

GROUNDWORK LAWRENCE, INC.

Financial Statements
June 30, 2010
(With Comparative Totals for 2009)



SANDBERG & CREEDEN, P.C.

Certified Public Accountants

331 Page Street

Stoughton, MA 02072

GROUNDWORK LAWRENCE, INC.

FINANCIAL STATEMENTS
JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

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331 Page Street • Stoughton, MA 02072

Telephone: (781) 344-0850

Fax: (781) 344-6960

www.sandbergandcreeden.com

To the Board of Directors of
Groundwork Lawrence, Inc.
Lawrence, Massachusetts

Independent Auditors' Report on the Financial Statements

We have audited the accompanying statement of financial position of Groundwork Lawrence, Inc. as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Groundwork Lawrence, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2011, on our consideration of Groundwork Lawrence, Inc.'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


SANDBERG & CREEDEN, P.C.
Certified Public Accountants

Stoughton, Massachusetts

April 7, 2011

GROUNDWORK LAWRENCE, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

ASSETS

| | <u>2010</u> | <u>2009</u> |
|--------------------------------------|-------------------|------------------|
| <u>Current Assets</u> | | |
| Cash | \$ 26,630 | \$ 23,642 |
| Contract receivables | 89,321 | 19,539 |
| Pledges receivable | 2,500 | |
| Prepaid expenses | <u>5,456</u> | <u>9,430</u> |
| Total current assets | 123,907 | 52,611 |
| <u>Property and Equipment</u> | | |
| Leasehold improvements | 3,814 | 3,814 |
| Equipment | <u>11,535</u> | <u>11,535</u> |
| Subtotal | 15,349 | 15,349 |
| Less: accumulated depreciation | <u>13,738</u> | <u>11,582</u> |
| Total property and equipment | <u>1,611</u> | <u>3,767</u> |
| <u>Total Assets</u> | <u>\$ 125,518</u> | <u>\$ 56,378</u> |

LIABILITIES AND NET ASSETS

| | | |
|--|-------------------|------------------|
| <u>Current Liabilities</u> | | |
| Line of credit | \$ 97,500 | \$ 90,000 |
| Accrued expenses | 66,591 | 65,605 |
| Accrued payroll and benefits | 15,401 | 15,320 |
| Note payable | | <u>5,000</u> |
| Total current liabilities | <u>179,492</u> | <u>175,925</u> |
| <u>Net Assets</u> | | |
| Unrestricted | (76,974) | (127,047) |
| Temporarily restricted | <u>23,000</u> | <u>7,500</u> |
| Total net assets | <u>(53,974)</u> | <u>(119,547)</u> |
| <u>Total Liabilities and Net Assets</u> | <u>\$ 125,518</u> | <u>\$ 56,378</u> |

See accompanying notes and Independent Auditors' Report.



GROUNDWORK LAWRENCE, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

| | 2010 | | | 2009 |
|--|--------------------|---------------------------|--------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | Total |
| <u>Support and Revenue</u> | | | | |
| Contributions and grants | \$ 106,470 | \$ 101,500 | \$ 207,970 | \$ 239,451 |
| Released from restrictions | 86,000 | (86,000) | | |
| Service fees | <u>301,573</u> | | <u>301,573</u> | <u>365,117</u> |
| Total support and revenue | 494,043 | 15,500 | 509,543 | 604,568 |
| <u>Expenses</u> | | | | |
| Program services | 356,045 | | 356,045 | 563,894 |
| General and administrative | 70,290 | | 70,290 | 118,844 |
| Fundraising | <u>17,635</u> | | <u>17,635</u> | <u>22,959</u> |
| <u>Total Expenses</u> | <u>443,970</u> | | <u>443,970</u> | <u>705,697</u> |
| <u>Change in Net Assets</u> | 50,073 | 15,500 | 65,573 | (101,129) |
| <u>Net Assets - Beginning of Year</u> | <u>(127,047)</u> | <u>7,500</u> | <u>(119,547)</u> | <u>(18,418)</u> |
| <u>Net Assets - End of Year</u> | <u>\$ (76,974)</u> | <u>\$ 23,000</u> | <u>\$ (53,974)</u> | <u>\$ (119,547)</u> |

See accompanying notes and Independent Auditors' Report.





GROUNDWORK LAWRENCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

| | 2010 | | | | 2009 | |
|---------------------------|---------------------|----------------------------------|------------------|-------------------|-------------------|-------------------|
| | Program Services | General and Administrative | Fundraising | Total | Total | Total |
| Salaries | \$ 168,993 | \$ 40,499 | \$ 6,750 | \$ 216,242 | \$ 284,595 | \$ 284,595 |
| Benefits | 17,925 | 4,367 | 689 | 22,981 | 29,280 | 29,280 |
| Payroll taxes | 14,127 | 3,441 | 543 | 18,111 | 23,865 | 23,865 |
| Subtotal | <u>201,045</u> | <u>48,307</u> | <u>7,982</u> | <u>257,334</u> | <u>337,740</u> | <u>337,740</u> |
| Advertising | 60 | 50 | | 110 | 11,365 | 11,365 |
| Bad Debt | | 3,213 | | 3,213 | 1,108 | 1,108 |
| Bank charges | | 1,653 | | 1,653 | 253,818 | 253,818 |
| Consultants | 104,825 | 399 | 7,756 | 112,980 | 2,937 | 2,937 |
| Depreciation | 1,682 | 409 | 65 | 2,156 | 1,651 | 1,651 |
| Dues and subscriptions | 1,007 | 66 | | 1,073 | 480 | 480 |
| Filing fees | | 185 | | 185 | 1,417 | 1,417 |
| Food | 5,266 | 112 | 147 | 5,525 | 10,542 | 10,542 |
| Insurance | 7,874 | 1,918 | 303 | 10,095 | 3,581 | 3,581 |
| Interest | | 2,940 | | 2,940 | 309 | 309 |
| Miscellaneous | 335 | | | 335 | 4,801 | 4,801 |
| Other rental | 2,080 | | | 2,080 | 2,560 | 2,560 |
| Payroll processing fees | | 2,695 | | 2,695 | 1,220 | 1,220 |
| Postage and delivery | 511 | 69 | 604 | 1,184 | 16,541 | 16,541 |
| Printing and reproduction | 2,395 | | | 2,395 | 5,523 | 5,523 |
| Professional fees | | 3,851 | | 3,851 | 11,400 | 11,400 |
| Rent | 8,892 | 2,166 | 342 | 11,400 | 3,793 | 3,793 |
| Staff development | 3,154 | 426 | 149 | 3,729 | 16,258 | 16,258 |
| Supplies | 7,657 | 931 | 146 | 8,734 | 2,837 | 2,837 |
| Telephone | 2,319 | 565 | 89 | 2,973 | 5,623 | 5,623 |
| Travel | 5,568 | | | 5,568 | 2,004 | 2,004 |
| Utilities | 1,375 | 335 | 52 | 1,762 | 697,508 | 697,508 |
| Total | <u>\$ 356,045</u> | <u>\$ 70,290</u> | <u>\$ 17,635</u> | <u>\$ 443,970</u> | <u>\$ 697,508</u> | <u>\$ 697,508</u> |

GROUNDWORK LAWRENCE, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

| | <u>2010</u> | <u>2009</u> |
|--|------------------|------------------|
| <u>Cash Flows From Operating Activities</u> | | |
| Change in net assets | \$ 65,573 | \$ (101,129) |
| Adjustment to reconcile change in net assets to cash provided by operating activities: | | |
| Depreciation | 2,156 | 2,937 |
| (Increase) decrease in: | | |
| Contract receivables | (69,782) | 76,462 |
| Pledges receivable | (2,500) | 5,750 |
| Prepaid expenses | 3,974 | (4,924) |
| Increase (decrease) in: | | |
| Accrued expenses | 986 | 28,529 |
| Accrued payroll | <u>81</u> | <u>636</u> |
| <u>Net Cash Provided by Operating Activities</u> | <u>488</u> | <u>8,261</u> |
| <u>Net Cash Provided in Investing Activities</u> | <u>0</u> | <u>0</u> |
| <u>Cash Flows From Financing Activities</u> | | |
| Net borrowings on line of credit | 7,500 | |
| Proceeds of note payable | | 45,000 |
| Repayment of note payable | <u>(5,000)</u> | <u>(40,000)</u> |
| <u>Net Cash Provided Used by Financing Activities</u> | <u>2,500</u> | <u>5,000</u> |
| <u>Increase in Cash and Cash Equivalents</u> | 2,988 | 13,261 |
| <u>Cash and Cash Equivalents - Beginning of Year</u> | <u>23,642</u> | <u>10,381</u> |
| <u>Cash and Cash Equivalents - End of Year</u> | <u>\$ 26,630</u> | <u>\$ 23,642</u> |
| <u>SUPPLEMENTAL INFORMATION:</u> | | |
| Interest paid | <u>\$ 2,940</u> | <u>\$ 3,581</u> |

See accompanying notes and Independent Auditors' Report.



GROUNDWORK LAWRENCE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1. Organization

Groundwork Lawrence, Inc. (GWL), a 501(c) 3 non-profit organization, has been making change happen since 2001. Through its environmental and open space improvements, community food programs, youth education and employment initiatives, and community programming and events, GWL creates the building blocks of a healthy community, and empowers Lawrence residents to improve their quality of life. GWL achieves results by engaging the whole community – residents, youth, non-profits, government and businesses – in the planning and realization of its projects. With this collaborative approach, GWL ensures that all stakeholders are mutually invested in its outcomes, the key to stable neighborhoods and sustainable change.

GWL's mission and operations are premised on the understanding that environmental conditions are inextricably linked to the economic and social health of a neighborhood. As a consequence, GWL is committed to "*changing places and changing lives*" through on-the-ground projects that help to transform local communities. **GWL's formal mission** is "to bring about the sustained regeneration, improvement and management of the physical environment by developing community-based partnerships which empower people, businesses and organizations to promote environmental, economic and social well-being."

Our projects and programs are designed to:

- **Increase Opportunities for Physical Activity** through the development of parks, trails and recreational facilities as well as programming and events, that are safe, welcoming and accessible to all;
- **Increase Access to Fresh, Healthy Food** by creating a network of community and schoolyard gardens, managing the Lawrence Farmer's Market Network, and offering the CSA (community support agriculture) and Groundwork Share-a-Share programs;
- **Improve the Quality of Our Air, Water and Land** through Brownfield and vacant land redevelopment, volunteer cleanups, tree planting, and integration of low-impact development techniques;
- **Support Biodiversity** by implementing habitat enhancement and restoration projects;
- **Reduce Energy Consumption** through the development of pedestrian-friendly neighborhoods and the use of locally-sourced and recycled materials for project construction;
- **Promote Sustainable Communities** through planning, partnership development, and community-based asset building;
- **Prepare young people** to be positive role models and future leaders in their community.



GROUNDWORK LAWRENCE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(Continued)

Note 2. Summary of Significant Accounting Policies

a. Standards of Accounting and Reporting
The Organization follows the standards of accounting and financial reporting as described in the American Institute of Certified Public Accountants' Audit and Accounting Guide for "Not-for-Profit Organizations".

b. Financial Statement Presentation
Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. No permanently restricted assets were received or held during 2010 and 2009 and accordingly, these financials do not reflect any activity related to this class of net assets for 2010 and 2009.

c. Property and Equipment
Property and equipment are recorded at cost, when purchased, or if donated, at their estimated fair market value at date of donation. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized.

d. Depreciation
Provisions for depreciation are made using the straight-line method over the assets estimated useful life. Estimated useful lives for these assets are as follows:

| | |
|------------------------|-------------|
| Equipment | 3 - 5 years |
| Leasehold improvements | 20 years |



GROUNDWORK LAWRENCE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

e. Allocation of Expenses
Expenses are allocated among program and supporting services directly or on the basis of time records and utilization estimates made by the organization's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

f. Significant Support
Groundwork Lawrence, Inc. receives substantial support from the City of Lawrence. These funds consist of Federal, state and municipal dollars raised and/or administered in partnership with the City of Lawrence.

| | | |
|----------------------------|---------------------------|---------------------------|
| Total | <u>2010</u> \$ 129,306 | <u>2009</u> \$ 202,703 |
| Percentage of total income | <u>26%</u> | <u>34%</u> |

g. Cash and Cash Equivalents
For purposes of the statements of cash flows, Groundwork Lawrence, Inc. considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

h. Use of Estimates
The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

i. Service Fees
Financial awards from state governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

j. Promises To Give
Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.



GROUNDWORK LAWRENCE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

- k. Restricted and Unrestricted Revenue and Support
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.
- l. Summarized Comparative Financial Statements
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

Note 3. Tax Status

Groundwork Lawrence, Inc. is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Unrelated business income, of which the Organization had none for the year ending June 30, 2010, would be subject to Federal and State taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

Note 4. Concentration of Credit Risk

Credit risk with respect to receivables is considered low because a substantial portion of the receivables are from governmental sources.

Note 5. Line of Credit

The Organization maintains a revolving bank line of credit with a maximum borrowing amount of \$100,000. The \$100,000 line of credit which is payable on demand, bears interest at the prime rate less .25% adjusted daily with an effective rate at June 30, 2010 of 4.75%. The balance is collateralized by substantially all assets of the Organization. The outstanding balance totaled \$97,500 and \$90,000 at June 30, 2010 and 2009, respectively.



GROUNDWORK LAWRENCE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(Continued)

Note 6. Temporarily Restricted Net Assets and Pledges Receivable

Temporarily restricted net assets at June 30 consist of unconditional promises to give expected to be collected within one year following the fiscal year end. The pledges are restricted for the following purposes:

| | <u>2010</u> | <u>2009</u> |
|------------------------------|------------------|-----------------|
| Summer Youth Program | \$ 23,000 | \$ 7,500 |
| Total Temporarily Restricted | <u>\$ 23,000</u> | <u>\$ 7,500</u> |

Note 7. Rental Obligations

The Organization rents office space under a three-year lease expiring September 30, 2007. The lease was extended to June 30, 2010 with an increased monthly payment of \$950 starting from August 1, 2007. It includes base rent and a pro rata share of common area operating costs. Rent expense for the years ended June 30, 2010 and 2009 totaled \$11,400 and \$11,400, respectively.

Note 8. Retirement Plan

The Organization will match as a contribution equal to its employees' salary reduction contributions up to a limit of 3% of total compensation for the year. Pension expense totaled \$5,407 and \$5,674 at June 30, 2009 and 2008, respectively.



331 Page Street • Stoughton, MA 02072

Telephone: (781) 344-0850

Fax: (781) 344-6960

www.sandbergandcreeden.com

To the Board of Directors
Groundwork Lawrence, Inc.
Lawrence, Massachusetts

Report on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the financial statements of Groundwork Lawrence, Inc. (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report there on dated March 7, 2011. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Groundwork Lawrence, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the effectiveness of Groundwork Lawrence, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Groundwork Lawrence, Inc.'s financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sandberg & Creeden P.C.

SANDBERG & CREEDEN, P.C.
Certified Public Accountants

April 7, 2011



GROUNDWORK LAWRENCE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

REPORTABLE CONDITION 2009-1

Condition: Reports provided to the Board of Directors for decision making purposes required significant year end audit adjustments.

Recommendation: The Organization needs to obtain sufficient resources to adequately staff the organization to ensure timely completion of the books and records.

Update: The Organization was aware of their continued staffing shortage during FY2010 which was the root cause to the 2009 finding. At June 30, 2010 a significant adjustment to a receivable was proposed during the audit process. The Organization has expanded their staff in FY2011.

