

GreenRoots, Inc.
Financial Statements
and
Independent Auditors' Report
June 30, 2020 and 2019



DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report

The Board of Directors
GreenRoots, Inc.

We have audited the accompanying financial statements of GreenRoots, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the GreenRoots, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Adoption of Accounting Pronouncement

As discussed in Note A to the financial statements, GreenRoots, Inc. has adopted Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230)– Restricted Cash*, ASU 2014-09 – *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08 *Not-For-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Other Matter

The financial statements of GreenRoots, Inc., as of and for the year ending June 30, 2019, were audited by other auditors whose report dated November 25, 2019, expressed an unmodified opinion on those financial statements.

Daniel Dennis & Company LLP

April 8, 2021

GreenRoots, Inc.
Statements of Financial Position
June 30, 2020 and 2019

Assets

<i>Current Assets</i>	2020	2019
Cash	\$ 1,448,496	\$ 413,271
Cash - fiscal sponsorship	4,750	8,959
Accounts receivable, net	-	13,353
Contributions receivable	<u>1,258,983</u>	<u>471,117</u>
Total current assets	<u>2,712,229</u>	<u>906,700</u>
 <i>Fixed Assets</i>		
Furniture and equipment	12,130	12,130
Accumulated depreciation	<u>(6,283)</u>	<u>(4,053)</u>
Net fixed assets	<u>5,847</u>	<u>8,077</u>
 <i>Other Assets</i>		
Cash restricted for future use	117,909	289,433
Security deposit	<u>4,000</u>	<u>4,000</u>
Total other assets	<u>121,909</u>	<u>293,433</u>
Total assets	<u>\$ 2,839,985</u>	<u>\$ 1,208,210</u>

Liabilities and Net Assets

 <i>Current Liabilities</i>		
Accounts payable	\$ 2,500	\$ -
Accrued expenses	8,036	24,004
Fiscal sponsorship	<u>4,750</u>	<u>8,959</u>
Total current liabilities	<u>15,286</u>	<u>32,963</u>
 <i>Net Assets</i>		
Without donor restriction	1,886,199	354,697
With donor restriction	<u>938,500</u>	<u>820,550</u>
Total net assets	<u>2,824,699</u>	<u>1,175,247</u>
Total liabilities and net assets	<u>\$ 2,839,985</u>	<u>\$ 1,208,210</u>

See accompanying notes to financial statements.

GreenRoots, Inc.
Statements of Activities
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>			<u>2019</u>		
	<i>Without Donor Restriction</i>	<i>With Donor Restriction</i>	<i>Total</i>	<i>Without Donor Restriction</i>	<i>With Donor Restriction</i>	<i>Total</i>
<i>Revenue and Other Support:</i>						
Grants	\$ 1,657,772	\$ 838,500	\$ 2,496,272	\$ 471,000	\$ 774,717	\$ 1,245,717
Contributions - corporate and organizational	35,361	-	35,361	50,549	-	50,549
Contributions - individuals	38,777	-	38,777	18,249	-	18,249
Program revenue	190,249	-	190,249	68,673	-	68,673
Contributed goods and services	1,012	-	1,012	11,753	-	11,753
Other income	8,298	-	8,298	7,991	-	7,991
Interest income	9,458	-	9,458	4,916	-	4,916
Debt forgiveness income	106,510	-	106,510	-	-	-
Net assets released from restrictions	<u>720,550</u>	<u>(720,550)</u>	<u>-</u>	<u>384,724</u>	<u>(384,724)</u>	<u>-</u>
Total revenue and other support	<u>2,767,987</u>	<u>117,950</u>	<u>2,885,937</u>	<u>1,017,855</u>	<u>389,993</u>	<u>1,407,848</u>
<i>Expenses:</i>						
Program	1,012,545	-	1,012,545	618,937	-	618,937
Management and general	129,026	-	129,026	120,515	-	120,515
Fundraising	<u>94,914</u>	<u>-</u>	<u>94,914</u>	<u>119,463</u>	<u>-</u>	<u>119,463</u>
Total expenses	<u>1,236,485</u>	<u>-</u>	<u>1,236,485</u>	<u>858,915</u>	<u>-</u>	<u>858,915</u>
Change in net assets	1,531,502	117,950	1,649,452	158,940	389,993	548,933
Net assets at beginning of year	<u>354,697</u>	<u>820,550</u>	<u>1,175,247</u>	<u>195,757</u>	<u>430,557</u>	<u>626,314</u>
Net assets at end of year	<u>\$ 1,886,199</u>	<u>\$ 938,500</u>	<u>\$ 2,824,699</u>	<u>\$ 354,697</u>	<u>\$ 820,550</u>	<u>\$ 1,175,247</u>

See accompanying notes to financial statements.

GreenRoots, Inc.
Statements of Functional Expenses
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>				<u>2019</u>			
	<i>Program Expenses</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>	<i>Program Expenses</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Salaries	\$ 416,875	\$ 78,563	\$ 62,211	\$ 557,649	\$ 354,615	\$ 63,033	\$ 82,485	\$ 500,133
Payroll taxes	40,265	7,588	6,009	53,862	32,256	5,734	7,503	45,493
Employee benefits	44,986	8,478	6,713	60,177	38,104	6,773	8,864	53,741
Contributed goods and services	1,012	-	-	1,012	11,753	-	-	11,753
Depreciation	-	2,233	-	2,233	-	1,520	-	1,520
Dues and fees	2,998	-	-	2,998	3,173	-	-	3,173
Garden supplies	11,157	-	-	11,157	21,718	-	-	21,718
Grants	42,633	-	-	42,633	38,278	-	-	38,278
Insurance	2,973	911	911	4,795	2,863	788	788	4,439
Meetings	5,366	1,788	1,789	8,943	5,488	1,830	1,830	9,148
Miscellaneous	7,538	2,605	-	10,143	6,008	2,257	-	8,265
Occupancy	35,173	11,724	11,725	58,622	34,669	11,557	11,557	57,783
Office	11,313	1,691	697	13,701	5,664	1,367	1,367	8,398
Other program services	375,356	1,009	404	376,769	39,530	13,000	-	52,530
Payroll service	-	2,559	-	2,559	-	2,170	-	2,170
Professional fees	498	8,070	-	8,568	5,649	8,013	-	13,662
Special events	1,567	299	3,492	5,358	4,589	817	3,693	9,099
Stipends	6,488	-	-	6,488	3,711	-	-	3,711
Telephone and internet	2,741	913	913	4,567	4,128	1,376	1,376	6,880
Training	1,299	595	50	1,944	2,273	280	-	2,553
Travel	2,307	-	-	2,307	4,468	-	-	4,468
Total	<u>\$ 1,012,545</u>	<u>\$ 129,026</u>	<u>\$ 94,914</u>	<u>\$ 1,236,485</u>	<u>\$ 618,937</u>	<u>\$ 120,515</u>	<u>\$ 119,463</u>	<u>\$ 858,915</u>

See accompanying notes to financial statements.

GreenRoots, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
<i>Cash flow from operating activities:</i>		
Change in net assets	\$ 1,649,452	\$ 548,933
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,233	1,520
Decrease/(Increase) in current assets:		
Accounts receivable	13,350	(8,562)
Contributions receivable	(787,866)	(271,907)
Increase/(Decrease) in operating liabilities:		
Accounts payable	2,500	-
Accrued expenses	(15,968)	(18,860)
Fiscal sponsorship	<u>(4,209)</u>	<u>(534)</u>
Net cash provided by operating activities	<u>859,492</u>	<u>250,590</u>
<i>Cash flow from investing activities: None</i>		
Purchase of office furniture and equipment	<u>-</u>	<u>(3,862)</u>
Net cash used in financing activities	<u>-</u>	<u>(3,862)</u>
<i>Cash flow from financing activities: None</i>		
Change in cash and restricted cash	859,492	246,728
Cash and restricted, beginning of year	<u>711,663</u>	<u>464,935</u>
Cash and restricted, end of year	<u><u>\$ 1,571,155</u></u>	<u><u>\$ 711,663</u></u>
<i>Reconciliation of cash and restricted cash</i>		
Cash	\$ 1,448,496	\$ 413,271
Cash fiscal sponsorship	4,750	8,959
Cash restricted for future period use	<u>117,909</u>	<u>289,433</u>
Total cash and restricted cash	<u><u>\$ 1,571,155</u></u>	<u><u>\$ 711,663</u></u>

See accompanying notes to financial statements.

GreenRoots, Inc.
Notes to the Financial Statements
June 30, 2020 and 2019

1. Operations

GreenRoots, Inc., (GreenRoots) is a non-profit tax-exempt organization under Internal Revenue Service Code 501(c)(3). GreenRoots was formed on May 27, 2016. GreenRoots works to achieve environmental justice and greater quality of life through collective action, unity, education and youth leadership across neighborhoods and communities. GreenRoots headquarters are located in Chelsea, Massachusetts.

COVID-19 hit the communities of Chelsea and East Boston, MA particularly hard with soaring infection rates and severe economic fallout. These are two communities GreenRoots focuses on and serves in its environmental justice, public health and quality of life efforts. At the start of the pandemic, GreenRoots pivoted to address the crisis facing these communities. GreenRoots established systems that helped to bring much needed resources to the communities of Chelsea and East Boston. Two of these systems, which are reflected in these financial statements include:

1. Co-founding and administering the One Chelsea Fund, a cash assistance program for Chelsea residents affected by the pandemic. The fund in total, raised over \$1,400,000, distributed in \$250 checks by three community-based organizations, including GreenRoots, to Chelsea residents. Donations were made to the United Way, which provided the funds to the organizations for their distribution directly to residents. For the year ended June 30, 2020, One Chelsea Fund accounts for \$420,000 revenue and \$258,000 in direct payments to residents. Remaining funds were expended in fiscal year 2021.
2. Established and helped support the City of Chelsea's Emergency Food Distribution Hub. This hub was where the city received, packaged and assembled boxes for the dozens of pop-up food pantries held from late spring 2020, to the end of December 2020. At the City's request, GreenRoots entered into a Memorandum of Agreement to pay contracted workers and purchase other supplies and equipment needed for the Hub (e.g. boxes, food supplies, port-o-potties, etc.) which was then reimbursed by the City. For the year ended June 30, 2020, this program accounts for \$107,000 in revenue and expenses, respectively.

2. Summary of Significant Accounting Policies

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

GreenRoots prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Pursuant to this method, revenues are recognized when earned and expenses are recorded when services are incurred or goods are received.

GreenRoots, Inc.
Notes to the Financial Statements - *Continued*
June 30, 2020 and 2019

2. *Summary of Significant Accounting Policies - Continued*

Net Asset Classification

Net assets of GreenRoots are classified into two categories based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions

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. The Board of Directors has discretionary control over all of these assets and may elect to designate such resources for specific purposes.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of GreenRoots or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. GreenRoots does not maintain any donor restricted net assets in perpetuity at June 30, 2020 and 2019.

Contributions

Contributions, including unconditional promises to give, are recorded as revenue in the period the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions received with donor imposed restrictions that either expire by passage of time or can be fulfilled by activities of GreenRoots, are reported as revenues in the net assets with donor restriction class when they are received. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as contributions without donor restriction.

GreenRoots reports any gifts of land, building and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Unconditional contributions are recorded at their fair values when the promise to give is made.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of cash and all highly liquid investments with a maturity of three months or less. At June 30, 2020 and 2019, there were no cash equivalents.

Restricted cash relates to the unspent portion of donor-restricted contributions for future purposes.

GreenRoots, Inc.
Notes to the Financial Statements - *Continued*
June 30, 2020 and 2019

2. *Summary of Significant Accounting Policies - Continued*

Accounts and Contributions Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for uncollectible accounts and an adjustment to a valuation allowance based on its assessment of the status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable. At June 30, 2020 and 2019, management determined that all the receivables were collectible therefore, no allowance was recorded.

Furniture and Equipment

Fixed assets are stated at cost and are depreciated using the straight-line method over their estimated useful lives. Fixed assets over \$1,000 are capitalized. Depreciation expense for 2020 and 2019 was \$2,233 and \$1,520, respectively.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenditures during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain 2019 amounts have been reclassified to conform with the 2020 financial statement presentation.

Income Taxes

GreenRoots is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. Management evaluates tax positions taken or expected to be taken in its tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold, along with accrued interest and penalty thereon would be recorded as an expense in the current year financial statements. At June 30, 2020, management believes that it has no uncertain tax positions within any of its open tax years (2017 - 2019).

Fiscal Sponsorships

GreenRoots maintained a separate bank account and served as fiscal agent for Explorer Post 109 (the Post). The agreement related to the Chelsea Community Fund Grant, which, the Post received. GreenRoots received a fee of 5% of the total revenue deposited in the bank account. The agreement expired during fiscal year 2020. GreenRoots maintains a separate bank account and serves as fiscal agent for The Movement. GreenRoots receives a fee of 5% of the total revenue deposited in the bank account. The agreement is scheduled to expire on June 30, 2021.

GreenRoots, Inc.
Notes to the Financial Statements - *Continued*
June 30, 2020 and 2019

2. *Summary of Significant Accounting Policies - Continued*

Adoption of New Accounting Pronouncements

Effective July 1, 2019, GreenRoots implemented the provisions of the FASB Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all related amendments. ASU 2014-09 supersedes most existing revenue recognition guidance. ASU 2014-09 provides a principles based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration GreenRoots expects in exchange for the goods or services provided. It also requires enhanced disclosures to enable users of financial statements to understand nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. GreenRoots applied this standard on a full retrospective method. The implementation of this standard did not require GreenRoots to restate previously reported results.

Effective July 1, 2019, GreenRoots implemented the provisions of FASB's ASU No. 2018-08 *Not-For-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. The new guidance is effective for transactions in which GreenRoots serves as a resource recipient for fiscal years beginning after December 15, 2018. GreenRoots applied the provisions of this ASU on a modified prospective basis and excluded any agreement that was completed for which all revenue had been recognized prior to the ASU's effective date. Management has concluded that the implementation of the new standard did not require an adjustment to the opening net asset balances.

During 2020, GreenRoots adopted the provisions of FASB's ASU 2016-18, *Statement of Cash Flows (Topic 230) – Restricted Cash*. The ASU requires that a statement of cash flows explain the change during the period in total cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. GreenRoots has applied the ASU retrospectively to all prior periods presented. The adoption of the ASU did not materially change the statement of cash flows for the years ended June 30, 2020 and 2019.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services based on relative effort exerted for the related function.

GreenRoots, Inc.
Notes to the Financial Statements - *Continued*
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies – Continued

Compensated Absences

Employees of GreenRoots are entitled to paid vacation and sick days depending on job classification, length of service and other factors. It is not practicable to estimate the total amount of future compensated absences. Accordingly, no liability has been recorded. GreenRoots' policy is to record the cost of compensated absences when paid.

Contributed Goods and Services

GreenRoots records various types of in-kind support. Contributed services are recognized as contributions if the services (a) create or enhance a non-financial asset or (b) require specialized skills, are performed by people with those skills and would otherwise have to be purchased. Contributions of tangible assets are recognized at fair market value when received.

3. Concentration

GreenRoots' cash accounts are held at one financial institution and are fully insured. Funds are insured Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Funds in excess of the FDIC limit, are insured by the Depositors Insurance Fund.

4. Net Assets with Donor Restriction

At June 30, 2020 and 2019, net assets with donor restrictions were restricted for the following purposes:

	2020	2019
<i>Time restrictions:</i>		
For use in subsequent fiscal years	\$ 485,000	\$ 503,333
<i>Purpose restrictions:</i>		
Milk Creek Ecological and Habitat Restoration	100,000	100,000
Health Equity Corps	250,000	-
Transit Justice	65,000	-
Improve Public Health	26,500	-
Heritage Celebration	12,000	-
Urban Farming and Youth Leadership	-	25,000
Strategic Planning	-	27,000
Intern and Summer Youth Compensation	-	7,717
Chelsea Anti-Displacement Strategies	-	90,000
Clean Energy Work	-	60,000
Young Leaders	-	7,500
	<u> </u>	<u> </u>
Total	<u>\$ 938,500</u>	<u>\$ 820,550</u>

GreenRoots, Inc.
Notes to the Financial Statements - *Continued*
June 30, 2020 and 2019

5. Retirement Plan

GreenRoots is a participating employer in the Massachusetts Defined Contribution CORE Plan (the Plan). The Plan is considered a multiple employer profit sharing plan under Internal Revenue Code Section 401(K). All employees are eligible to participate in the Plan upon employment.

Under the Plan GreenRoots contributes an amount equal to 100% of participants' elective deferrals up to 3% of participant's compensation for the Plan year plus 50% of elective deferrals that do not exceed the next 2% of participant's compensation for the plan year. For the years ended June 30, 2020 and 2019, GreenRoots contributed \$19,781 and \$16,030, respectively to the plan.

6. Lease Commitments

GreenRoots entered into an operating lease for office space in Chelsea, Massachusetts commencing in July, 2016 and requiring a security deposit of \$4,000. The lease agreement was extended per the second lease amendment to June 30, 2022. Rent expense for the years ended June 30, 2020 and 2019 was \$54,000 per year.

Future minimum payments due are as follows:

<i>Year</i>	<i>Amount</i>
2021	\$ 60,000
2022	\$ 60,000

7. Liquidity and Availability

The following reflects GreenRoots' financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the *Statements of Financial Position* date because of donor restrictions and internal board designations.

	<i>2020</i>	<i>2019</i>
Cash and cash equivalents	\$ 1,566,405	\$ 702,704
Accounts receivable	-	13,353
Contributions receivable	<u>1,258,983</u>	<u>471,117</u>
Total financial assets	<u>2,825,388</u>	<u>1,187,174</u>
Less net assets with purpose restrictions to be met in less than one year	<u>(938,500)</u>	<u>(820,550)</u>
Financial assets available to meet general expenditures over the next year	<u>\$ 1,886,888</u>	<u>\$ 366,624</u>

GreenRoots, Inc.
Notes to the Financial Statements - *Continued*
June 30, 2020 and 2019

8. *Contingency*

On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. The extent of the impact of COVID-19 on GreenRoots' operational and financial performance will depend on specific developments, including the duration and spread of the outbreak, impact on its customers, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact GreenRoots' financial condition or results of operations is unknown.

9. *Subsequent Events*

CPA has performed an evaluation of subsequent events through April 5, 2021, which is the date the financial statements were available to be issued.