GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

TABLE OF CONTENTS

613 Abbott St. • Suite 320 • Detroit, MI 48226 • Tel.: 313/965-0500 • Fax: 313/251-3944

GREGORY TERRELL & COMPANY

INDEPENDENT AUDITORS' REPORT

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) (the "Organization"), which comprise the statement of financial position as of September 30, 2021, 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 accounting 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2021, 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.

Gregory Terrell & Company

Certified Public Accountants
Detroit, Michigan

February 25, 2022

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021

ASSETS

Current Assets	
Cash and Cash Equivalents	$ 824,457
Total Current Assets	$ 824,457
Non-Current Assets	
Prepaid Lease Costs	91,980
Endowment Fund	57,935
Commonground Cooperative Shares	289,270
Lease Deposits	5,050
Property and Equipment (Net)	37,435
Total Assets	$ 1,306,127

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	$ 35,150
Accrued Payroll Taxes	3,837
Accrued Vacation	48,789
Accrued Retirement	12,823
Unearned Revenue	15,000
Total Current Liabilities	$ 115,599
Total Liabilities	$ 115,599
Net Assets	
Without Donor Restrictions	$ 597,513
With Donor Restrictions	593,015
Total Net Assets	$ 1,190,528
Total Liabilities and Net Assets	$ 1,306,127

The accompanying notes are an integral part of this statement.

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ 667,354	$ 587,935	$ 1,255,289
Grants	43,309	1,012,859	1,056,168
Special Fundraising Event, Net of Cost of $22,691	76,439	-	76,439
Miscellaneous	45,630	7,886	53,516
Net Assets Released From Restrictions - Satisfaction of Program Restrictions	1,782,779	(1,782,779)	-
Total Support and Revenue	$ 2,615,511	$ (174,099)	$ 2,441,412
EXPENSES			
Program Services:			
Food & Farming	$ 605,488	$ -	$ 605,488
Thriving Communities	153,283	-	153,283
Climate & Environment	523,420	-	523,420
Total Program Services	1,282,191	-	1,282,191
Supporting Services:			
Management and General	264,333	-	264,333
Fundraising	549,210	-	549,210
Total Expenses	$ 2,095,734	$ -	$ 2,095,734
CHANGE IN NET ASSETS	$ 519,777	$ (174,099)	$ 345,678
NET ASSETS, Beginning of Year	77,736	767,114	844,850
NET ASSETS, End of Year	$ 597,513	$ 593,015	$ 1,190,528

The accompanying notes are an integral part of this statement.

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Program Services				Management and General	Fund Raising	Total Expenses
	Food & Farming	Thriving Communities	Climate & Environment	Total			
Salaries and Wages	$ 378,609	$ 104,136	$ 306,907	$ 789,652	$ 53,185	$ 372,385	$ 1,215,222
Employee Benefits	45,204	11,417	35,534	92,155	36,628	38,888	167,671
Payroll Taxes	22,111	6,382	18,620	47,113	20,727	22,118	89,958
Contracted Services	106,379	8,163	103,477	218,019	115,023	33,382	366,424
Conferences and Professional Development	2,385	449	2,926	5,760	271	356	6,387
Printing and Postage	3,386	747	4,968	9,101	2,399	31,555	43,055
Travel	8,087	10	3,793	11,890	210	410	12,510
Insurance	897	228	686	1,811	731	776	3,318
Meetings	1,694	402	635	2,731	473	1,951	5,155
Occupancy	5,588	16,803	19,032	41,423	21,984	17,926	81,333
Telephone	4,930	1,451	2,489	8,870	1,125	3,307	13,302
Promotion	2,613	380	9,835	12,828	876	7,354	21,058
Office Supplies	7,940	1,641	5,060	14,641	5,376	11,037	31,054
Memberships and Dues	15,665	1,074	8,746	25,485	2,892	4,558	32,935
Bank Charges	-	-	712	712	166	3,207	4,085
Miscellaneous Expense	-	-	-	-	679	-	679
Subtotal	$ 605,488	$ 153,283	$ 523,420	$ 1,282,191	$ 262,745	$ 549,210	$ 2,094,146
Depreciation	-	-	-	-	1,588	-	1,588
Total Expenses	$ 605,488	$ 153,283	$ 523,420	$ 1,282,191	$ 264,333	$ 549,210	$ 2,095,734

The accompanying notes are an integral part of this statement.

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	$ 345,678
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:	
Depreciation	1,588
Change in Accounts Receivable	35,487
Change in Prepaid Lease Costs	(91,980)
Change in Accounts Payable	17,539
Change in Accrued Expenses	(12,875)
Net Cash Provided by (Used for) Operating Activities	$ 295,437

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment	$ (25,550)
Endowment Fund Investment	(20,386)
Purchase of Commonground Cooperative Shares	(289,270)
Net Cash Provided by (Used for) Investing Activities	$ (335,206)

NET CHANGE IN CASH AND CASH EQUIVALENTS	$ (39,769)
CASH AND CASH EQUIVALENTS, Beginning of Year	864,226
CASH AND CASH EQUIVALENTS, End of Year	$ 824,457

The accompanying notes are an integral part of this statement.

(1) ORGANIZATION

Groundwork Center for Resilient Communities, Inc. (the "Organization") 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.

In December 2020, the Organization purchased shares of a real estate cooperative, Commongrounds Cooperative, that is in the process of developing commercial and residential buildings in Traverse City. The cooperative is owned by its members that consist of Tenant Owners (like the Organization) and Community Owners (anyone who has an interest in seeing this development being successful and good for the community).

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been maintained and prepared on the accrual basis of accounting.

Change in Accounting Principle

Effective October 1, 2020, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Updated ("ASU") 2016-14 Codification Topic 606, Revenue from Contracts with Customers, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or a point in time, and expand disclosures about revenue. Management has assessed the various revenue streams of the Organization and determined that the new standard did not impact the amount or timing of revenue recognized.

Revenue Recognition

The Organization recognizes revenue based on the existence or absence of an exchange transaction. The Organization recognizes revenue from exchange transactions when it satisfies a performance obligation by providing a service to a customer or member or by transferring control over a product to a customer or member.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Revenue Recognition (continued)

Revenue from non-exchange transactions consist of the following:

- Contributions of cash and promises to give – gifts received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, 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. Contributions that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue and net assets without donor restriction. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

Revenue that has characteristics of both exchange and non-exchange transactions consist of the following:

- Special event revenue – recognized equal to the cost of direct benefits to donors, and contribution revenue for the difference.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

The Organization uses the income approach to value unconditional promises to give, in the aggregate on an annual basis, under the fair value option.

Accounts Receivable

Accounts receivable are stated at net realizable value. The Organization uses the allowance method for accounting for doubtful accounts. Management regularly reviews the collection history of its receivable balances with particular attention given to those amounts greater than 90 days old. It is the Organization’s policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Based on management’s review, no allowance was recorded as of September 30, 2021.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Net Assets Presentation

Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions by the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Property and Equipment

The Organization follows the practice of capitalizing all expenditures for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized.

Furniture and equipment are stated at cost or fair market value at the date received. Major improvements are capitalized while ordinary maintenance and repairs are expensed.

Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment.

Gifts of land, buildings, equipment and other long-lived assets are also reported as unrestricted revenue and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Tax Status

The Organization is an organization described in Internal Revenue Code (IRS) Section 501(c)(3) and as such is exempt from taxation under IRS Section 50 (a).

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Investments

Investments are recorded at fair value.

Charitable Endowment Fund

The Organization has previously established and periodically makes contributions to an endowment held and managed by the Grand Traverse Regional Community Foundation (GTRCF). The Organization is eligible to receive distributions as determined by GTRCF in accordance with the current investment, not to exceed the available balance. The endowment earned net investment income of $7,886 during the year ended September 30, 2021. With the exception of the previously mentioned allowable disbursements, the Organization cannot make disbursements of the endowment corpus. The GTRCF has variance power of these funds.

Compensated Absences

Vacation pay is recognized as an expense in the period earned. The Organization records compensated absences related to vacation as short-term liabilities.

Functional Allocation of Expenses

Directly identifiable expenses are charged to program and supporting services based on specific identification. Indirect expenses have been allocated on the basis of periodic expense studies.

Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(2) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Fair Value Measurements

The Organization uses fair value measurements in the preparation of its financial statements, which utilize various inputs, including those that can be readily observable, corroborated, or are generally unobservable. The Organization utilizes market-bases data and valuation techniques that maximize the use of observable inputs and minimize that use of unobservable inputs. Additionally, the Organization applies assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. The industry guide for Audits of Not-for-Profit Entities establishes a framework for measuring fair value which includes a hierarchy based on the quality of inputs used to measure fair value and provides specific disclosure requirements based on the hierarchy. The industry guide for Audits of Not-for-Profit Entities requires the categorization of financial assets and liabilities, based on the inputs of the valuation technique, into a three-level fair value hierarchy. The fair vale hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. The various levels of the fair value hierarchy are described as follows:

Fair Value Measurements (continued)

- Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Organization has the ability to access.

- Level 2 - Financial assets and liabilities whose values are based on quoted price markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.

- Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The industry guide for Audits of Not-for-Profit Entities requires the use of observables market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

(3) CONCENTRATION OF CREDIT RISK

The Organization places its temporary cash accounts with creditworthy, high-quality financial institutions. Financial instruments which potentially subject the Organization to concentrations of credit risk consists of checking and money market accounts. The total bank balance as of September 30, 2021 was $870,715 of which $870,588 was insured by the FDIC.

(4) 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 Petosky lease will mature on May 31, 2022. Rent expense for the year totaled $76,310. The 3-year lease for the office in Traverse City was amended to reduce the second year rent to $2,900, and third year rent to $2,975, effective on November 1, 2021.

Following is a schedule of future minimum rental payments:

2022	$ 43,100
2023	8,925
	$ 52,025

(5) EMPLOYEE BENEFITS

The Organization has a Simple IRA retirement plan. The Organization matches employee contribution of up to 3 percent of qualified wages. The Organization contributions to the plan totaled $30,566 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.

(6) NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from grantor restrictions during the year ended September 30, 2021, by incurring expense satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished:

Take Action Campaign	$ 307,469
Climate & Environment	480,199
Commongrounds	440,000
Food & Farming	523,761
Strong Cities & Towns	10,000
Operation	21,350
	$ 1,782,779

(7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at September 30, 2021, represent unexpended contributions and grant funds received for the following purpose:

Endowment Fund	$ 57,935
Take Action Campaign	87,796
Climate & Environment	167,500
Commongrounds	55,000
Food & Farming	224,784
	$ 593,015

(8) COMMITMENTS

In December 2020, the Organization entered into a real estate cooperative agreement, Commongrounds Cooperative, that is in the process of developing commercial and residential buildings in Traverse City. According to the membership agreement, the Organization invests $289,270 toward the construction of the unit that they will occupy (Unit #204 and 1,022 Square Feet). The Organization also agreed to pay Prepaid Lease Costs of $91,980 that will cover 6 years from the date the Cooperative receives approved certificate of occupancy. In addition, the Organization agreed to pay $25,550 toward tenant build-out costs (which is likely only a portion of what the total build-out or leasehold improvements will be).

(9) INVESTMENTS

The Investment fair value hierarchy for those assets measured at fair value on a recurring basis as of September 30, 2021 are summarized as follows:

Description	Level 1: Quoted prices in active markets for identical assets	Level 2: Significant other observable inputs	Level 3: Significant unobservable inputs	Fair Value at Reporting Date
Investments by Major Types				
Endowment Fund	$ -	$ -	$ 57,935	$ 57,935
Total	$ -	$ -	$ 57,935	$ 57,935

The fair value reconciliation of the Organization's Level 3 assets measured at fair value on a recurring basis for the year ended September 30, 2021 is as follows:

Beginning Balance October 1, 2020	$ 37,549
Purchases, Issuances and Settlements	12,500
Net Investment Income and (Losses) Realized/ Unrealized included in the Statement of Activities	7,886
Ending Balance September 30, 2021	$ 57,935

(10) PROPERTY AND EQUIPMENT

Property and equipment activity for the year ended September 31, 2021 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Construction in Progress	$ -	$ 25,550	$ -	$ 25,550
Furniture and Fixtures	23,512	-	-	23,512
Equipment and Software	62,361	-	-	62,361
	85,873	25,550	-	111,423
Less: Accumulated Depreciation	(72,400)	(1,588)	-	(73,988)
Net Property and Equipment	$ 13,473	$ 23,962	$ -	$ 37,435

(11) AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at September 30, 2021:

Financial Assets at Year End:	
Cash and Cash Equivalents	$ 824,457
Total Financial Assets	$ 824,457
Less: amounts not available to be used within one year:	
With Donor Restrictions	$ 593,015
Net Assets with Donor Restrictions	$ 593,015
Financial Assets available to meet general expenditures over the next twelve months	$ 231,442

Financial assets of $231,442 are available for general expenditure without donor or other restrictions limiting their use.

(12) PRIOR PERIOD ADJUSTMENT

The beginning net assets have been restated to correct an error made in accounting for deferred revenue on the prior year statement of financial position Net assets at the beginning of 2021 have been adjusted as follows:

	Previously Reported	As Restated	Effect of Change
NET ASSETS, Beginning of Year			
With Donor Restrictions	$ 323,549	$ 767,114	$ 443,565

(13) SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 25, 2022 which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

(14) COVID-19 PANDEMIC

The COVID-19 pandemic whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's customers, employees, and vendors all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flow is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.