

Groundwork USA, Inc.

Financial Statements

December 31, 2017 and 2016

Independent Auditors' Report

Board of Directors
Groundwork USA, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Groundwork USA, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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.

Board of Directors
Groundwork USA, Inc.
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Groundwork USA, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

New York, New York
September 13, 2018

Groundwork USA, Inc.

Statements of Financial Position

	December 31,	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 390,665	\$ 74,327
Grants receivable	869,704	112,790
Prepaid expenses and other assets	4,966	6,536
Fixed assets, net	<u>2,192</u>	<u>-</u>
	<u>\$ 1,267,527</u>	<u>\$ 193,653</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 186,315	\$ 147,390
Deferred revenue	400,896	43,023
Total Liabilities	<u>587,211</u>	<u>190,413</u>
Net Assets (Deficit)		
Unrestricted	26,872	(14,448)
Temporarily restricted	<u>653,444</u>	<u>17,688</u>
Total Net Assets	<u>680,316</u>	<u>3,240</u>
	<u>\$ 1,267,527</u>	<u>\$ 193,653</u>

See notes to financial statements

Groundwork USA, Inc.

Statements of Activities
Year Ended December 31,

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Government support	\$ 1,519,000	\$ -	\$ 1,519,000	\$ 1,401,334	\$ -	\$ 1,401,334
Contributions	270,046	900,000	1,170,046	4,920	459,011	463,931
Program fees	16,702	-	16,702	15,535	-	15,535
Other	1,405	-	1,405	19,140	-	19,140
Net assets released from restrictions	264,244	(264,244)	-	571,149	(571,149)	-
Total Revenue and Support	2,071,397	635,756	2,707,153	2,012,078	(112,138)	1,899,940
OPERATING EXPENSES						
Program services	1,781,681	-	1,781,681	1,760,176	-	1,760,176
Supporting Services						
Administration	220,840	-	220,840	187,566	-	187,566
Fundraising	27,556	-	27,556	22,041	-	22,041
Total Supporting Services	248,396	-	248,396	209,607	-	209,607
Total Expenses	2,030,077	-	2,030,077	1,969,783	-	1,969,783
Change in Net Assets	41,320	635,756	677,076	42,295	(112,138)	(69,843)
NET ASSETS (DEFICIT)						
Beginning of year	(14,448)	17,688	3,240	(56,743)	129,826	73,083
End of year	\$ 26,872	\$ 653,444	\$ 680,316	\$ (14,448)	\$ 17,688	\$ 3,240

Groundwork USA, Inc.

Statement of Functional Expenses
Year Ended December 31, 2017

	Supporting Services			
	Program Services	Administration	Fundraising	Total
Payroll	\$ 439,975	\$ 178,204	\$ 24,008	\$ 642,187
Payroll taxes, benefits related costs	55,243	22,375	3,015	80,633
Subawards and grants	881,093	-	-	881,093
Consultants and professional fees	191,093	10,961	184	202,238
Staff travel	113,181	2,439	271	115,891
Conferences and meetings	70,088	-	-	70,088
Program materials	7,297	-	-	7,297
Occupancy	5,673	4,730	33	10,436
Technology and communication	9,656	326	36	10,018
Office supplies and printing	3,095	827	9	3,931
Insurance	2,154	680	-	2,834
Other	2,037	298	-	2,335
Depreciation	1,096	-	-	1,096
Total	\$ 1,781,681	\$ 220,840	\$ 27,556	\$ 2,030,077

Groundwork USA, Inc.

Statement of Functional Expenses
Year Ended December 31, 2016

	Program		Supporting Services		Total
	Services	Administration	Fundraising	Total	
Payroll	\$ 320,261	\$ 117,452	\$ 19,195	\$ 136,647	\$ 456,908
Payroll taxes, benefits related costs	45,644	16,739	2,736	19,475	65,119
Subawards and grants	974,727	-	-	-	974,727
Consultants and professional fees	103,936	27,686	-	27,686	131,622
Staff travel	161,610	7,123	-	7,123	168,733
Conferences and meetings	110,602	-	-	-	110,602
Program materials	19,589	-	-	-	19,589
Occupancy	6,110	5,094	36	5,130	11,240
Technology and communication	14,950	5,931	50	5,981	20,931
Office supplies and printing	2,638	2,904	24	2,928	5,566
Insurance	-	2,792	-	2,792	2,792
Other	109	1,845	-	1,845	1,954
Total	\$ 1,760,176	\$ 187,566	\$ 22,041	\$ 209,607	\$ 1,969,783

Groundwork USA, Inc.

Statements of Cash Flows

	Year Ended December 31,	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 677,076	\$ (69,843)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,096	-
Changes in operating assets and liabilities		
Grants receivable	(756,914)	(47,344)
Prepaid expenses and other assets	1,570	(9)
Accounts payable and accrued expenses	38,925	21,977
Advances on government grants	357,873	(29,345)
Net Cash from Operating Activities	<u>319,626</u>	<u>(124,564)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(3,288)</u>	<u>-</u>
Net Change in Cash	316,338	(124,564)
CASH		
Beginning of year	<u>74,327</u>	<u>198,891</u>
End of year	<u>\$ 390,665</u>	<u>\$ 74,327</u>

See notes to financial statements

Groundwork USA, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

1. Organization and Tax Status

Groundwork USA, Inc. (the "Organization") is a not-for-profit, incorporated in the State of New York.

The mission of the Organization and its network is to bring about the sustained regeneration, improvement, and management of the physical environment by developing community-based partnerships that empower people, businesses, and organizations to promote environmental, economic, and social well-being. Dedicated to the belief that by changing places we can change lives, the Organization transforms blighted communities in small to medium-sized cities frequently overlooked by funders and policy makers.

The Organization accomplishes its work by supporting, strengthening and building a national network of independent nonprofits called Groundwork Trusts. Locally organized and controlled, Groundwork Trusts provide cost effective project development services focused on improving their communities; environment, economy and quality of life. The Organization provides the Groundwork Trusts with needed services to ensure each Trust is an effective, credible and valued partner within their communities.

The Organization is exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509 (a) of the Internal Revenue Code. The Organization is exempt from New York State income taxes.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Unrestricted - consist of resources available for the general support of the Organization's operations. Unrestricted net assets may be used at the discretion of the Organization's management and Board of Directors.

Groundwork USA, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies *(continued)*

Net Asset Presentation (continued)

Temporarily restricted - represent amounts restricted by donors for specific activities of the Organization or to be used at some future date. The Organization records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, when restrictions on donor-restricted contributions and investment return are met in the same accounting period in which they are received, such amounts are reported as unrestricted net assets.

Permanently restricted - consist of net assets that are subject to donor imposed restrictions that require the Organization to maintain them permanently, including funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. Income and gains earned on endowment fund investments are available to be used in the unrestricted or temporarily restricted net asset classes based upon stipulations by the donors. The Organization does not have any permanently restricted net assets.

Cash

Cash include cash balances held in bank accounts and are federally insured. At times cash deposits may exceed the federally insured limit of the financial institution and expose the organization to credit risk. The Organization believes it is not exposed to any significant risk of loss of these funds.

Allowance for Doubtful Accounts

Grant receivables are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established for amounts where there exists doubt as to whether an amount will be fully collected. The determination of this allowance is an estimate based on the Organization's historical experience, review of account balances and expectations relative to collections. Management determined that an allowance was not necessary at December 31, 2017 and 2016.

Fixed Assets

Fixed assets are stated at cost or, if donated, at fair market value on the date of the gift, and depreciated using the straight line method over the estimated useful lives of such assets. Purchases are capitalized based on the economic useful life of the assets and in accordance with guidelines issued by various governmental agencies for reimbursement purposes. When the grantor retains title or when it is probable that the title will revert to the grantor upon certain contingent events, the purchases are expensed in the year the funds are received and spent. The estimated lives by asset class are as follows:

Groundwork USA, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies *(continued)*

Fixed Assets (continued)

Furniture and equipment	5-10 years
Computers	3-5 years

In-kind Contributions

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. At December 31, 2017 and 2016, there were no donated services received by the Organization.

Contributions

All contributions, including unconditional promises to give, are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

The Organization receives grants which are reviewed to determine if they contain traits more similar to contributions or exchange transactions. For those grants that have been determined to be exchange transactions, revenue is recognized when earned. The difference between grants earned and cash received is recorded as either grants receivable or deferred revenue.

Contract revenue is recognized for these programs as expenses are incurred to the maximum of the contract award.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of square footage of office space occupied and other bases as determined by management of the Organization to be appropriate.

Groundwork USA, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for tax periods prior to December 31, 2014.

Reclassifications

Certain accounts in the statement of functional expenses in 2016 were reclassified to conform with the 2017 presentation. There was no effect on the net assets as a result of these changes.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 13, 2018.

3. Fixed Assets

Fixed assets, net consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Computer equipment	\$ 3,288	\$ 4,793
Accumulated depreciation	<u>(1,096)</u>	<u>(4,793)</u>
	<u>\$ 2,192</u>	<u>\$ -</u>

4. Transactions With Affiliates

Groundwork Hudson Valley, Inc. ("GWHV"), an independent not-for-profit organization, is one of the Groundwork Trusts in the Organization's national network. The Organization is related to GWHV in that they share administrative offices and staff. The Organization reimburses GWHV for staff, occupancy, and other administrative costs incurred on behalf of the Organization. Those reimbursements amounted to \$11,915 and \$91,790 in 2017 and 2016. In addition, the Organization made grants to GWHV totaling approximately \$61,000 and \$157,000 in 2017 and 2016.

Groundwork USA, Inc.

Schedule of Findings and Questioned Costs *(continued)*
Year Ended December 31, 2017

5. Temporarily Restricted Net Assets

Changes in the temporarily restricted net assets consist of the following at December 31:

<u>Purpose / Restriction</u>	<u>2016</u>	<u>Additions</u>	<u>Releases</u>	<u>2017</u>
General operating support - timing	\$ -	\$ 900,000	\$ (246,556)	\$ 653,444
Green Infrastructure	17,688	-	(17,688)	-
	<u>\$ 17,688</u>	<u>\$ 900,000</u>	<u>\$ (264,244)</u>	<u>\$ 653,444</u>

<u>Purpose / Restriction</u>	<u>2015</u>	<u>Additions</u>	<u>Releases</u>	<u>2016</u>
Green infrastructure	\$ 29,140	\$ 100,000	\$ (111,452)	\$ 17,688
National park projects	-	359,011	(359,011)	-
Building network capacity	100,686	-	(100,686)	-
	<u>\$ 129,826</u>	<u>\$ 459,011</u>	<u>\$ (571,149)</u>	<u>\$ 17,688</u>

6. Significant Concentrations

Cash include cash balances held in bank accounts and are federally insured. At times cash deposits may exceed the federally insured limit of the financial institution and expose the organization to credit risk. The Organization believes it is not exposed to any significant risk of loss of these funds.

Five large funders provided approximately 95% and 92% of the Organization's revenue and support in 2017 and 2016, respectively. Future giving is not guaranteed. Any significant changes in the giving levels of these funding sources could have a major impact on the operations of the Organization.

7. Contingencies

Government grants are subject to audit by various governmental agencies. Management is of the opinion that expense adjustments, if any, resulting from governmental agency audits, will not be material. Disallowances and adjustments, if any, resulting from such audits will be reflected in the financial statements in the year of settlement. As such, no reserves have been recorded.

8. Retirement Plan

The Organization has adopted a SIMPLE Individual Retirement Account plan whereby employees can contribute pre-tax dollars up to statutory limits. All employees are eligible to participate in the plan and all contributions made to the plan are fully vested. The Organization provides an employer match up to 3% of eligible employee contributions, which totaled \$13,453 and \$11,400 in 2017 and 2016.
