GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

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GREGORY TERRELL & COMPANY

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Groundwork Center for Resilient Communities, Inc. (a Michigan not-for-profit Organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 Center as of September 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s 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 auditor’s 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, including omissions, 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 Organization’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 Organization’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.

Report on Summarized Comparative Information

We have previously audited the Organization's September 30, 2021 financial statements, and our report dated February 25, 2022, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

GREGORY TERRELL & COMPANY
Certified Public Accountants
Detroit, Michigan

April XX, 2023

GROUNDWORK CENTER FOR RESILIENT COMMUNITIES, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

ASSETS

	2022	2021
Current Assets		
Cash and Cash Equivalents	$ 521,761	$ 824,457
Accounts Receivable	240,000	-
Total Current Assets	$ 761,761	$ 824,457
Non-Current Assets		
Prepaid Lease Costs	91,980	91,980
Endowment Fund	46,843	57,935
Commonground Cooperative Shares	289,270	289,270
Lease Deposits	5,050	5,050
Property and Equipment (Net)	102,377	37,435
Total Assets	$ 1,297,281	$ 1,306,127

LIABILITIES AND NET ASSETS

	2022	2021
Current Liabilities		
Accounts Payable	$ 81,432	$ 35,150
Accrued Salaries	322	-
Accrued Payroll Taxes	5,788	3,837
Accrued Vacation	42,639	48,789
Accrued Retirement	16,207	12,823
Unearned Revenue	-	15,000
Total Current Liabilities	$ 146,388	$ 115,599
Total Liabilities	$ 146,388	$ 115,599
Net Assets		
Without Donor Restrictions	$ 864,050	597,513
With Donor Restrictions	286,843	593,015
Total Net Assets	$ 1,150,893	$ 1,190,528
Total Liabilities and Net Assets	$ 1,297,281	$ 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, 2022

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
SUPPORT AND REVENUE				
Contributions	$ 1,078,665	$ 40,000	$ 1,118,665	$ 1,255,289
Grants	448,784	608,197	1,056,981	1,056,168
Special Fundraising Event, Net of Cost of $26,088 in 2022 and $22,691 in 2021	138,374	-	138,374	76,439
Miscellaneous	55,604	-	55,604	53,516
Net Assets Released From Restrictions - Satisfaction of Program Restrictions	954,369	(954,369)	-	-
Total Support and Revenue	$ 2,675,796	$ (306,172)	$ 2,369,624	$ 2,441,412
EXPENSES				
Program Services:				
Food & Farming	$ 882,138	$ -	$ 882,138	$ 605,488
Thriving Communities	185,532	-	185,532	153,283
Climate & Environment	643,930	-	643,930	523,420
Total Program Services	1,711,600	-	1,711,600	1,282,191
Supporting Services:				
Management and General	196,229	-	196,229	264,333
Fundraising	501,430	-	501,430	549,210
Total Expenses	$ 2,409,259	$ -	$ 2,409,259	$ 2,095,734
CHANGE IN NET ASSETS	$ 266,537	$ (306,172)	$ (39,635)	$ 345,678
NET ASSETS, Beginning of Year	597,513	593,015	1,190,528	844,850
NET ASSETS, End of Year	$ 864,050	$ 286,843	$ 1,150,893	$ 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, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Program Services				**Management**		**2022**	**2021**
	Food & Farming	**Thriving Communities**	**Climate & Environment**	**Total**	**and General**	**Fund Raising**	**Total Expenses**	**Total Expenses**
Salaries and Wages	$ 518,412	$ 148,080	$ 406,303	$ 1,072,795	$ 88,914	$ 351,588	$ 1,513,297	$ 1,215,222
Employee Benefits	40,380	11,001	30,591	81,972	30,201	26,582	138,755	167,671
Payroll Taxes	38,714	10,879	31,102	80,695	7,157	26,346	114,198	89,958
Contracted Services	93,025	1,878	64,007	158,910	24,973	21,899	205,782	366,424
Partner Contracts	75,868	-	55,000	130,868	-	-	130,868	-
Conferences and Professional Development	9,597	998	1,443	12,038	677	6,487	19,202	6,387
Printing and Postage	3,616	1,177	3,753	8,546	2,532	25,405	36,483	43,055
Travel	14,967	554	8,445	23,966	490	2,350	26,806	12,510
Insurance	1,159	316	878	2,353	845	763	3,961	3,318
Meetings	3,112	426	1,989	5,527	1,070	3,820	10,417	5,155
Occupancy	15,099	4,114	11,439	30,652	11,028	9,942	51,622	81,333
Telephone	5,232	1,476	3,718	10,426	1,009	3,260	14,695	13,302
Promotion	12,725	259	6,735	19,719	693	1,930	22,342	21,058
Office Supplies	10,279	2,683	8,249	21,211	8,041	6,426	35,678	31,054
Memberships and Dues	39,953	1,691	9,776	51,420	3,056	5,824	60,300	32,935
Bank Charges	-	-	502	502	198	8,808	9,508	4,085
Miscellaneous Expense	-	-	-	-	8,740	-	8,740	679
Subtotal	$ 882,138	$ 185,532	$ 643,930	$ 1,711,600	$ 189,624	$ 501,430	$ 2,402,654	$ 2,094,146
Depreciation	-	-	-	-	6,605	-	6,605	1,588
Total Expenses	$ 882,138	$ 185,532	$ 643,930	$ 1,711,600	$ 196,229	$ 501,430	$ 2,409,259	$ 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, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

CASH FLOWS FROM OPERATING ACTIVITIES	**2022**	**2021**
Change in Net Assets	$ (39,635)	$ 345,678
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:		
Depreciation	6,605	1,588
Change in Accounts Receivable	(240,000)	35,487
Change in Prepaid Lease Costs	-	(91,980)
Change in Accounts Payable	46,282	17,539
Change in Accrued Expenses	(493)	(12,875)
Change in Unearned Revenues	(15,000)	-
Net Cash Provided by (Used for) Operating Activities	$ (242,241)	$ 295,437
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	$ (71,547)	$ (25,550)
Endowment Fund Investment	11,092	(20,386)
Purchase of Commonground Cooperative Shares	-	(289,270)
Net Cash Provided by (Used for) Investing Activities	$ (60,455)	$ (335,206)
NET CHANGE IN CASH AND CASH EQUIVALENTS	$ (302,696)	$ (39,769)
CASH AND CASH EQUIVALENTS, Beginning of Year	824,457	864,226
CASH AND CASH EQUIVALENTS, End of Year	$ 521,761	$ 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.

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.

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.

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

Revenue Recognition (continued)

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, 2022.

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.

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

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).

Investments

Investments are recorded at fair value.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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, 2022 was $581,483 and 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 $45,976.

(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's contributions to the plan totaled $33,453 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, 2022, by incurring expense satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished:

Take Action Campaign	$ 12,796
Climate & Environment	350,000
Transportation & Community Design	5,000
Food and Farming	575,481
Donations	11,092
	$ 954,369

(7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at September 30, 2022, represent unexpended contributions and grant funds received for the following purpose:

Endowment Fund	$ 46,843
Common Ground	200,000
Food and Farming	40,000
	$ 286,843

(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. In accordance with the membership agreement, the Organization invested $289,270 toward the construction of the unit that they will occupy (Unit #204 and 1,022 Square Feet). The Organization also paid 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). In 2022, $71,547 in tenant build-out costs were paid for a total of $97,097 through September 30, 2022.

(9) 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 $46,843. 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.

In 2022, the endowment fund's market value totaled $46,843.

(10) PROPERTY AND EQUIPMENT

Property and equipment activity for the year ended September 31, 2022 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Construction in Progress	$ 25,550	$ 71,547	$ -	$ 97,097
Furniture and Fixtures	23,512	-	-	23,512
Equipment and Software	62,361	-	-	62,361
	111,423	71,547	-	182,970
Less: Accumulated Depreciation	(73,988)	(6,605)	-	(80,593)
Net Property and Equipment	$ 37,435	$ 64,942	$ -	$ 102,377

(11) AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at September 30, 2022:

Financial Assets at Year End:	
Cash and Cash Equivalents	$ 521,761
Accounts Receivble	240,000
Total Financial Assets	$ 761,761
Less: amounts not available to be used within one year:	
With Donor Restrictions	$ 286,843
Net Assets with Donor Restrictions	$ 286,843
Financial Assets available to meet general expenditures over the next twelve months	$ 474,918

Financial assets of $474,918 are available for general expenditure without donor or other restrictions limiting their use.

(12) SUBSEQUENT EVENTS

Subsequent events have been evaluated through April XX, 2023 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.

On October 19, 2022, the Organization was awarded a $891,100 grant, for a two year period, from the United States Department of Agriculture. The grant will fund the Food and Farming program "Resilient Relationships, Resilient Supply" that builds upon established partnerships to strengthen the food system along lower Michigan's Western Lakeshore Region and to increase sales of locally grown foods from small and mid-size producers to schools, early child care and education centers and emergency food providers.

(13) 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.