

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

(a Michigan nonprofit corporation)

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FINANCIAL STATEMENTS

for the year ended September 30, 2018

MASON, KAMMERMANN & ROHRBACK, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CHARLEVOIX, MICHIGAN

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# MASON, KAMMERMANN & ROHRBACK, P.C.

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*Certified Public Accountants*

Velda K. Kammermann  
Todd P. Rohrback

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Established 1988  
www.northmicpa.com

Corey R. Bascom

## INDEPENDENT AUDITOR'S REPORT

April 19, 2019

To the Board of Directors of  
Groundwork Center for Resilient  
Communities, Inc.:

We have audited the accompanying financial statements of Groundwork Center for Resilient Communities, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities 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 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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.

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Groundwork Center for Resilient Communities, Inc.  
April 19, 2019

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Groundwork Center for Resilient Communities, Inc. as of September 30, 2018, 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.

### **Report on Summarized Comparative Information**

We have previously audited the Groundwork Center for Resilient Communities, Inc.'s 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated April 23, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 10 and 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Mason, Kammermann & Rohrback, P.C.*

## GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

## STATEMENT OF FINANCIAL POSITION

as of September 30, 2018

(with comparative totals as of September 30, 2017)

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 186,215	\$ 419,710
Accounts receivable	205,898	100,838
Prepaid expenses	-	2,347
Total current assets	<u>392,113</u>	<u>522,895</u>
<b>FIXED ASSETS:</b>		
Furniture and fixtures	23,512	23,512
Equipment and software	49,936	47,490
	<u>73,448</u>	<u>71,002</u>
Less accumulated depreciation	<u>(60,955)</u>	<u>(55,261)</u>
Total fixed assets	12,493	15,741
<b>OTHER ASSETS,</b>		
Lease deposits	5,050	5,050
Interest in net assets of community foundation (Note J)	<u>25,049</u>	<u>25,049</u>
Total other assets	<u>30,099</u>	<u>30,099</u>
Total assets	<u>\$ 434,705</u>	<u>\$ 568,735</u>
	<u>LIABILITIES AND NET ASSETS</u>	
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 85,147	\$ 101,027
Accrued payroll taxes	21,841	24,597
Line of credit (Note C)	70,000	-
Accrued vacation	12,588	12,588
Accrued retirement	11,759	8,957
Unearned revenues (Note H)	<u>226,563</u>	<u>387,151</u>
Total current liabilities	427,898	534,320
<b>NET ASSETS:</b>		
Unrestricted	(63,242)	9,366
Temporarily restricted	45,000	-
Permanently restricted	<u>25,049</u>	<u>25,049</u>
Total net assets (deficit)	<u>6,807</u>	<u>34,415</u>
Total liabilities and net assets	<u>\$ 434,705</u>	<u>\$ 568,735</u>

The accompanying notes are a part of the financial statements.

## GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

## STATEMENT OF ACTIVITIES

for the year ended September 30, 2018

(with comparative totals as of September 30, 2017)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	2017 TOTAL
<b>REVENUES AND SUPPORT:</b>					
Contributions	\$ 705,888	\$ 330,000	\$ -	\$ 1,035,888	\$ 827,074
Grants	-	735,588	-	735,588	830,567
Listings and licenses	195,622	-	-	195,622	155,101
Special fund-raising event, net of costs of \$117,500	(9,820)	-	-	(9,820)	35,485
Miscellaneous	36,524	-	-	36,524	19,180
Net assets released from restrictions	1,020,588	(1,020,588)	-	-	-
<b>Total revenues and support</b>	<b>1,948,802</b>	<b>45,000</b>	<b>-</b>	<b>1,993,802</b>	<b>1,867,407</b>
<b>EXPENSES:</b>					
Program services:					
Food and farming	929,446	-	-	929,446	940,334
Thriving communities	183,810	-	-	183,810	157,105
Energy	546,769	-	-	546,769	419,311
<b>Total program services</b>	<b>1,660,025</b>	<b>-</b>	<b>-</b>	<b>1,660,025</b>	<b>1,516,750</b>
Supporting services:					
Administrative and general	103,896	-	-	103,896	46,986
Fund-raising	257,489	-	-	257,489	263,171
<b>Total supporting services</b>	<b>361,385</b>	<b>-</b>	<b>-</b>	<b>361,385</b>	<b>310,157</b>
<b>Total expenses</b>	<b>2,021,410</b>	<b>-</b>	<b>-</b>	<b>2,021,410</b>	<b>1,826,907</b>
<b>Change in net assets</b>	<b>(72,608)</b>	<b>45,000</b>	<b>-</b>	<b>(27,608)</b>	<b>40,500</b>
<b>NET ASSETS (DEFICIT),</b>					
Beginning of the year	9,366	-	25,049	34,415	(6,085)
<b>NET ASSETS (DEFICIT),</b>					
End of the year	\$ (63,242)	\$ 45,000	\$ 25,049	\$ 6,807	\$ 34,415

The accompanying notes are a part of the financial statements.

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

STATEMENT OF CASH FLOWS

for the year ended September 30, 2018

(with comparative totals as of September 30, 2017)

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (27,608)	\$ 40,500
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	5,694	6,154
Decrease (increase) in accounts receivable and deposits	(105,060)	6,542
Decrease in prepaid expenses	2,347	2,296
Increase (decrease) in accounts payable	(15,834)	86,561
Increase (decrease) in unearned revenues	<u>(160,588)</u>	<u>141,436</u>
Total adjustments	<u>(273,441)</u>	<u>242,989</u>
Net cash provided (used) by operating activities	(301,049)	283,489
<b>CASH FLOWS USED BY INVESTING ACTIVITIES:</b>		
Increase in interest in net assets of community foundation	-	(25,049)
Purchase of fixed assets	<u>(2,446)</u>	<u>(4,549)</u>
Net cash used by investing activities	<u>(2,446)</u>	<u>(29,598)</u>
<b>CASH FLOWS FOR FINANCING ACTIVITIES:</b>		
Line of credit	<u>70,000</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(233,495)	253,891
CASH AND CASH EQUIVALENTS, Beginning of the year	<u>419,710</u>	<u>165,819</u>
CASH AND CASH EQUIVALENTS, End of the year	<u>\$ 186,215</u>	<u>\$ 419,710</u>

The accompanying notes are a part of the financial statements.

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2018

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NOTE A - NATURE OF ACTIVITIES:

Groundwork Center for Resilient Communities, Inc. is a research, educational and service organization operating in the public interest. The Organization is dedicated to strengthening local economies, protecting the environment and building community. It is supported through grants, donations and fees for services.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The financial statements of Groundwork Center for Resilient Communities, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Center reports its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

The financial statements include certain prior-year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Groundwork Center for Resilient Communities, Inc.'s financial statements for the year ended September 30, 2017, from which the summarized information was derived.

Revenue Recognition

Grant revenues for exchange transactions, i.e. purchases of goods and services, are recognized as revenue when earned. If grant revenues are paid in advance, the Organization records the collection as unearned revenues.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization records donations of noncash assets at their appraised or fair value at the date of gift.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.



GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2018

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NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fixed Assets

Furniture, fixtures and equipment are stated at cost for purchased items and market value at the date of donation for donated items. Depreciable assets are being depreciated over their estimated useful lives using the straight-line method. Generally, the Organization capitalizes all expenditures for fixed assets in excess of \$1,000. Depreciation expense of \$5,694 has been recorded in the statement of activities for the year ended September 30, 2018.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments available for current use with an initial maturity of less than ninety days to be cash equivalents. At September 30, 2018, all cash in bank is FDIC insured.

Expense Allocation

The costs of providing 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 programs and supporting services benefited.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. In addition, volunteers provide program assistance and fundraising services to the Organization. However, all contributions received did not meet the criteria to be recognized in the financial statements.

Advertising

Promotion and advertising costs totaled \$17,807 for the year ended September 30, 2018.

Reclassifications

Certain amounts in the prior year financial information have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2018

NOTE C - LINE OF CREDIT:

The Organization has a revolving line of credit with a bank in the amount of \$75,000. The line of credit is available to finance current operations as needed, and advances carry an interest rate of 5.5 percent. At September 30, 2018, advances of \$70,000 were outstanding under the revolving line of credit.

NOTE D - OPERATING LEASE:

The Organization leases office space in downtown Traverse City and Petoskey, Michigan. The current lease for Traverse City will mature on December 30, 2019 and the Petoskey lease will mature on May 31, 2019. Rent expense for the year totaled \$71,025. Following is an annual rental schedule:

Year	Annual Rents
2018-2019	\$ 69,975
2019-2020	27,500

NOTE E – EMPLOYEE BENEFITS:

The Organization has a Simple IRA retirement plan. The Organization matches employee contributions of up to 3 percent of qualified wages. The Organization's contribution to the plan totaled \$21,407 for the year.

In 2010, the Organization adopted a health savings account (HSA) benefit for employees covered by the Organization's qualified high-deductible health insurance plan. The HSA is funded only by contributions from employees each plan year.

NOTE F – INCOME TAX STATUS:

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations, or cash flows. Therefore, the financial statements reflect no provision or liability for federal income tax. The Organization's tax filings are no longer subject to examination for years prior to September 30, 2015.

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2018

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NOTE G - DATE OF MANAGEMENT'S REVIEW:

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 19, 2019, the date that the financial statements were available to be issued.

NOTE H – COMMITMENTS:

The Organization has contracted to provide services on various grants in progress. At September 30, 2018, amounts received in advance that have not been spent by year end have been recorded as unearned revenues totaling \$226,563 in the Statement of Financial Position.

NOTE I – LOCAL DIFFERENCE, LLC:

Local Difference, LLC is a wholly owned limited liability company established to promote the sale and production of food in a common area; providing better quality products and sustainability for the local food producers. The financial information of Local Difference, LLC has been included with the activities of Groundwork in the financial statements. All transactions between the two entities that are reported in their individual financial information have been eliminated. Subsequent to year end, the subsidiary was sold to Boomerang-Catapult, LLC. The conditions of the sale include a 5 year covenant not to compete and release of current liabilities.

NOTE J – BENEFICIAL INTEREST IN NET ASSETS OF COMMUNITY FOUNDATION:

In 2017, Groundwork established an endowment fund (the Fund) with the Grand Traverse Regional Community Foundation (the Foundation). Under the terms of the agreement, the governing board of Groundwork reserves the right to recommend to the Trustees of the Foundation as to the distribution of net income from the Fund according to the spending policy of the Foundation. The principal of the Fund shall remain intact and not be subject to distribution. At the time of the transfer, Groundwork granted variance power to the Foundation, which gives the Foundation the right to distribute the income to another organization, if Groundwork ceases to exist. The transfer has been recorded as an interest in net assets of community foundation totaling \$25,049. This represents the transfer made by Groundwork plus the pro rata increase or decrease in market value of the funds. As determined by the Foundation, distributable income is available to Groundwork as unrestricted revenues and is recorded when received.

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

for the year ended September 30, 2018

(with comparative totals as of September 30, 2017)

	PROGRAM SERVICES			
	FOOD & FARMING	THRIVING COMMUNITIES	ENERGY	TOTAL
Salaries and wages	\$ 406,193	\$ 100,570	\$ 247,866	\$ 754,629
Employee benefits	31,374	11,913	29,117	72,404
Payroll taxes	35,120	8,402	19,932	63,454
Printing and postage	56,505	918	7,932	65,355
Insurance	6,212	501	1,446	8,159
Meetings and professional development	7,277	2,842	2,262	12,381
Occupancy	19,857	7,950	19,875	47,682
Contracted services	300,651	45,035	160,120	505,806
Conferences and workshops	4,992	-	28,330	33,322
Telephone	4,809	878	2,495	8,182
Computer services	-	-	-	-
Travel	20,658	2,760	3,693	27,111
Office supplies	12,334	624	1,485	14,443
Promotion	6,496	-	6,653	13,149
Bank charges	6,280	11	1,230	7,521
Memberships and dues	10,688	1,406	3,737	15,831
Depreciation	-	-	-	-
Grants	-	-	10,596	10,596
Total expenses	<u>\$ 929,446</u>	<u>\$ 183,810</u>	<u>\$ 546,769</u>	<u>\$ 1,660,025</u>

The accompanying notes are a part of the financial statements.

SUPPORTING SERVICES			2018	2017
ADMINISTRATIVE & GENERAL	FUNDRAISING	TOTAL	TOTAL ALL EXPENSES	TOTAL ALL EXPENSES
\$ 33,273	\$ 166,030	\$ 199,303	\$ 953,932	\$ 867,939
24,450	20,042	44,492	116,896	102,581
2,703	13,094	15,797	79,251	74,890
1,804	20,527	22,331	87,686	95,326
-	834	834	8,993	11,134
3,371	3,880	7,251	19,632	26,091
15,899	14,705	30,604	78,286	74,025
4,015	7,840	11,855	517,661	387,189
289	-	289	33,611	50,443
1,756	1,998	3,754	11,936	11,488
3,122	-	3,122	3,122	11,635
206	1,878	2,084	29,195	31,619
1,201	1,266	2,467	16,910	24,255
3,428	1,230	4,658	17,807	30,228
93	1,296	1,389	8,910	4,425
2,592	2,869	5,461	21,292	17,485
5,694	-	5,694	5,694	6,154
-	-	-	10,596	-
<u>\$ 103,896</u>	<u>\$ 257,489</u>	<u>\$ 361,385</u>	<u>\$ 2,021,410</u>	<u>\$ 1,826,907</u>