

Groundwork Hudson Valley, Inc.

Financial Statements

December 31, 2022 and 2021

Independent Auditors' Report

Board of Directors
Groundwork Hudson Valley, Inc.

Opinion

We have audited the accompanying financial statements of Groundwork Hudson Valley, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021 and the related statements of activities, functional expenses, and cash flows for the years 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 Hudson Valley, Inc. as of December 31, 2022 and 2021, 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.

Basis for Opinion

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

Auditors' 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 auditors' 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 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 Groundwork Hudson Valley, Inc.'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 Groundwork Hudson Valley, Inc.'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.

PKF O'Connor Davies, LLP

Harrison, New York
July 27, 2023

Groundwork Hudson Valley, Inc.

Statements of Financial Position

	December 31,	
	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 664,457	\$ 693,970
Investments	400,973	-
Contracts and grants receivable	370,556	798,165
Prepaid expenses and other assets	9,438	5,703
Security deposits	3,660	3,660
Operating lease right-of-use assets, net	12,578	-
Fixed assets, net	<u>730,708</u>	<u>862,625</u>
	<u>\$ 2,192,370</u>	<u>\$ 2,364,123</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 46,358	\$ 44,318
Deferred revenue	177,674	82,072
Operating lease liability	<u>12,578</u>	<u>-</u>
Total Liabilities	<u>236,610</u>	<u>126,390</u>
Net Assets		
Without donor restrictions	1,934,712	2,116,941
With donor restrictions	<u>21,048</u>	<u>120,792</u>
Total Net Assets	<u>1,955,760</u>	<u>2,237,733</u>
	<u>\$ 2,192,370</u>	<u>\$ 2,364,123</u>

See notes to financial statements

Groundwork Hudson Valley, Inc.

Statements of Activities
Year Ended December 31,

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Government grants	\$ 364,903	\$ -	\$ 364,903	\$ 658,551	\$ -	\$ 658,551
Private grants	297,475	142,000	439,475	645,346	237,000	882,346
Contributions	339,908	-	339,908	174,712	-	174,712
Fundraising events, net of direct benefit to donors of \$31,643 and \$42,014	230,003	-	230,003	292,589	-	292,589
Program service income	162,666	-	162,666	109,530	-	109,530
Shared costs income	6,734	-	6,734	7,100	-	7,100
Investment income	10,024	-	10,024	2,280	-	2,280
Net assets released from restriction	<u>241,744</u>	<u>(241,744)</u>	<u>-</u>	<u>199,974</u>	<u>(199,974)</u>	<u>-</u>
Total Revenue and Support	<u>1,653,457</u>	<u>(99,744)</u>	<u>1,553,713</u>	<u>2,090,082</u>	<u>37,026</u>	<u>2,127,108</u>
EXPENSES						
Program services	1,330,631	-	1,330,631	1,118,163	-	1,118,163
Administration	194,330	-	194,330	148,856	-	148,856
Fundraising	<u>310,725</u>	<u>-</u>	<u>310,725</u>	<u>249,210</u>	<u>-</u>	<u>249,210</u>
Total Expenses	<u>1,835,686</u>	<u>-</u>	<u>1,835,686</u>	<u>1,516,229</u>	<u>-</u>	<u>1,516,229</u>
Change in Net Assets	(182,229)	(99,744)	(281,973)	573,853	37,026	610,879
NET ASSETS						
Beginning of year	<u>2,116,941</u>	<u>120,792</u>	<u>2,237,733</u>	<u>1,543,088</u>	<u>83,766</u>	<u>1,626,854</u>
End of Year	<u>\$ 1,934,712</u>	<u>\$ 21,048</u>	<u>\$ 1,955,760</u>	<u>\$ 2,116,941</u>	<u>\$ 120,792</u>	<u>\$ 2,237,733</u>

See notes to financial statements

Groundwork Hudson Valley, Inc.

Statement of Functional Expenses
Year Ended December 31, 2022

	<u>Program Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Direct Costs of Fundraising Events</u>	<u>Total</u>
Payroll	\$ 732,729	\$ 110,598	\$ 163,473	\$ -	\$ 1,006,800
Payroll taxes and benefits	128,824	19,445	28,741	-	177,010
Program facilities and materials	97,673	-	-	-	97,673
Program consultants	110,632	-	-	-	110,632
Professional fees	8,068	49,412	73,276	-	130,756
Occupancy	46,857	7,073	10,454	-	64,384
Fundraising event costs	-	-	18,890	31,343	50,233
Insurance	37,131	1,917	2,833	-	41,881
Travel	14,345	303	-	-	14,648
Office expenses	9,295	1,679	2,075	-	13,049
Technology and communications	6,463	1,710	5,280	300	13,753
Conferences and meetings	5,425	1,006	1,210	-	7,641
Other	1,272	1,187	4,493	-	6,952
Depreciation and amortization	131,917	-	-	-	131,917
Total Expenses	1,330,631	194,330	310,725	31,643	1,867,329
Expenses deducted directly from revenues on the statement of activities					
Direct cost of fundraising events	-	-	-	(31,643)	(31,643)
Total Expenses Reported by Function	\$ 1,330,631	\$ 194,330	\$ 310,725	\$ -	\$ 1,835,686

See notes to financial statements

Groundwork Hudson Valley, Inc.

Statement of Functional Expenses
Year Ended December 31, 2021

	<u>Program Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Direct Costs of Fundraising Events</u>	<u>Total</u>
Payroll	\$ 548,665	\$ 73,962	\$ 120,185	\$ -	\$ 742,812
Payroll taxes and benefits	104,883	14,138	22,974	-	141,995
Program facilities and materials	56,768	-	-	-	56,768
Program consultants	158,134	-	-	-	158,134
Professional fees	7,248	49,456	73,630	-	130,334
Occupancy	41,356	5,575	9,059	-	55,990
Fundraising event costs	-	-	8,046	35,064	43,110
Insurance	35,250	1,696	2,756	-	39,702
Travel	5,242	303	-	-	5,545
Office expenses	5,946	1,112	1,302	-	8,360
Technology and communications	4,792	1,440	6,486	6,950	19,668
Conferences and meetings	1,486	471	199	-	2,156
Other	1,246	703	4,573	-	6,522
Depreciation and amortization	<u>147,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,147</u>
Total Expenses	1,118,163	148,856	249,210	42,014	1,558,243
Expenses deducted directly from revenues on the statement of activities					
Direct cost of fundraising events	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,014)</u>	<u>(42,014)</u>
Total Expenses Reported by Function	<u>\$ 1,118,163</u>	<u>\$ 148,856</u>	<u>\$ 249,210</u>	<u>\$ -</u>	<u>\$ 1,516,229</u>

See notes to financial statements

Groundwork Hudson Valley, Inc.

Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (281,973)	\$ 610,879
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	131,917	147,147
Gain on sale of property and equipment	-	(1,600)
Unrealized gain on investments	(501)	-
Changes in operating assets and liabilities		
Contracts and grants receivable	427,609	(566,363)
Prepaid expenses and other assets	(3,735)	6,675
Operating lease right-of-use assets	12,578	-
Accounts payable and accrued expenses	2,040	2,897
Deferred revenue	95,602	82,072
Operating lease liability	(12,578)	-
Net Cash from Operating Activities	370,959	281,707
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(105,990)
Purchase of investments	(950,472)	-
Proceeds from the sale of investments	550,000	-
Proceeds from the sale of property and equipment	-	1,600
Net Cash from Investing Activities	(400,472)	(104,390)
Net Change in Cash and Cash Equivalents	(29,513)	177,317
CASH AND CASH EQUIVALENTS		
Beginning of year	693,970	516,653
End of Year	\$ 664,457	\$ 693,970
SUPPLEMENTAL INFORMATION		
Noncash Investing Transactions		
Disposal of fully depreciated fixed assets	\$ 63,634	\$ -

See notes to financial statements

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

1. Organization

Groundwork Hudson Valley, Inc. (the "Organization") is a non-for-profit corporation incorporated in the State of New York. The Organization has been a dynamic force for change in distressed communities in the lower Hudson Valley by working to make neglected neighborhoods more livable and sustainable through an array of on-the-ground environmental projects that directly involve local residents.

The Organization is exempt from Federal taxes under Section 501(c)(3) of the Internal Revenue Code and similar New York State statutes. The Organization has been designated as an organization which is not a private foundation.

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. Some of the more significant estimates made by management include the allowance for doubtful receivables and depreciation expense.

Recently Adopted Accounting Standards

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842), which created new accounting and reporting guidelines for leasing arrangements. The new guidance requires organizations that lease assets to recognize assets and liabilities on the statement of financial position related to the rights and obligations created by those leases, regardless of whether they are classified as finance or operating leases. Consistent with current guidance, the recognition, measurement, and presentation of expenses and cash flows arising from a lease primarily will depend on its classification as a finance or operating lease. The guidance also requires new disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the new standard, using the modified retrospective transition method, which applies the provisions of the standard at the effective date without any adjustment to the comparative periods presented. The Organization adopted the following practical expedients and elected the following accounting policies related to this standard:

- Carry forward of historical lease classifications and accounting treatment;

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Standards (continued)

Leases (continued)

- Short-term lease accounting policy election allowing lessees to not recognize right-of-use assets and liabilities for leases with a term of 12 months or less; and
- The option to not separate lease and non-lease components for certain equipment lease categories such as office printers and copiers.

Upon adoption of ASU 2016-02, at January 1, 2022, a right-of-use asset and corresponding operating lease liability of \$15,421 was recorded.

Classes of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may be need to be maintained in perpetuity.

Earnings related to restricted net assets are included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

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 and cash equivalents.

Contracts and Grants Receivable

Contracts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in accounts receivable. At December 31, 2022 and 2021, no allowance for doubtful accounts has been deemed necessary.

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

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

Pledges Receivable

The Organization discounts pledges that are expected to be collected beyond one year using a risk adjusted rate to estimate present value. All receivables are expected to be received within the next year.

Recognition of Pledges

U.S. GAAP requires that unconditional promises to give be recorded as revenue and receivable, discounted for future cash flows, at the time the pledge is made. If the pledge is restricted by the donor, it is recorded as income in net assets with donor restrictions. As the time or purpose restriction is satisfied, net assets with donor restrictions are released and transferred to net assets without donor restrictions to offset the costs incurred for the restricted purpose. The effect of this accounting treatment for pledges and net asset transfer is to have a net asset increase (surplus) in one year followed by a net asset decrease (loss) in the subsequent years, even though the funds are being received or used in subsequent years.

Fixed Assets

Fixed assets are stated at cost or, if donated, at estimated fair value on the date of the gift, and depreciated using the straight line method over the estimated useful lives of such assets. Items with a cost in excess of \$5,000 are capitalized. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the term of the lease, inclusive of expected renewals. 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:

	<u>Years</u>
Science barge and related structures and equipment	15
Ecohouse	10
Furniture and equipment	5-10
Vehicles	3-5

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Donated Services

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 that would typically be purchased if not provided by donation, are recorded at their fair value in the period received. During the years ended December 31, 2022 and 2021, no donated services were received.

Board members and other individuals volunteer their time and perform a variety of tasks that assist the Organization. These services do not meet the above criteria and have not been recorded in the financial statements.

Contributions

All contributions, including unconditional promises to give, are considered available for general 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 has been fulfilled net assets 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 receivable 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.

Fair Value Measurements

The Organization follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Investment Valuation and Income Recognition

Investments are carried at fair value. Certificates of deposits are stated at cost plus accrued interest, which approximates fair value. In-kind contributions of stocks or other financial assets are sold immediately so that the settlement of the contribution equals the trade date of the sale transaction.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (“ROU”) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

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 service classifications on the basis of the allocation of payroll costs, function 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 years prior to December 31, 2019.

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 July 27, 2023.

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
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3. Investments and Investment Return

The following are major categories of investments measured at fair value at December 31, 2022. All investments are valued using Level 1 inputs under the fair value hierarchy. The Organization held no investments at December 31, 2021.

Investments in certificate of deposit have maturity dates less than 12 months from year end. Investments in treasury bills have maturity dates of one year or less. Investments consist of the following:

Certificate of deposit	\$ 200,473
Treasury bill	<u>200,500</u>
	<u>\$ 400,973</u>

Total investment income consisted of interest of \$10,024 and \$2,280 for the years ended December 31, 2022 and 2021, which includes earnings on cash and cash equivalents.

4. Fixed Assets

Fixed assets consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Non-depreciable Assets:		
Land - lot for community garden	\$ 79,193	\$ 79,193
Construction in progress	<u>-</u>	<u>9,700</u>
Total Non-depreciable Assets	<u>79,193</u>	<u>88,893</u>
Depreciable Assets:		
Science barge and related structures and equipment	1,196,831	1,233,222
Ecohouse	-	17,543
Furniture and equipment	3,914	3,914
Vehicles	69,488	69,488
Leasehold improvements	<u>9,179</u>	<u>9,179</u>
Total Depreciable Assets	1,279,412	1,333,346
Accumulated depreciation and amortization	<u>(627,897)</u>	<u>(559,614)</u>
Net Depreciable Assets	<u>651,515</u>	<u>773,732</u>
	<u>\$ 730,708</u>	<u>\$ 862,625</u>

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
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5. Line of Credit

The Organization opened a line of credit with Valley Bank (the “Bank”). The line of credit provides working capital borrowings up to \$100,000, with an interest rate of 1.50% above prime. The prime rate was 7.5% and 3.25% at December 31, 2022 and 2021. 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 during 2022 and 2021.

6. Related Party Transactions

The Organization is one of the Groundwork Trusts in the national network of Groundwork USA, Inc. (“GWUSA”). The Organization is related to GWUSA in that they share administrative offices. GWUSA reimburses the Organization for occupancy and other administrative costs that the Organization incurs on behalf of GWUSA. These reimbursements are reflected as shared costs income on the statements of activities.

GWUSA made grants to the Organization totaling \$117,663 and \$55,000 in 2022 and 2021.

7. Net Assets With Donor Restrictions

Changes in net assets with donor restrictions consist of the following for the years ended December 31:

Purpose / Restriction	2022			
	Beginning Balance	Additions	Releases	Ending Balance
Climate resilience	\$ 47,059	\$ 62,000	\$ (103,867)	\$ 5,192
Sustainability education	44,326	25,000	(53,470)	15,856
Youth development	29,407	55,000	(84,407)	-
	<u>\$ 120,792</u>	<u>\$ 142,000</u>	<u>\$ (241,744)</u>	<u>\$ 21,048</u>

Purpose / Restriction	2021			
	Beginning Balance	Additions	Releases	Ending Balance
Climate resilience	\$ 34,317	\$ 92,000	\$ (79,258)	\$ 47,059
Sustainability education	3,491	50,000	(9,165)	44,326
Youth development	-	95,000	(65,593)	29,407
Professional Development	45,958	-	(45,958)	-
	<u>\$ 83,766</u>	<u>\$ 237,000</u>	<u>\$ (199,974)</u>	<u>\$ 120,792</u>

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
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8. Leases

The Organization evaluated current contracts to determine which met the criteria of a lease. The ROU assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

The Organization's operating lease consist of a copier lease. The lease term excludes an end of lease purchase option, available at the Organization's option, which it is not reasonably certain to exercise. Therefore, the payments associated with the purchase are not included in the ROU asset nor the lease liability recognized at December 31, 2022.

For the year ended December 31, 2022:

Operating lease expense	<u>\$ 3,408</u>
Supplemental cash flows	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 3,408
ROU assets obtained in exchange for operating lease liability	\$ 15,472
Weighted average remaining lease term	
Operating leases	4.00
Weighted average discount rate	
Operating leases	4.00%

Minimum future lease payments under the operating leases at December 31, 2022, for each of the following years and in the aggregate are:

2023	\$ 3,408
2024	3,408
2025	3,408
2026	<u>3,408</u>
Total future minimum lease payments	13,632
Less present value discount	<u>(1,054)</u>
	<u>\$ 12,578</u>

Groundwork Hudson Valley, Inc.

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8. **Leases (continued)**

In addition, the Organization entered into a lease for office space, which was currently on a month-to-month basis at December 31, 2022. A new lease was not executed until February 2023. The right-of-use asset and lease liability for the additional space is expected to approximate \$72,516.

9. **Commitments and Contingencies**

Government Contracts

Government contracts 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.

10. **Concentrations and Risks**

Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents, investments and receivables. At times, the Organization has cash deposits at financial institutions which exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. At December 31, 2022 and 2021, funds totaling \$171,000 and \$179,000 were in excess of the FDIC limits.

Receivables are expected to be collected in the normal course of business.

Operating Risk

Five large funders provided approximately 35% and 44% of the Organization's revenue and support in 2022 and 2021. Most of the funders represented 86% of the contracts and grants receivable balance at December 31, 2022 and 2021. 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.

11. **Retirement Plan**

The Organization has a SIMPLE Individual Retirement Account plan whereby eligible employees can contribute pre-tax dollars up to statutory limits. All contributions made to the plan are fully vested. The Organization provides an employer contribution of 2% of salary for all eligible employees, which totaled \$15,374 and \$11,708 in 2022 and 2021.

Groundwork Hudson Valley, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

12. Liquidity and Availability of Financial Assets

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 664,457	\$ 693,970
Investments	400,973	-
Contracts and grants receivable	<u>370,556</u>	<u>798,165</u>
Total financial assets available within one year	1,435,986	1,492,135
Less :		
Net assets with donor restrictions	<u>(21,048)</u>	<u>(120,792)</u>
Total financial assets available within one year for general expenditures	<u>\$ 1,414,938</u>	<u>\$ 1,371,343</u>

At December 31, 2022, the Organization had an available revolving line of credit of \$100,000 for working capital.

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.

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