

GRASSROOTS ECOLOGY  
Financial Statements and  
Independent Auditor's Report

June 30, 2022

**CONTENTS**

	<b><u>Page</u></b>
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activity	3
Statement of Functional Expenses	4
Statement of Change in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7-10

Board of Directors  
Grassroots Ecology  
Palo Alto, California

## INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of Grassroots Ecology, a not-for-profit organization, which comprise the statement of financial position as of June 30, 2022 and the related statements of activities, statement of functional expenses, changes in net assets 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.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grassroots Ecology as of June 30, 2022, 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.

RP ACCOUNTANCY



San Jose, California  
May 6, 2023

# GRASSROOTS ECOLOGY

## Statement of Financial Position

June 30, 2022

### ASSETS

#### Current Assets:

Cash	\$ 877,043
Accounts receivables	220,556
Employee Retention Credit	371,548
Total Current Assets	<u>1,469,147</u>

#### Property and Equipment, at Cost:

Nursery building	29,280
Landscaping Improvements	13,593
	<u>42,873</u>
Less accumulated depreciation	<u>(21,462)</u>
Property and Equipment, net	<u>21,411</u>

Total Assets \$ 1,490,558

### LIABILITIES AND NET ASSETS

#### Current Liabilities:

Accounts payable	\$ 13,844
Accrued vacation payable	56,471
Credit card liabilities	15,189
Sales tax payable	747
Total Current Liabilities	<u>86,251</u>
Total Liabilities	<u>86,251</u>

#### Net Assets:

Net assets without donor restrictions	1,231,046
Net assets with donor restrictions	173,261
Total Net Assets	<u>1,404,307</u>

Total Liabilities and Net Assets \$ 1,490,558

The accompanying notes are an integral part of this statement.

# GRASSROOTS ECOLOGY

## Statement of Activities

Year Ended June 30, 2022

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Operating revenues and support:			
Contributions	\$ 375,378	296,336	671,714
Government fees	-	976,779	976,779
Sales income	95,332	-	95,332
Program fees	-	-	-
In-kind contribution	968	-	968
Interest income	345	-	345
PPP Loan Forgiveness	204,105	-	204,105
Employee retention credit	134,907	-	134,907
Miscellaneous income	916	-	916
Release from restrictions	<u>1,302,187</u>	<u>(1,302,187)</u>	<u>-</u>
Total operating revenues and support	<u>2,114,138</u>	<u>(29,072)</u>	<u>2,085,066</u>
Operating expenses:			
Program expenses:	1,479,645	-	1,479,645
Administrative expenses	118,014	-	118,014
Fundraising expenses	<u>222,372</u>	<u>-</u>	<u>222,372</u>
Total expenses	<u>1,820,031</u>	<u>-</u>	<u>1,820,031</u>
CHANGE IN NET ASSETS	<u>\$ 294,107</u>	<u>(29,072)</u>	<u>265,035</u>

The accompanying notes are an integral part of this statement.

## GRASSROOTS ECOLOGY

### Statement of Functional Expenses

Year Ended June 30, 2022

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Expenses:				
Salaries and wages expense	\$ 1,001,173	90,212	131,797	1,223,182
Payroll taxes and benefits	215,886	14,386	20,427	250,699
Consultants	128,607	2,405	49,130	180,142
Nursery utilities	1,732	-	83	1,815
Nursery supplies	8,498	-	507	9,005
Depreciation	3,715	-	-	3,715
Travel and meetings	10,907	11	36	10,954
Automobile expense	7,546	-	-	7,546
Payroll processing fees	4,004	346	504	4,854
Insurance expense	16,762	6,805	2,096	25,663
Credit card processing fee	835	-	1,822	2,657
Supplies	21,042	20	137	21,199
Event expense	1,662	145	219	2,026
Online database	3,491	301	4,026	7,818
Printing and copying	4,522	12	5,528	10,062
Staff development	3,753	195	724	4,672
Food and refreshments	5,626	45	444	6,115
Volunteer appreciation	5,701	-	-	5,701
Internet expense	7,509	209	211	7,929
Computer expense	7,377	57	1,167	8,601
Rent expense	13,457	2,198	1,807	17,462
Business expense	33	38	-	71
Dues and subscription	1,309	254	166	1,729
Marketing expense	3,113	364	450	3,927
Postage and mailing expense	195	11	1,091	1,297
Miscellaneous expense	222	-	-	222
In-kind expense	968	-	-	968
Total expenses	\$ 1,479,645	118,014	222,372	1,820,031

The accompanying notes are an integral part of this statement.

## GRASSROOTS ECOLOGY

### Statement of Changes in Net Assets

Year Ended June 30, 2022

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Net assets at June 30, 2021	\$ 700,298	202,333	902,631
Prior period adjustment	236,641	-	236,641
Change in net assets for the year ended June 30, 2022:			
Changes in net assets	<u>294,107</u>	<u>(29,072)</u>	<u>265,035</u>
	<u>294,107</u>	<u>(29,072)</u>	<u>265,035</u>
Net assets at June 30, 2022	<u>\$ 1,231,046</u>	<u>173,261</u>	<u>1,404,307</u>

The accompanying notes are an integral part of this statement.

## GRASSROOTS ECOLOGY

### Statement of Cash Flows

Year Ended June 30, 2022

#### Increase (Decrease) in Cash

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Cash flows from operating activities:			
Change in net assets	\$ 294,107	(29,072)	265,035
Adjustments to reconcile changes in net assets to cash provided (used) by operations:			
Items not providing cash:			
Depreciation	3,714	-	3,714
(Increase) decrease in:			
Accounts receivable	(26,013)	-	(26,013)
Employee retention credit	(371,548)		(371,548)
Increase (decrease) in:			
Accounts payable	(6,427)	-	(6,427)
Sales tax payable	476	-	476
Credit card liabilities	11,977	-	11,977
Accrued vacation payable	271	-	271
Total adjustments	(387,550)	-	(387,550)
Cash Provided (Used) by Operating Activities	(93,443)	(29,072)	(122,515)
Cash flows from financing activities:			
Funds used from PPP Loan	(204,105)	-	(204,105)
Cash Provided (Used) by Financing Activities	(204,105)	-	(204,105)
Increase in Cash and Cash Equivalents	(297,548)	(29,072)	(326,620)
Cash and Cash Equivalents, beginning of year	764,689	202,333	967,022
Cash and Cash Equivalents, end of year	\$ 467,141	173,261	640,402
Noncash Activity:			
Disposal of assets	25,026		
Accumulated depreciation	(25,026)		
	-		

The accompanying notes are an integral part of this statement.

# GRASSROOTS ECOLOGY

## Notes to Financial Statements

### **Note A: Nature of Activities**

Grassroots Ecology is a 501(c)(3) nonprofit organization incorporated in the State of California on July 1, 2016. The organization's mission is to engage and educate the public to restore local ecosystems and is dedicated to caring for public lands and waters across the San Francisco Bay Area's Silicon Valley. In collaboration with public landowners, governments, schools, corporations, and other nonprofits, Grassroots Ecology engages the community in hands-on education and service to improve our local environment. The core programs are Habitat Restoration, Community Science, Urban Ecology, Environmental Education, and a Native Plant Nursery. These programs engage thousands of people annually—across a broad spectrum of ages and backgrounds—to connect to their local outdoor spaces and take action to improve the natural world around them.

The organization's major revenue comes from contributions made from government agencies, individuals, corporations and foundations. The individual, corporation and foundation contributions account for more than 34% of total revenues for the year ended 2022. The organization also receive 50% of revenues from fees for services from government agencies.

### **Note B: Summary of Significant Accounting Policies**

The significant accounting policies followed by the organization in their financial statement reporting are as follows:

#### **1. Basis of Presentation**

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

#### **2. Financial Statement Presentation**

Generally accepted accounting principles requires the Organization to report information regarding its financial position and activities according to two classes of net assets.

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. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donor and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time.

Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds to be maintained in perpetuity. The Organization had \$173,261 net assets with donor restrictions as June 30, 2022.

#### **3. Cash**

For purposes of preparing the statement of cash flows, cash on hand and in banks, money market accounts and cash management investment accounts are considered cash.

# GRASSROOTS ECOLOGY

## Notes to Financial Statements

### Note B: Summary of Significant Accounting Policies - continued

#### 4. Contributions

All contributions and grants are considered to be without donor restrictions unless specifically restricted by the donor or grantor. Amounts received that are designated for future periods or restricted by the donor or grantor for specific purposes are reported as net assets with donor restrictions that increases that net asset class. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as reclassification of net assets.

#### 5. Income taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2022.

The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Organization had filed Internal Revenue Service Form 990, Return of Organization Exempt Form Income Tax, as required.

The Organization follow the provisions of FASB ASC 740-10-25. The provisions prescribe a recognition threshold and measurement attribute for the recognition and measurement of tax positions taken or expected to be taken in income tax returns and require that uncertain tax positions be evaluated in a two-step process. The Organization does not believe it has any material uncertain tax positions. As of and during the year ended June 30, 2022, the Organization did not have a liability for any unrecognized tax benefits. For the year ended June 30, 2022, there were no interest or penalties recorded or included in the statement of activities.

The Organization's 2020 tax year is open and subject to examination by the taxing authorities. However, the Organization is not currently under audit nor has the Organization been contacted by any of the taxing authorities.

#### 6. Property and Equipment

Purchased and/or developed property is recorded at cost and depreciated over its estimated useful life using the straight-line method of depreciation. Furniture is depreciated over seven years. Equipment and vehicles are depreciated over an estimated useful life of five years. Buildings, improvements and betterments are being depreciated over lives ranging from ten to forty years. The Organization capitalizes fixed assets of \$2,500 and up. Depreciation charged to operating activities for the year ended 2022 was \$3,714.

#### 7. Contributed Services

The Organization receives donated services from unpaid volunteers who perform a variety of tasks that support the Organization's activities. No amounts have been recognized for these services in the statement of activities since the criteria for recognition under FASB ASC 958-605, Revenue Recognition, have not been satisfied.

# GRASSROOTS ECOLOGY

## Notes to Financial Statements

### Note B: Summary of Significant Accounting Policies - continued

#### 8. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### 9. Use of Estimates

The preparation 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 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. Actual results could differ from those estimates.

#### 10. New Accounting Pronouncement

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958)-Presentation Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provide about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

#### 11. Accounts Receivable

Receivables are reported at net realizable value and are considered past due when payments have not been received within contractual terms, generally 60 to 90 days from the date of the invoice. Because of the nature of the contracts, a single customer can represent a significant portion of contract revenue at any point or period of time. Management believes its contract acceptance, as billing and collection policies are adequate to minimize potential credit risk. In reviewing aged receivables, management considers their knowledge of customers, historical losses, and current economic conditions in establishing the allowance for doubtful accounts. At June 30, 2022, the Organization considered accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts was required.

#### 12. Subsequent Events

The Organization's management has performed subsequent event procedures through May 6, 2023 which is the date of the financial statements were available to be issued. There were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

# GRASSROOTS ECOLOGY

## Notes to Financial Statements

**Note C: Lease Commitment**

As of July 1, 2018, the Organization leased office space for five years subject to annual renewal providing that all terms of this lease have been observed. The Organization shall use the property only to carry on activities whose purpose is conservation and environmental education and protection. The lease can be terminated at any time by either party with six months' notice. The expense for rental space under operating lease was \$17,463 for the year ended June 30, 2022. Future minimum annual rental commitments under the operating lease at June 30, 2022 are as follows:

<u>Year Ending</u>	<u>Amount</u>
2023	\$18,500
2024	20,282
2025	22,338
2026	24,599
2027	<u>27,065</u>
	<u>\$112,784</u>

**Note D: Payroll Protection Program Loans**

On February 20, 2021, the Organization received \$204,105 from the United State Small Business Administration to help the Organization keep their workforce employed during the COVID-19 crisis. The promissory note had a fixed rate of one percent per annum and a ten months deferment period. On August 6, 2021, the Small Business Administration forgave the loan.

**Note E: Employee Retention Credit/Prior Period Adjustment**

The Organization was eligible to claim employee retention credits for certain quarters during the fiscal year ended June 30, 2021 and 2022 as a result of reduction in revenue, in those quarters as prescribed under the program. The Organization recorded a refundable credit of \$371,548 and recognized \$134,907 as other income during the fiscal year ended June 30, 2022 and \$236,641 as prior period adjustment.