

GROUNDWORK CENTER FOR
RESILIENT COMMUNITIES, INC.
(a Michigan nonprofit corporation)

FINANCIAL STATEMENTS
for the year ended September 30, 2019

KAMMERMANN & BASCOM, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHARLEVOIX, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

December 17, 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, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

Groundwork Center for Resilient Communities, Inc.
December 17, 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, 2019, 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 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated April 19, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kammermann & Bascom, P.C.

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

STATEMENT OF FINANCIAL POSITION

as of September 30, 2019

(with comparative totals as of September 30, 2018)

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 595,926	\$ 186,215
Accounts receivable	<u>131,962</u>	<u>205,898</u>
Total current assets	727,888	392,113
FIXED ASSETS:		
Furniture and fixtures	23,512	23,512
Equipment and software	<u>55,823</u>	<u>49,936</u>
	79,335	73,448
Less accumulated depreciation	<u>(66,535)</u>	<u>(60,955)</u>
Total fixed assets	12,800	12,493
OTHER ASSETS:		
Lease deposits	5,050	5,050
Interest in net assets of community foundation (Note K)	<u>25,049</u>	<u>25,049</u>
Total other assets	<u>30,099</u>	<u>30,099</u>
Total assets	<u>\$ 770,787</u>	<u>\$ 434,705</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 75,941	\$ 85,147
Accrued payroll taxes	16,952	21,841
Line of credit (Note D)	-	70,000
Accrued vacation	23,624	12,588
Accrued retirement	11,348	11,759
Unearned revenue (Note I)	<u>560,310</u>	<u>226,563</u>
Total current liabilities	688,175	427,898
NET ASSETS:		
Without donor restriction	57,563	(63,242)
With donor restriction	<u>25,049</u>	<u>70,049</u>
Total net assets	<u>82,612</u>	<u>6,807</u>
Total liabilities and net assets	<u>\$ 770,787</u>	<u>\$ 434,705</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, 2019

(with comparative totals as of September 30, 2018)

	<u>WITHOUT DONOR RESTRICTION</u>	<u>WITH DONOR RESTRICTION</u>	<u>TOTAL</u>	<u>2018 TOTAL</u>
REVENUES AND SUPPORT:				
Contributions	\$ 656,611	\$ 400,000	\$ 1,056,611	\$ 1,035,888
Grants	-	639,429	639,429	735,588
Listings and licenses	-	-	-	195,622
Special fund-raising event, net of costs of \$103,770	10	-	10	(9,820)
Program fees	36,818	-	36,818	-
Miscellaneous	27,028	-	27,028	36,524
Net assets released from restrictions	<u>1,084,429</u>	<u>(1,084,429)</u>	<u>-</u>	<u>-</u>
Total revenues and support	1,804,896	(45,000)	1,759,896	1,993,802
EXPENSES:				
Program services:				
Food and farming	686,467	-	686,467	929,446
Thriving communities	158,028	-	158,028	183,810
Energy	<u>593,568</u>	<u>-</u>	<u>593,568</u>	<u>546,769</u>
Total program services	1,438,063	-	1,438,063	1,660,025
Supporting services:				
Administrative and general	112,126	-	112,126	103,896
Fund-raising	<u>221,835</u>	<u>-</u>	<u>221,835</u>	<u>257,489</u>
Total supporting services	<u>333,961</u>	<u>-</u>	<u>333,961</u>	<u>361,385</u>
Total expenses	<u>1,772,024</u>	<u>-</u>	<u>1,772,024</u>	<u>2,021,410</u>
Change in net assets, from continued operations	32,872	(45,000)	(12,128)	(27,608)
Discontinued operations - gain on sale of subsidiary	<u>87,933</u>	<u>-</u>	<u>87,933</u>	<u>-</u>
Change in net assets	120,805	(45,000)	75,805	(27,608)
NET ASSETS (DEFICIT),				
Beginning of the year	<u>(63,242)</u>	<u>70,049</u>	<u>6,807</u>	<u>34,415</u>
NET ASSETS,				
End of the year	<u>\$ 57,563</u>	<u>\$ 25,049</u>	<u>\$ 82,612</u>	<u>\$ 6,807</u>

The accompanying notes are a part of the financial statements.

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended September 30, 2019

(with comparative totals as of September 30, 2018)

	PROGRAM SERVICES			
	FOOD & FARMING	THRIVING COMMUNITIES	ENERGY	TOTAL
Salaries and wages	\$ 327,923	\$ 111,731	\$ 322,687	\$ 762,341
Employee benefits	44,499	14,949	43,950	103,398
Payroll taxes	24,087	8,410	23,269	55,766
Printing and postage	7,427	1,171	5,094	13,692
Insurance	851	264	807	1,922
Meetings and professional development	6,121	1,601	4,249	11,971
Occupancy	23,375	7,254	22,166	52,795
Contracted services	158,946	6,337	118,204	283,487
Conferences and workshops	64,643	300	32,290	97,233
Telephone	4,607	1,324	3,244	9,175
Computer services	439	136	577	1,152
Travel	8,698	1,729	5,765	16,192
Office supplies	3,318	529	1,660	5,507
Promotion	4,303	437	3,914	8,654
Bank charges	620	4	640	1,264
Memberships and dues	6,610	1,852	5,052	13,514
Depreciation	-	-	-	-
Grants	-	-	-	-
Total expenses	<u>\$ 686,467</u>	<u>\$ 158,028</u>	<u>\$ 593,568</u>	<u>\$ 1,438,063</u>

The accompanying notes are a part of the financial statements.

SUPPORTING SERVICES			2019	2018
ADMINISTRATIVE & GENERAL	FUNDRAISING	TOTAL	TOTAL ALL EXPENSES	TOTAL ALL EXPENSES
\$ 43,350	\$ 139,233	\$ 182,583	\$ 944,924	\$ 953,932
28,431	20,433	48,864	152,262	116,896
3,333	10,211	13,544	69,310	79,251
2,391	15,773	18,164	31,856	87,686
603	338	941	2,863	8,993
680	1,831	2,511	14,482	19,632
16,522	9,272	25,794	78,589	78,286
3,679	14,982	18,661	302,148	517,661
-	1,063	1,063	98,296	33,611
1,647	1,775	3,422	12,597	11,936
327	174	501	1,653	3,122
76	1,012	1,088	17,280	29,195
999	785	1,784	7,291	16,910
996	1,009	2,005	10,659	17,807
375	1,394	1,769	3,033	8,910
3,137	2,550	5,687	19,201	21,292
5,580	-	5,580	5,580	5,694
-	-	-	-	10,596
<u>\$ 112,126</u>	<u>\$ 221,835</u>	<u>\$ 333,961</u>	<u>\$ 1,772,024</u>	<u>\$ 2,021,410</u>

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

STATEMENT OF CASH FLOWS

for the year ended September 30, 2019

(with comparative totals as of September 30, 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 75,805	\$ (27,608)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	5,580	5,694
Decrease (increase) in accounts receivable and deposits	73,936	(105,060)
Decrease in prepaid expenses	-	2,347
Decrease in accounts payable	(9,206)	(15,834)
Increase in accrued liabilities	5,736	-
Increase (decrease) in unearned revenues	<u>333,747</u>	<u>(160,588)</u>
Total adjustments	<u>409,793</u>	<u>(273,441)</u>
Net cash provided (used) by operating activities	485,598	(301,049)
CASH FLOWS USED BY INVESTING ACTIVITIES,		
Purchase of fixed assets	(5,887)	(2,446)
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES,		
Line of credit funding (repayment)	<u>(70,000)</u>	<u>70,000</u>
Net increase (decrease) in cash and cash equivalents	409,711	(233,495)
CASH AND CASH EQUIVALENTS, Beginning of the year	<u>186,215</u>	<u>419,710</u>
CASH AND CASH EQUIVALENTS, End of the year	<u>\$ 595,926</u>	<u>\$ 186,215</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, 2019

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 Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

The Organization's unspent contributions are reported in net assets with donor contributions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2019

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

The Organization's donor-restricted endowment funds, including the unspent appreciation of the endowment fund and the portion of the Organization's donor-restricted endowment funds that the Organization is committed to maintaining in perpetuity are classified in net assets with donor restrictions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net 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 the Organization's financial statements for the year ended September 30, 2018, 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.

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.

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2019

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

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 \$5,580 has been recorded in the statement of activities for the year ended September 30, 2019.

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, 2019, cash and cash equivalents totaling \$291,122 was FDIC insured and the remaining \$304,804 was uncollateralized and uninsured.

Subsequent to year end, the Organization approved a policy to reallocate funds in excess of FDIC limits to additional banking and financial institutions.

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 \$10,659 for the year ended September 30, 2019.

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, 2019

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

Change in Accounting Principles

The organization implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources.

The changes have the following effect on net assets at September 30, 2019:

	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016- 14</u>
Unrestricted net assets	\$ 57,563	\$ -
Temporarily restricted net assets	-	-
Permanently restricted net assets	25,049	-
Net assets without donor restrictions	-	57,563
Net assets with donor restrictions	<u>-</u>	<u>25,049</u>
Total	<u>\$ 82,612</u>	<u>\$ 82,612</u>

NOTE C – LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, this, without donor or other restrictions limiting their use, within one year of September 30, 2019 are:

Financial assets:	
Cash and cash equivalents	\$ 595,926
Accounts receivable	131,962
Beneficial interest in community foundation	<u>25,049</u>
Total financial assets	752,937
Less financial assets held to meet donor-imposed restrictions:	
Beneficial interest in community foundation (Note E)	<u>(25,049)</u>
Amount available for general expenditures within one year	<u>\$ 727,888</u>

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2019

NOTE D - 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, 2019, there were no advances outstanding under the line of credit.

NOTE E - 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, 2022 and the Petoskey lease will mature on May 31, 2020. Rent expense for the year totaled \$72,525. Following is a schedule of future minimum rental payments:

<u>Year</u>	<u>Annual Rents</u>
2019-2020	\$ 71,950
2020-2021	69,150
2021-2022	70,950
2022-2023	17,850

NOTE F – 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 \$25,571 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 G – 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, 2016.

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2019

NOTE H - DATE OF MANAGEMENT'S REVIEW:

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 17, 2019, the date that the financial statements were available to be issued.

NOTE I – COMMITMENTS:

The Organization has contracted to provide services on various grants in progress. At September 30, 2019, amounts received in advance that have not been spent by year end have been recorded as unearned revenues totaling \$560,310 in the Statement of Financial Position.

NOTE J – 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 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 K – 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.