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2012

Revised
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GROUNDWORK SOMERVILLE, INC.

**FINANCIAL STATEMENTS
YEAR ENDED
DECEMBER 31, 2012
AND
INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

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GROUNDWORK SOMERVILLE, INC.

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WALSH & CO.

ACCOUNTANTS & CONSULTANTS

Independent Accountant's Review Report

Board of Directors
Groundwork Somerville, Inc.
Somerville, Massachusetts

We have reviewed the accompanying statement of financial position of Groundwork Somerville, Inc. (a Massachusetts corporation, a nonprofit corporation) as of December 31, 2012 and the related statements of activities, cash flows and functional expenses for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of environmental management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 10 to the financial statements, the Organization has unrestricted net asset deficit. This condition raises substantial doubt about its ability to continue as a going concern. The Organization's plans in regard to these matters are also described in Note 10. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts and classification of liabilities that might result should the Organization unable to continue as a going concern.

Based on our review and the effects of the item stated above, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Walsh & Co.

June 27, 2013

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GROUNDWORK SOMERVILLE, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$9,015
Accounts receivable	33,798
Other assets	<u>2,619</u>
Total Current Assets	45,432
Property and equipment, net	<u>-</u>
TOTAL ASSETS	<u><u>\$45,432</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	\$33,758
Accrued payroll	2,736
Advances from related parties	<u>7,500</u>
TOTAL CURRENT LIABILITIES	<u>43,994</u>
NET ASSETS:	
Unrestricted	(17,292)
Temporarily restricted	<u>18,730</u>
TOTAL NET ASSETS	<u>1,438</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$45,432</u></u>

See independent accountant's review report.

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GROUNDWORK SOMERVILLE, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES:			
Government grants and contracts	\$151,178		\$151,178
Contributions	49,711		49,711
Foundation grants	143,199		143,199
Program services	7,167		7,167
Other income	<u>38,757</u>		<u>38,757</u>
 Total Support and Revenues	 390,012		 390,012
EXPENSES:			
Program services	313,709		313,709
Management and general expenses	59,087		59,087
Fundraising	<u>3,474</u>		<u>3,474</u>
Total Expense	<u>376,270</u>		<u>376,270</u>
 INCREASE IN NET ASSETS	 13,742		 13,742
NET ASSETS:			
Beginning of Year	<u>(31,034)</u>	<u>18,730</u>	<u>(12,304)</u>
 End of Year	 <u>(\$17,292)</u>	 <u>\$18,730</u>	 <u>\$1,438</u>

See independent accountant's review report.

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GROUNDWORK SOMERVILLE, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$13,742
Adjustments to reconcile charge in net assets to net cash provided by operating activities:	
Accounts receivable	(15,458)
Other assets	137
Accrued payroll	2,593
Accounts payable	(2,684)
Advance from related parties	<u>7,500</u>
Net cash provided by operating activities	<u>5,830</u>
INCREASE IN CASH AND CASH EQUIVALENT	5,830
CASH AND CASH EQUIVALENT, BEGINNING OF YEAR	<u>3,185</u>
CASH AND CASH EQUIVALENT, END OF YEAR	<u><u>\$9,015</u></u>
<u>Supplemental Disclosure:</u>	
Cash paid for interest	<u><u>\$5,902</u></u>

See independent accountant's review report.

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GROUNDWORK SOMERVILLE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Program</u> <u>Services</u>	<u>General</u> <u>and</u> <u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$229,043	\$36,103		\$265,146
Payroll taxes	25,811	3,020		28,831
Employee benefits	4,852	214		5,066
	<u>259,706</u>	<u>39,337</u>		<u>299,043</u>
Advertising		2,232		2,232
Bank charges	1,035			1,035
Contracted services	2,984			2,984
Equipment	500			500
Filing fees	150			150
Food	2,259		\$126	2,385
Insurance	3,336	2,850		6,186
Interest	5,902			5,902
Office	893	147	34	1,074
Payroll processing fees	1,720			1,720
Postage and delivery	252			252
Printing and reproduction	999		1,261	2,260
Professional fees	431	14,455	500	15,386
Miscellaneous		66		66
Rent	19,320			19,320
Staff development	458			458
Stipends	350			350
Supplies	7,254		1,553	8,807
Telephone	2,355			2,355
Travel	3,805			3,805
	<u>\$313,709</u>	<u>\$59,087</u>	<u>\$3,474</u>	<u>\$376,270</u>

See independent accountant's review report.

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GROUNDWORK SOMERVILLE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - ACCOUNTING POLICIES AND ORGANIZATION

Nature of Activities

Groundwork Somerville, Inc., under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt not-for-profit corporation under Section 50 (c)(3) of the Internal Revenue Code. Groundwork Somerville strives to bring about the sustained regeneration, improvement and management of the physical environment through the development of community-based partnerships which empower people, businesses and organizations to promote environmental, economic and social well-being.

The Organization is an affiliate of Groundwork USA, a network of organizations created by the National Parks Services.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC) for financial statements of not-for-profit organizations. Under the ASC, the School 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.

Restricted and Unrestricted Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Revenues from tuition and fees are reported in the fiscal year in which the programs are predominantly conducted. Investment income is recorded as earned.

Income Taxes

Groundwork Somerville, Inc. is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and therefore, has no provision for federal or state income tax. The Organization's tax return, form 990, for the years ending 2010, 2011 and 2012 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

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Groundwork Somerville, Inc.
Notes to Financial Statements

Expense Allocation

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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

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 \$500 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized.

Donated Services and Materials

The Organization receives donated services from a variety of unpaid volunteers which make significant contributions of their time in conjunction with programs and services. No amounts have been recognized in the accompanying statement of activities.

Advertising

Advertising costs are expensed as incurred.

Allowance for Doubtful Accounts

No allowance for doubtful accounts was deemed necessary as of December 31, 2012 because the Organization examined its receivables on an individual basis and determined that they are all fully collectible.

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Groundwork Somerville, Inc.
Notes to Financial Statements

NOTE 2 - TEMPORARILY RESTRICTED NET ASSETS

Groundwork Somerville acts as a fiscal sponsor for four small environmental associations. Donations made to these other organizations through Groundwork Somerville are recognized as restricted revenue for the Organization. The balance collected and held for future distribution to such groups is reported as “temporarily restricted net assets” on the Statement of Financial Position.

Temporarily restricted net assets as of December 31, 2012 were composed of the following:

<u>Fiscal Sponsorship for</u>	<u>Amount</u>
Somerville Climate Action	\$ 2,838
Friends of Community Path	5,336
Move	9,101
Shape Up	<u>1,455</u>
	<u>\$18,730</u>

NOTE 3 - RENT EXPENSE

The Organization leases office space under a month-by-month lease of \$1,610 per month. Rent expense was \$19,320 for the year ended December 31, 2012.

NOTE 4 - COMPENSATED ABSENCES

The Organization has not accrued vacation and sick pay because unused vacation and sick days do not vest or accumulate. The Organization’s policy is to recognize these costs when actually paid.

NOTE 5 - RELATED PARTY TRANSACTIONS

The advances from related parties balance as of December 31, 2012 are \$7,500 that is due from board member.

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Groundwork Somerville, Inc.
Notes to Financial Statements

NOTE 6 - CONCENTRATION OF RISK

For the year ended December 31, 2012, revenue from the Groundwork USA and affiliate amounted to approximately \$115,455, which represented 45% of total government grants for the Organization and the receivable due from them amounted to \$500 representing 2% of total receivables.

NOTE 7 - FAIR VALUE MEASUREMENTS

The Organization reports under the Fair Value Measurements pronouncements of the FASB Accounting Standards Codification, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in active markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs at the closing price reported on the active market on which the individual securities are traded.

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Groundwork Somerville, Inc.
Notes to Financial Statements

Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in the methodology used at December 31, 2012.

Cash or cash equivalent including money market funds: Valued at acquisition cost.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, with the fair value hierarchy, the organization assets at fair value.

Assets at fair value as of December 31, 2012

	<u>Level 1</u>
Cash and cash equivalents	<u>\$9,015</u>

Valuation and Income Recognition

The Organization's cash and cash equivalents as of December 31, 2012 are stated at fair value.

NOTE 8 - 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 9 - SUBSEQUENT EVENTS

Management has evaluated all subsequent events through June 27, 2013, the date the financial statements were available to be issued. There were no subsequent events that require adjustment to or disclosure in the financial statements.