

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

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FINANCIAL STATEMENTS  
for the year ended September 30, 2020

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

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## INDEPENDENT AUDITOR'S REPORT

February 10, 2021

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, 2020, 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.  
February 10, 2021

**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, 2020, 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 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 17, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, 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, 2020

(with comparative totals as of September 30, 2019)

ASSETS

	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 864,226	\$ 595,926
Accounts receivable	<u>35,487</u>	<u>131,962</u>
Total current assets	899,713	727,888
<b>FIXED ASSETS:</b>		
Furniture and fixtures	23,512	23,512
Equipment and software	<u>62,361</u>	<u>55,823</u>
	85,873	79,335
Less accumulated depreciation	<u>(72,400)</u>	<u>(66,535)</u>
Total fixed assets	13,473	12,800
<b>OTHER ASSETS:</b>		
Lease deposits	5,050	5,050
Interest in net assets of community foundation (Note K)	<u>37,549</u>	<u>25,049</u>
Total other assets	<u>42,599</u>	<u>30,099</u>
Total assets	<u>\$ 955,785</u>	<u>\$ 770,787</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 17,611	\$ 75,941
Accrued payroll taxes	9,230	16,952
Accrued vacation	57,906	23,624
Accrued retirement	11,188	11,348
Unearned revenue (Note J)	<u>458,565</u>	<u>560,310</u>
Total current liabilities	554,500	688,175
<b>NET ASSETS:</b>		
Without donor restrictions	77,736	57,563
With donor restrictions	<u>323,549</u>	<u>25,049</u>
Total net assets	<u>401,285</u>	<u>82,612</u>
Total liabilities and net assets	<u>\$ 955,785</u>	<u>\$ 770,787</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, 2020

(with comparative totals as of September 30, 2019)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	2019 TOTAL
<b>REVENUES AND SUPPORT:</b>				
Contributions	\$ 526,616	\$ 746,125	\$ 1,272,741	\$ 1,056,611
Grants	-	1,093,657	1,093,657	639,429
Cancelation of debt (Note E)	210,121	-	210,121	-
Special fund-raising event, net of costs of \$120,524	20,375	-	20,375	10
Program fees	9,082	-	9,082	36,818
Miscellaneous	31,135	-	31,135	27,028
Net assets released from restrictions	<u>1,541,282</u>	<u>(1,541,282)</u>	<u>-</u>	<u>-</u>
Total revenues and support	2,338,611	298,500	2,637,111	1,759,896
<b>EXPENSES:</b>				
Program services:				
Food and farming	1,057,622	-	1,057,622	686,467
Thriving communities	126,506	-	126,506	158,028
Energy	<u>616,417</u>	<u>-</u>	<u>616,417</u>	<u>593,568</u>
Total program services	1,800,545	-	1,800,545	1,438,063
Supporting services:				
Administrative and general	112,588	-	112,588	112,126
Fund-raising	<u>405,305</u>	<u>-</u>	<u>405,305</u>	<u>221,835</u>
Total supporting services	<u>517,893</u>	<u>-</u>	<u>517,893</u>	<u>333,961</u>
Total expenses	<u>2,318,438</u>	<u>-</u>	<u>2,318,438</u>	<u>1,772,024</u>
Revenue over (under) expenses	20,173	298,500	318,673	(12,128)
Gain on sale of subsidiary	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,933</u>
Change in net assets	20,173	298,500	318,673	75,805
<b>NET ASSETS,</b>				
Beginning of the year	<u>57,563</u>	<u>25,049</u>	<u>82,612</u>	<u>6,807</u>
<b>NET ASSETS,</b>				
End of the year	<u>\$ 77,736</u>	<u>\$ 323,549</u>	<u>\$ 401,285</u>	<u>\$ 82,612</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, 2020

(with comparative totals as of September 30, 2019)

	PROGRAM SERVICES			
	FOOD & FARMING	THRIVING COMMUNITIES	ENERGY	TOTAL
Salaries and wages	\$ 335,163	\$ 89,012	\$ 343,992	\$ 768,167
Employee benefits	46,085	11,775	48,173	106,033
Payroll taxes	23,683	6,448	24,269	54,400
Contracted services	345,176	8,450	83,547	437,173
Grants	245,945	-	55,500	301,445
Conferences and workshops	1,153	-	8,303	9,456
Printing and postage	4,350	535	3,590	8,475
Travel	4,952	44	3,210	8,206
Insurance	889	214	918	2,021
Meetings and professional development	5,255	1,332	4,519	11,106
Occupancy	22,007	5,298	22,007	49,312
Telephone	4,805	1,076	3,659	9,540
Promotion	3,481	1,042	4,533	9,056
Office supplies	4,164	337	1,929	6,430
Memberships and dues	10,496	943	7,757	19,196
Depreciation	-	-	-	-
Bank charges	18	-	511	529
Total expenses	<u>\$ 1,057,622</u>	<u>\$ 126,506</u>	<u>\$ 616,417</u>	<u>\$ 1,800,545</u>

The accompanying notes are a part of the financial statements.

SUPPORTING SERVICES			2020	2019
ADMINISTRATIVE & GENERAL	FUNDRAISING	TOTAL	TOTAL ALL EXPENSES	TOTAL ALL EXPENSES
\$ 35,985	\$ 277,853	\$ 313,838	\$ 1,082,005	\$ 944,924
26,082	35,693	61,775	167,808	152,262
2,592	19,471	22,063	76,463	69,310
13,188	24,571	37,759	474,932	302,148
-	-	-	301,445	-
-	223	223	9,679	98,296
2,413	19,231	21,644	30,119	31,856
201	888	1,089	9,295	17,280
576	626	1,202	3,223	2,863
1,693	2,362	4,055	15,161	14,482
14,264	15,487	29,751	79,063	78,589
1,280	2,440	3,720	13,260	12,597
645	1,398	2,043	11,099	10,659
3,385	991	4,376	10,806	8,944
1,715	2,703	4,418	23,614	19,201
5,865	-	5,865	5,865	5,580
2,704	1,368	4,072	4,601	3,033
<u>\$ 112,588</u>	<u>\$ 405,305</u>	<u>\$ 517,893</u>	<u>\$ 2,318,438</u>	<u>\$ 1,772,024</u>



GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

STATEMENT OF CASH FLOWS

for the year ended September 30, 2020

(with comparative totals as of September 30, 2019)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 318,673	\$ 75,805
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,865	5,580
Decrease in accounts receivable	96,475	73,936
Decrease in accounts payable	(58,330)	(9,206)
Increase in accrued expenses	26,400	5,736
Increase (decrease) in unearned revenues	<u>(101,745)</u>	<u>333,747</u>
Total adjustments	<u>(31,335)</u>	<u>409,793</u>
Net cash provided by operating activities	287,338	485,598
<b>CASH FLOWS USED BY INVESTING ACTIVITIES,</b>		
Purchase of fixed assets	(6,538)	(5,887)
Increase in interest in net assets of community foundation	<u>(12,500)</u>	<u>-</u>
Net cash used by investing activities	<u>(19,038)</u>	<u>(5,887)</u>
<b>CASH FLOWS USED BY FINANCING ACTIVITIES,</b>		
Repayment of line of credit funding	<u>-</u>	<u>(70,000)</u>
Net increase in cash and cash equivalents	268,300	409,711
CASH AND CASH EQUIVALENTS, Beginning of the year	<u>595,926</u>	<u>186,215</u>
CASH AND CASH EQUIVALENTS, End of the year	<u>\$ 864,226</u>	<u>\$ 595,926</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, 2020

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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 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.

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.

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2020

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

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, 2019, 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 support with donor restrictions that increases that net asset class. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

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 \$5,865 has been recorded in the statement of activities for the year ended September 30, 2020.

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, 2020, cash and cash equivalents totaling \$750,000 was FDIC insured and the remaining \$114,226 was uncollateralized and uninsured.

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2020

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

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 \$11,099 for the year ended September 30, 2020.

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, 2020 are:

Financial assets:	
Cash and cash equivalents	\$ 864,226
Accounts receivable	35,487
Interest in net assets of community foundation	<u>37,549</u>
Total financial assets	937,262
Less financial assets held to meet donor-imposed restrictions:	
Interest in net assets of community foundation (Note E)	<u>(37,549)</u>
Amount available for general expenditures within one year	<u>\$ 899,713</u>

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, 2020, there were no advances outstanding under the line of credit.

NOTE E – PAYCHECK PROTECTION PROGRAM LOAN:

The Organization applied for and received a loan under the Paycheck Protection Program authorized by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The Organization was funded with \$210,121. Subsequent to year end, the entire loan was forgiven and has been recognized as revenue for the year ended September 30, 2020.

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2020

NOTE F - 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 \$74,310. Following is a schedule of future minimum rental payments:

Year	Annual Rents
2020-2021	73,870
2021-2022	70,950
2022-2023	17,850

NOTE G – 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 contributions to the plan totaled \$27,833 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 H – 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, 2017.

NOTE I - DATE OF MANAGEMENT'S REVIEW:

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 10, 2021, the date that the financial statements were available to be issued.

NOTE J – COMMITMENTS:

The Organization has contracted to provide services on various grants in progress. At September 30, 2020, amounts received in advance that have not been spent by year end have been recorded as unearned revenues totaling \$458,565 in the Statement of Financial Position.

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

NOTES TO FINANCIAL STATEMENTS

for the year ended September 30, 2020

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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 \$37,549. This represents the transfers 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.

NOTE L – NET ASSETS WITH DONOR RESTRICTIONS:

As of September 30, 2020, net assets with donor restrictions are available for the following purposes:

Donor restricted:	
Program,	
Take Action Campaign	\$ 286,000
Interest in net assets of community foundation	<u>37,549</u>
Total net assets with donor restrictions	<u>\$ 323,549</u>