

Groundwork USA, Inc.

Financial Statements and Uniform Guidance Schedules
Together With Independent Auditors' Reports

December 31, 2019 and 2018

Groundwork USA, Inc.

Financial Statements and Uniform Guidance Schedules Together With Independent Auditor's Reports

December 31, 2019 and 2018

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Independent Auditors' Report

Board of Directors
Groundwork USA, Inc.
Yonkers, New York

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, 2019 and 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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, 2019 and 2018, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 13, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

New York, New York
August 10, 2020

Groundwork USA, Inc.

Statements of Financial Position

	December 31,	
	2019	2018
ASSETS		
Cash	\$ 260,029	\$ 253,487
Grants receivable	190,357	637,594
Due from related parties	5,559	7,571
Prepaid expenses	5,209	5,269
Fixed assets, net	<u>3,235</u>	<u>2,474</u>
	<u>\$ 464,389</u>	<u>\$ 906,395</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 58,969	\$ 198,285
Deferred revenue	<u>243,654</u>	<u>225,380</u>
Total Liabilities	<u>302,623</u>	<u>423,665</u>
Net Assets		
Without donor restrictions	85,683	53,539
With donor restrictions	<u>76,083</u>	<u>429,191</u>
Total Net Assets	<u>161,766</u>	<u>482,730</u>
	<u>\$ 464,389</u>	<u>\$ 906,395</u>

See notes to financial statements

Groundwork USA, Inc.

Statements of Activities
Year Ended December 31,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Government support	\$ 1,237,913	\$ -	\$ 1,237,913	\$ 1,251,279	\$ -	\$ 1,251,279
Foundation and corporate grants	562,119	-	562,119	862,942	-	862,942
Individual contributions	21,262	-	21,262	6,890	-	6,890
Program fees	20,429	-	20,429	18,358	-	18,358
Interest	1,431	-	1,431	-	-	-
Other	3,567	-	3,567	40,465	-	40,465
Net assets released from restrictions	353,108	(353,108)	-	224,253	(224,253)	-
Total Revenue and Support	<u>2,199,829</u>	<u>(353,108)</u>	<u>1,846,721</u>	<u>2,404,187</u>	<u>(224,253)</u>	<u>2,179,934</u>
EXPENSES						
Program services	1,919,817	-	1,919,817	2,125,234	-	2,125,234
Administration	212,398	-	212,398	213,813	-	213,813
Fundraising	35,470	-	35,470	38,473	-	38,473
Total Expenses	<u>2,167,685</u>	<u>-</u>	<u>2,167,685</u>	<u>2,377,520</u>	<u>-</u>	<u>2,377,520</u>
Change in Net Assets	32,144	(353,108)	(320,964)	26,667	(224,253)	(197,586)
NET ASSETS						
Beginning of year	<u>53,539</u>	<u>429,191</u>	<u>482,730</u>	<u>26,872</u>	<u>653,444</u>	<u>680,316</u>
End of year	<u>\$ 85,683</u>	<u>\$ 76,083</u>	<u>\$ 161,766</u>	<u>\$ 53,539</u>	<u>\$ 429,191</u>	<u>\$ 482,730</u>

See notes to financial statements

Groundwork USA, Inc.

Statements of Functional Expenses
Year Ended December 31,

	2019				2018			
	Program Services	Administration	Fundraising	Total	Program Services	Administration	Fundraising	Total
Payroll	\$ 667,472	\$ 162,654	\$ 28,298	\$ 858,424	\$ 536,340	\$ 154,769	\$ 27,515	\$ 718,624
Payroll taxes, benefits & related costs	104,591	25,488	4,434	134,513	74,283	21,436	3,811	99,530
Subawards and grants	790,205	-	-	790,205	910,087	-	-	910,087
Consultants & professional fees	104,365	9,450	1,644	115,459	285,937	21,133	5,744	312,814
Travel	146,065	4,440	493	150,998	172,087	8,151	906	181,144
Conferences and meetings	52,882	-	-	52,882	70,548	-	-	70,548
Program materials	28,851	-	-	28,851	45,115	-	-	45,115
Occupancy	4,009	7,767	524	12,300	5,551	5,966	433	11,950
Technology & communication	12,538	571	63	13,172	12,015	481	53	12,549
Subscriptions & memberships	849	655	-	1,504	5,700	666	-	6,366
Office supplies & printing	2,579	122	14	2,715	2,009	95	11	2,115
Insurance	2,353	596	-	2,949	2,280	620	-	2,900
Other	-	655	-	655	1,497	496	-	1,993
Depreciation	3,058	-	-	3,058	1,785	-	-	1,785
Total	<u>\$ 1,919,817</u>	<u>\$ 212,398</u>	<u>\$ 35,470</u>	<u>\$ 2,167,685</u>	<u>\$ 2,125,234</u>	<u>\$ 213,813</u>	<u>\$ 38,473</u>	<u>\$ 2,377,520</u>

See notes to financial statements

Groundwork USA, Inc.

Statements of Cash Flows

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (320,964)	\$ (197,586)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	3,058	1,785
Changes in operating assets and liabilities		
Grants receivable	447,237	232,110
Due from related parties	2,012	(7,571)
Prepaid expenses	60	(303)
Accounts payable and accrued expenses	(139,316)	11,970
Deferred revenue	18,274	(175,516)
Net Cash from Operating Activities	<u>10,361</u>	<u>(135,111)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(3,819)</u>	<u>(2,067)</u>
Net Change in Cash	6,542	(137,178)
CASH		
Beginning of year	<u>253,487</u>	<u>390,665</u>
End of year	<u>\$ 260,029</u>	<u>\$ 253,487</u>

Groundwork USA, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

1. Organization and Tax Status

Groundwork USA, Inc. (the “Organization”) is a not-for-profit organization, 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.

Change in Accounting Principles

Effective January 1, 2019, the Organization adopted new U.S. GAAP revenue recognition guidance (“Topic 606”) which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, and supersedes most current revenue recognition guidance. The core principle of the new accounting standards update (the “ASU”) is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework. Adoption of the ASU resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to prior audited

Groundwork USA, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

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

Change in Accounting Principles (continued)

financial statements were required on a modified retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Effective January 1, 2019, the Organization adopted new U.S. GAAP guidance ASU 2018-08 Contributions Received and Contributions Made. The ASU provides a framework for evaluating whether grants or contributions should be accounted for as exchange transactions or as non-exchange transactions. Adoption of the ASU resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to prior audited financial statements were required on a modified retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Classes of Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are those funds having no restriction as to use or purpose imposed by donors. Net assets with donor restrictions are those whose use by the Organization has been limited by donors to a specific period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments with a maturity of three months or less, at time of purchase to be cash equivalents.

Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is established for amounts where there is 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, 2019 and 2018.

Fixed Assets

Fixed assets are stated at cost or, if donated, at fair value on the date of the gift, and depreciated using the straight line method over the estimated useful lives of such assets. The estimated lives by asset class are as follows:

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

Groundwork USA, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

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

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, 2019 and 2018, there were no donated assets or services received by the Organization requiring recognition under U.S. GAAP.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported as such in the statements of activities.

Revenue Recognition

The Organization receives government contract and private grants, which are reviewed to determine if they contain traits more similar to contributions or exchange transactions. For those contracts and 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 contracts and grants receivables or deferred revenue.

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

Functional Expense Allocation

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

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, 2016.

Groundwork USA, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

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

Evaluation of Subsequent Events 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 August 10, 2020.

3. Fixed Assets

Fixed assets consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Computer equipment	\$ 9,174	\$ 5,355
Accumulated depreciation	<u>(5,939)</u>	<u>(2,881)</u>
	<u>\$ 3,235</u>	<u>\$ 2,474</u>

4. Transactions With Affiliates

Groundwork Hudson Valley, Inc. ("GWHV") and Groundwork Lawrence, Inc. ("GWL"), independent not-for-profit organizations, are two of the Groundwork Trusts in the Organization's national network. The Organization is related to GWHV and GWL in that they share administrative offices. The Organization reimburses these entities for occupancy, and other administrative costs incurred on behalf of the Organization. Those reimbursements amounted to \$12,300 and \$11,300 in 2019 and 2018. In addition, the Organization made grants to these entities totaling approximately \$79,784 and \$170,962 in 2019 and 2018.

5. Line of Credit

In 2019, the Organization opened a line of credit with The Westchester Bank (the "Bank"). The line of credit provides working capital borrowings up to \$100,000, with an interest rate of 2.25% above prime. The line of credit is secured by substantially all assets of the Organization. This is a revolving line of credit due on demand. No funds were drawn in 2019 from the line of credit and there was no interest expense for the year ended December 31, 2019.

Groundwork USA, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

6. Net Assets with Donor Restrictions

Net assets with donor restrictions arises when a restricted grant is received that requires upfront revenue recognition under generally accepted accounting principles, but some of the associated restricted expenditures occur in a different fiscal year. In March of 2017, the Organization received a three-year grant to support operations for \$900,000, to be paid in three \$300,000 annual installments. All \$900,000 of grant revenue was recognized in 2017. At December 31, 2019, all but \$76,083 of the \$900,000 had been expended.

Changes in net assets with donor restrictions consist of the following for the year ending December 31:

<u>Purpose / Restriction</u>	<u>2018</u>	<u>Additions</u>	<u>Releases</u>	<u>2019</u>
General operating support - timing	<u>\$ 429,191</u>	<u>\$ -</u>	<u>\$(353,108)</u>	<u>\$ 76,083</u>

<u>Purpose / Restriction</u>	<u>2017</u>	<u>Additions</u>	<u>Releases</u>	<u>2018</u>
General operating support - timing	<u>\$ 653,444</u>	<u>\$ -</u>	<u>\$(224,253)</u>	<u>\$ 429,191</u>

In March of 2020, the Organization received a new three-year grant with purpose restrictions. This grant is for \$1,500,000, to be paid in three \$500,000 annual installments.

7. Significant Concentrations

Cash includes cash balances held in bank accounts that 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. At December 31, 2019 and 2018, approximately \$38,000 and \$73,000 of cash was maintained with an institution in excess of the federally insured limits.

Five large funders provided approximately 93% and 88% of the Organization's revenue and support in 2019 and 2018, 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.

8. Contingencies

Government support is 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.

Groundwork USA, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

9. 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 \$18,887 and \$19,258 in 2019 and 2018.

10. Operating Risk

The Coronavirus pandemic may have an adverse effect on the operations. Given the uncertainty around the extent and timing of the potential spread or migration of the Coronavirus and around imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition.

11. Liquidity

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash	\$ 260,029
Grants receivable	190,357
Due from related parties	<u>5,559</u>
Total financial assets available within one year	455,945
Less:	
Net assets with donor restrictions	<u>76,083</u>
Total financial assets available within one year for general expenditures	<u>\$ 379,862</u>

In 2019, the Organization obtained a line of credit with The Westchester Bank, in the amount of \$100,000 to provide liquidity.

As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Groundwork USA, Inc.

Uniform Guidance Reports and Schedules

December 31, 2019

Groundwork USA, Inc.

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Grant Number	Passed Through to Subrecipients	Total Federal Expenditures
Direct Federal Awards:				
<u>Department of the Interior - National Park Service:</u>				
<u>Conservation Activities by Youth Service Organizations</u>				
Traditional Trades Apprenticeship Program	15.931	P19AC00652	\$ -	\$ 168,134
Yellowstone 2019	15.931	P19AC00693	-	55,713
Refurbishment of Bath House and Maintenance Shop - TUAL	15.931	P19AC00857	-	58,559
Booker T Split Rail Fence	15.931	P19AC00413	12,029	38,072
Refurbishment of Lowndes Visitor Center - SEMO	15.931	P19AC00864	-	5,138
Refurbishment of Oaks and Carver Museum - TUIN	15.931	P19AC00885	-	14,369
Total Conservation Activities by Youth Service Organizations			<u>12,029</u>	<u>339,985</u>
<u>National Park Service Conservation, Protection, Outreach, and Education</u>				
Groundwork USA Network Development & Capacity Building	15.954	P17AC00135	55,005	55,067
Urban Waters Learning Network #7	15.954	P18AC00188	78,342	216,256
Groundwork Indianapolis Project Development	15.954	P18AC01085	6,315	7,830
Groundwork Southcoast Project Program Development	15.954	P18AC01280	8,748	10,696
Groundwork Bridgeport Outdoor Recreation Partnership	15.954	P18AC01287	40,935	45,908
Groundwork Hudson Valley Conservation & Community Outreach	15.954	P18AC01321	45,567	50,810
Groundwork Atlanta Capacity Building	15.954	P19AC00191	24,991	30,400
KCK Feasibility Study 2019	15.954	P19AC00193	-	31,295
Groundwork USA Capacity Bldg 2018-19	15.954	P19AC00221	-	83,444
Groundwork Somerville Urban Waters Ambassador	15.954	P19AC00310	22,339	33,237
Groundwork Mobile County Launch	15.954	P19AC00362	3,150	5,293
Urban Waters Learning Network #8	15.954	P19AC00509	62,961	119,546
Groundwork USA Assembly 2019	15.954	P19AC00510	-	24,995
Groundwork Indy Capacity Building	15.954	P19AC00807	25,000	31,451
Groundwork Southcoast Capacity Building	15.954	P19AC00811	15,469	17,615
Groundwork Elizabeth 2019 RTCA Fellow	15.954	P19AC00929	20,214	22,672
Groundwork Buffalo Capacity Building	15.954	P19AC00947	12,430	15,312
Total National Park Service Conservation, Protection, Outreach, and Education			<u>421,466</u>	<u>801,827</u>
<u>Environmental Protection Agency</u>				
<u>Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements</u>				
EPA Brownfields EJEDG	66.814	TR83576701	-	96,101
Total Brownfields Training, Research and Technical Assistance Grants and Cooperative Agreements			-	96,101
Total Expenditures of Federal Awards			<u>\$ 433,495</u>	<u>\$ 1,237,913</u>

See independent auditors' report and notes to schedule of expenditures of federal awards

Groundwork USA, Inc.

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2019

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Groundwork USA, Inc. (the "Organization") under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of the Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed by the Uniform Guidance, and has instead negotiated an indirect cost rate with the United States Department of the Interior.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With *Government
Auditing Standards***

Independent Auditors' Report

**Board of Directors
Groundwork USA, Inc.**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Groundwork USA, Inc., Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2019 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

New York, New York
August 10, 2020



**Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by the Uniform Guidance**

Independent Auditors' Report

**Board of Directors
Groundwork USA, Inc.**

Report on Compliance for Each Major Federal Program

We have audited Groundwork USA, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2019. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

New York, New York
August 10, 2020

Groundwork USA, Inc.

Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified? yes none reported
Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major Federal programs:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major Federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major Federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
15.954	National Park Service Conservation, Protection, Outreach, and Education

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended December 31, 2019.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instances of noncompliance and none of the costs reported in the federally financially assisted programs are questioned or recommend to be disallowed.

Section IV –Prior Year's Findings

There were no prior year findings.