entered into a lease for office space, which was on a month-to-month basis at December 31, 2022. A new lease was not executed until February 2023. The right-of-use asset and lease liability for the additional space is expected to approximate \$72,516.

9. Donated Services

Donated services are reviewed periodically to ensure that estimates recorded reasonably reflect the estimated fair value of the contributed services. For the years ended December 31, the Organization received the following donated services:

	<u>2023</u>	<u>2022</u>	<u>Usage in Program/Activities</u>	<u>Donor Restriction</u>
			Program Services and Administration	
Professional fees	\$ 17,900	\$ -		None

The Organization estimates the fair value of these donated services based on the usual and customary rates of the vendor.

10. Commitments and Contingencies

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.

11. Concentrations and Risks

Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents, investments and receivables. At times, the Organization has cash deposits at financial institutions which exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Investment holdings at financial institutions insured by the Securities Investor Protection Corporation ("SIPC") are insured up to \$500,000 (\$250,000 for cash holdings). At December 31, 2023 and 2022, funds totaling \$40,000 and \$171,000 were in excess of the FDIC limits. At December 31, 2023 and 2022, no funds were held in excess of the SIPC.

Receivables are expected to be collected in the normal course of business.

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

11. Concentrations and Risks (*continued*)

Operating Risk

Five large funders provided approximately 27% and 35% of the Organization's revenue and support in 2023 and 2022. Most of the funders represented 30% and 86% of the contracts and grants receivable balance at December 31, 2023 and 2022. 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.

12. 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 \$16,198 and \$15,374 in 2023 and 2022.

13. Liquidity and Availability of Financial Assets

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

	2023	2022
Cash and cash equivalents	\$ 457,103	\$ 664,457
Investments	376,384	400,973
Contracts and grants receivable	<u>411,922</u>	<u>370,556</u>
Total financial assets available within one year	1,245,409	1,435,986
Less :		
Net assets with donor restrictions	<u>(115,889)</u>	<u>(21,048)</u>
Total financial assets available within one year for general expenditures	<u>\$ 1,129,520</u>	<u>\$ 1,414,938</u>

At December 31, 2023, 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.
