



**GROUNDSWELL
CONSERVANCY, INC.**

FINANCIAL STATEMENTS

June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Groundswell Conservancy, Inc.
Madison, Wisconsin

Opinion

We have audited the financial statements of Groundswell Conservancy, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of Groundswell Conservancy, Inc. as of June 30, 2023 and 2022, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Groundswell Conservancy, 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.

Adoption of New Accounting Guidance

As discussed in Note 1 to the financial statements, Groundswell Conservancy, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all subsequently issued clarifying ASUs as of July 1, 2022. Our opinion is not modified with respect to this matter.

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 Groundswell Conservancy, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

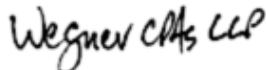
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 Groundswell Conservancy, 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 Groundswell Conservancy, 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.



Wegner CPAs, LLP
Madison, Wisconsin
February 19, 2024

GROUNDSWELL CONSERVANCY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	2023	2022
ASSETS		
Cash	\$ 991,426	\$ 182,335
Unconditional promises to give	114,245	138,515
Employee Retention Credit receivable	-	158,752
Prepaid expenses	15,058	9,479
Equipment, net	39,095	1,540
Land held for sale	-	550,000
Land held for conservation	7,829,434	7,588,765
Right-of-use lease asset	168,934	-
Investments	754,670	702,131
Beneficial interest in assets held by Madison Community Foundation	748,379	707,196
Total assets	\$ 10,661,241	\$ 10,038,713
LIABILITIES		
Accounts payable	\$ 40,000	\$ 32,815
Accrued expenses	53,513	21,478
Deferred revenue	70,495	45,430
Refundable advances	26,538	-
Lease liability	167,864	-
Total liabilities	358,410	99,723
NET ASSETS		
Without donor restrictions		
Undesignated	1,420,529	1,418,249
Designated by the Board of Directors for		
Land held for conservation	7,829,434	7,588,765
Easement enforcement reserve fund	150,000	150,000
Easement enforcement endowment fund	179,941	138,038
Agency endowment fund	117,056	115,775
Total without donor restrictions	9,696,960	9,410,827
With donor restrictions		
Easement enforcement endowment fund	451,383	423,383
Other conservation programs	88,488	104,780
Future periods	66,000	-
Total with donor restrictions	605,871	528,163
Total net assets	10,302,831	9,938,990
Total liabilities and net assets	\$ 10,661,241	\$ 10,038,713

See accompanying notes.

GROUNDSWELL CONSERVANCY, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES						
Contributions						
Contributions	\$ 823,372	\$ 30,500	\$ 853,872	\$ 1,180,560	\$ 103,641	\$ 1,284,201
Grants	70,454	66,000	136,454	299,015	-	299,015
Contracts and other revenue						
Service fees	-	-	-	9,500	-	9,500
Rental income	10,512	-	10,512	64,924	-	64,924
Other	11,355	-	11,355	4,452	-	4,452
Net assets released from restrictions						
Satisfaction of purpose restrictions	18,792	(18,792)	-	29,007	(29,007)	-
Total operating revenues	934,485	77,708	1,012,193	1,587,458	74,634	1,662,092
OPERATING EXPENSES						
Conservation, Outreach and Education	664,709	-	664,709	562,396	-	562,396
Supporting activities						
Management and general	95,785	-	95,785	67,333	-	67,333
Fundraising	183,949	-	183,949	180,313	-	180,313
Total operating expenses	944,443	-	944,443	810,042	-	810,042
Change in net assets from operations	(9,958)	77,708	67,750	777,416	74,634	852,050
OTHER CHANGES						
Investment return, net	52,539	-	52,539	(116,875)	-	(116,875)
Change in value of beneficial interest in assets held by Madison Community Foundation	37,665	-	37,665	(27,153)	-	(27,153)
Land projects						
Support used for land and easements acquisitions	1,684,082	-	1,684,082	538,800	-	538,800
Land donations received	-	-	-	591,853	-	591,853
Easement acquisitions	(478,195)	-	(478,195)	(453,816)	-	(453,816)
Grant paid for conservation land acquisition	(1,000,000)	-	(1,000,000)	-	-	-
Contribution of land	-	-	-	(405,475)	-	(405,475)
Change in net assets	286,133	77,708	363,841	904,750	74,634	979,384
Net assets at beginning of year	9,410,827	528,163	9,938,990	8,506,077	453,529	8,959,606
Net assets at end of year	\$ 9,696,960	\$ 605,871	\$ 10,302,831	\$ 9,410,827	\$ 528,163	\$ 9,938,990

See accompanying notes.

GROUNDSWELL CONSERVANCY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2023 and 2022

	2023			
	Program Services	Supporting Activities		
	Conservation, Outreach and Education	Management and General	Fundraising	Total Expenses
Personnel	\$ 347,315	\$ 43,639	\$ 158,413	\$ 549,367
Land management	69,104	-	-	69,104
Professional services	66,717	31,512	-	98,229
Occupancy	17,984	2,259	8,203	28,446
Communications and marketing	5,391	677	2,459	8,527
Postage and printing	14,349	4,896	3,285	22,530
Insurance	5,650	5,937	-	11,587
Supplies	18,792	2,150	7,085	28,027
Real estate taxes	22,993	-	-	22,993
Travel and meetings	7,978	1,002	3,639	12,619
Events	9,296	613	131	10,040
Depreciation	487	61	222	770
Other	78,653	3,039	512	82,204
Total operating expenses	664,709	95,785	183,949	944,443
Grants and contributions	1,000,000	-	-	1,000,000
Easement acquisitions	478,195	-	-	478,195
Total expenses	\$ 2,142,904	\$ 95,785	\$ 183,949	\$ 2,422,638
	2022			
	Program Services	Supporting Activities		
	Conservation, Outreach and Education	Management and General	Fundraising	Total Expenses
Personnel	\$ 270,211	\$ 25,131	\$ 158,235	\$ 453,577
Land management	107,385	-	-	107,385
Professional services	86,467	24,098	-	110,565
Grants and contributions	15,750	-	-	15,750
Occupancy	15,487	1,440	9,069	25,996
Communications and marketing	9,455	257	1,614	11,326
Postage and printing	11,433	4,896	3,105	19,434
Insurance	9,803	426	2,680	12,909
Supplies	6,790	5,780	1,341	13,911
Real estate taxes	7,327	-	-	7,327
Travel and meetings	5,588	520	3,272	9,380
Events	16,241	329	728	17,298
Depreciation	459	42	269	770
Other	-	4,414	-	4,414
Total operating expenses	562,396	67,333	180,313	810,042
Easement acquisition	453,816	-	-	453,816
Total expenses	\$ 1,421,687	\$ 67,333	\$ 180,313	\$ 1,669,333

See accompanying notes.

GROUNDSWELL CONSERVANCY, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 363,841	\$ 979,384
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contribution of land	-	405,475
Easement donated on land sold	50,100	-
Land donation received	-	(591,853)
Depreciation	770	770
Amortization of operating lease right-of-use assets	2,530	-
Net realized and unrealized (gain) loss on investments	(48,738)	136,673
Change in value of beneficial interest in assets held by Madison Community Foundation	(37,665)	27,153
(Increase) decrease in assets		
Unconditional promises to give	24,270	(138,515)
Employee Retention Credit receivable	158,752	(158,752)
Prepaid expenses	(5,579)	(840)
Increase (decrease) in liabilities		
Accounts payable	7,185	15,880
Accrued expenses	32,035	(922)
Deferred revenue	25,065	(26,549)
Lease liability	(3,600)	-
Refundable advances	26,538	-
Net cash provided by operating activities	595,504	647,904
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends retained in investments	(3,801)	(19,799)
Proceeds from sales of investments	-	40,000
Purchases of equipment	(38,325)	-
Proceeds from land held for sale	499,900	-
Purchases of land held for conservation	(240,669)	(786,404)
Distributions from beneficial interest in assets held by Madison Community Foundation	24,482	21,027
Additions to beneficial interest in assets held by Madison Community Foundation	(28,000)	(9,860)
Net cash used in investing activities	213,587	(755,036)
Net change in cash	809,091	(107,132)
Cash at beginning of year	182,335	289,467
Cash at end of year	\$ 991,426	\$ 182,335
SUPPLEMENTAL DISCLOSURES		
Noncash investing and financing transactions		
Contribution of land	\$ -	\$ 405,475
Land donation received	-	591,853

See accompanying notes.

GROUNDSWELL CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Groundswell Conservancy, Inc. (Groundswell) works to protect natural areas, wildlife habitats, working farms, healthy lakes and streams, and recreation land to provide a high quality of life in the Dane County, Wisconsin region. Groundswell is supported primarily by contributions from the general public and grants from government agencies.

Income Tax Status

Groundswell Conservancy, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, Groundswell qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Promises to Give

Unconditional promises to give are recognized as support 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 only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,500 are capitalized. Property and equipment is carried at cost or, if donated, at the estimated fair value on the date of donation. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets.

Leases

Groundswell does not recognize short-term leases in the statement of financial position. For these leases, Groundswell recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. Groundswell also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, Groundswell uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

Land Held for Conservation

Purchases of land are recorded at cost or, if donated, at the estimated fair value on the date of donation. Such donations are reported as support without restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Groundswell reports expiration of donor restrictions when the assets are placed in service, and reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

GROUNDSWELL CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Conservation Easements

Conservation easements accepted or purchased by Groundswell are not recognized as assets or revenue in the accompanying financial statements because Groundswell does not hold fee title to these properties and there are no expected future economic benefits associated with the easements. In addition, conservation easements carry significant obligations to monitor and defend their terms. If purchased, the costs of conservation easements are expensed when the easements are acquired.

Investments

Groundswell reports investments in equity securities with readily determinable fair values are stated at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Beneficial Interest in Assets Held by Madison Community Foundation

Groundswell's beneficial interest in assets held by Madison Community Foundation represents an agreement between Groundswell and the Foundation in which Groundswell transfers assets to the Foundation in exchange for future distributions. The beneficial interest is not actively traded, and significant other observable inputs are not available. The fair value of the beneficial interest is based on the fair value of the underlying assets as reported to Groundswell by the Foundation. Little information about those assets is released publicly. The estimated fair value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

Deferred Revenue

Under contracts from Wisconsin's Knowles-Nelson Stewardship Program, Groundswell is obligated to spend land rental revenue on conservation activities on land acquired with funding from this program. Deferred revenue balances are the accumulated rent revenue from the land acquired with Knowles-Nelson funding. Revenue is recognized as conservation activities meet the Knowles-Nelson obligation.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Grants

Groundswell receives grants from government agencies and others that are conditioned upon Groundswell incurring qualifying expenses. Revenue from these grants is generally recognized on

GROUNDSWELL CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a reimbursement basis, that is, when qualifying expenses are incurred by Groundswell, both a receivable from the grantor agency and revenue are recorded. Grants are also generally restricted by the grantor for a specified purpose. Grants whose conditions and restrictions are met in the same reporting period that the revenue is recognized are reported as increases in net assets without donor restrictions.

Adoption of New Accounting Guidance

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. The guidance in this Update and all subsequently issued clarifying Updates supersede the guidance in FASB Accounting Standards Codification (ASC) Topic 840, *Leases*, and creates FASB ASC Topic 842, *Leases*. The main difference between previous guidance and Topic 842 is the recognition of assets and liabilities by lessees for those leases classified as operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. Also, under Topic 842, disclosures are required by lessees and lessors to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from leases.

Groundswell adopted the requirements of Topic 842 as of July 1, 2022, using the optional transition method that allows Groundswell to initially apply the new guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. Groundswell's reporting for the year ended June 30, 2022, is in accordance with the previous guidance in Topic 840.

The adoption of Topic 842 did not have a material effect on Groundswell's change in net assets and cash flows.

On September 17, 2020, the Financial Accounting Standards Board issued Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The intent of this Update is to improve transparency in the reporting of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. The Update requires a not-for-profit entity to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The Update also requires enhanced disclosures about the valuation of contributed nonfinancial assets and their use in programs and other activities, including any donor-imposed restrictions on such use. Groundswell adopted the requirements of this Update effective July 1, 2022. The changes required by this Update have been applied retrospectively to all periods presented.

Estimates

The preparation of financial statements 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.

GROUNDSWELL CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, occupancy, supplies, insurance, travel and meetings, communications and marketing, and depreciation, which are allocated on the basis of estimates of time and effort.

The following program services and supporting activities are included in the accompanying financial statements:

Conservation, Outreach and Education—Includes activities to protect land and water and build community support for land protection through outreach and education of the public.

Management and general— Management and general activities relate to the overall direction of Groundswell and include the functions necessary to ensure proper administrative functioning of the board of directors, manage the financial and budgetary responsibilities of Groundswell, and perform other administrative functions.

Fundraising— Fundraising activities relate to soliciting contributions from individuals, foundations, government agencies, and others, and other activities that involve inducing potential donors to contribute assets, services, or time to Groundswell.

Date of Management’s Review

Management has evaluated subsequent events through February 19, 2024, the date which the financial statements were available to be issued.

NOTE 2—PROMISES TO GIVE

Unconditional promises to give are as follows:

	2023	2022
Receivable in less than one year	\$ 83,245	\$ 123,515
Receivable in one to five years	31,000	15,000
Unconditional promises to give	114,245	138,515

Groundswell has a grant that is conditioned upon Groundswell incurring qualifying expenses under the grant programs. At June 30, 2023, these conditional grants total approximately \$690,000. Conditional support from the government source is for reimbursement for expenses related to program activities supporting Wisconsin’s HMoob farmers. The conditional grant will be recognized as revenue when the respective conditions are met in future years.

GROUNDSWELL CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 3—CONCENTRATIONS OF RISK

Groundswell maintains cash balances at several financial institutions located in Madison, Wisconsin. Accounts at each institution are insured by the Federal Deposit Insurance Corporation or National Credit Union Administration up to \$250,000. At June 30, 2023 and 2022, Groundswell's uninsured cash balances totaled approximately \$705,000 and \$39,000, respectively.

NOTE 4—EQUIPMENT

Equipment at June 30, 2023 and 2022 consisted of the following:

	2023	2022
Equipment	\$ 50,346	\$ 12,021
Less accumulated depreciation	11,251	10,481
Equipment, net	\$ 39,095	\$ 1,540

NOTE 5—LAND HELD FOR CONSERVATION

Groundswell acquires important conservation land to add to public parks, nature preserve, trails, and wildlife areas. Some of its acquisitions are transferred to government agencies for long-term ownership and management. Groundswell also acquires conservation easements, which protect land from incompatible development while keeping it in private ownership. The conservation easements held by Groundswell protect high-quality farmland, streambanks, and scenic areas.

Groundswell, as of June 30, 2023, has the following land held for conservation and conservation easements:

Location	Number of Properties	Acres	Recorded Amount
Land			
Westport Drumlin Preserve	4	213	\$ 2,395,044
Patrick Marsh Wildlife Area	3	80	2,575,998
Lodi Marsh Wildlife Area	2	84	255,862
Yahara River	4	31	300,669
Cherokee Marsh Conservation Park	2	106	264,513
Other land and acquisition costs	17	384	2,037,348
Conservation easements			
Town of Dunn Rural Preservation Program	42	4,093	-
Village of Windsor Farmland Preservation Program	2	320	-
Other Easements	43	3,233	-
Land held for conservation	119	8,544	\$ 7,829,434

GROUNDSWELL CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 6—LEASES

Groundswell leases office space in Madison, Wisconsin that requires monthly payments of \$3,600 with annual increase of 3% that began on June 1, 2023 and will expire on June 30, 2027. Groundswell has an option to extend the lease for another two years at the expiration date of the original lease, with payments continuing to increase annually by 3%.

Groundswell terminated a lease of office space, with no penalty, that required monthly payments of \$2,064, on May 31, 2023. Groundswell leases a copier under a lease that expires on October 31, 2023 and requires monthly payment of \$183.

The components of total lease costs are as follows:

	Operating lease cost	\$ 2,530
	Short-term lease lease	<u>30,587</u>
	Total	<u><u>\$ 33,117</u></u>

Rent expense for the years ended June 30, 2022 was \$24,530.

Other information related to operating leases is as follows:

Cash payments classified as part of operating cash flows for amounts included in the measurement of lease liabilities	\$ 3,600
Right-of-use assets obtained in exchange for new operating lease liabilities	170,927
Weighted-average remaining lease term in years	4 years
Weighted-average discount rate	3.85%

The maturities of operating lease liabilities as of June 30, 2023, are as follows:

Year ending June 30:	
2024	\$ 44,040
2025	44,607
2026	45,943
2027	<u>47,208</u>
Total minimum lease payments	181,798
Imputed interest	<u>(13,202)</u>
Total lease liabilities	<u><u>\$ 168,596</u></u>

NOTE 7—RETIREMENT PLAN

Groundswell sponsors a defined contribution retirement plan for employees who work 20 or more hours per week for Groundswell. Employer contributions to the plan were 3% of the employee's annual compensation. Contributions are fully vested when made. Retirement expense for the years ended June 30, 2023 and 2022 was \$20,110 and \$10,756, respectively.

GROUNDSWELL CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 7—INVESTMENTS

Investments at June 30, 2023 and 2022 consisted of the following:

	2023	2022
Cash	\$ 9,780	\$ 31,694
Exchange traded funds	120,783	114,350
Mutual funds comprised of equities	376,286	307,753
Mutual funds comprised of fixed income securities	247,821	248,334
Investments	\$ 754,670	\$ 702,131

Fair values of exchange traded funds and mutual funds are based on quoted net asset values of the shares as reported by the fund. The mutual funds held by Groundswell are open-end mutual funds registered with the U.S. Securities and Exchange Commission. The funds must publish their daily net asset value and transact at that price. The exchange traded funds and mutual funds held by Groundswell are considered to be actively traded.

NOTE 8—ENDOWMENTS

At June 30, 2023 and 2022, Groundswell has two agency endowment funds with the Madison Community Foundation (MCF) to support easement enforcement and Groundswell's operations from the earnings in each of the two funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Through June 30, 2023, Groundswell received contributions of \$451,383 restricted for conservation easement stewardship and defense. The board of directors decided these contributions should be held as a quasi-endowment fund and the income of the fund will be spent for the restricted purpose. Since the designation to hold the assets as a quasi-endowment is not a donor restriction, the net assets with donor restriction of the quasi-endowment fund are reclassified to net assets without donor restriction as the purpose restriction is met.

Groundswell established a funds at the MCF to invest its endowment assets. The agreements between Groundswell and MCF state that the transfer of assets is irrevocable and that the transferred assets will not be returned to Groundswell. However, MCF will make annual distributions of the income earned on the funds subject to MCF's spending policy. The agreements also grants variance power to MCF, which permits MCF to substitute another beneficiary in place of Groundswell if Groundswell ceases to exist or if MCF's board of governors votes that support of Groundswell either is no longer necessary or is inconsistent with the needs of the community.

MCF's primary investment goal is to deliver long-term investment returns sufficient to cover both spending and inflation to preserve the purchasing power of the investment portfolio. MCF seeks to achieve this goal through cost-effective implementation at an appropriate level of risk, diversification of asset classes and strategies to provide consistent returns, capital preservation in down market cycles to provide stability in spending support, and long-term capital appreciation through the incorporation of risk-based assets, including nonmarketable, illiquid alternatives.

GROUNDSWELL CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 8—ENDOWMENTS (continued)

Composition of and changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets at June 30, 2021	\$ 331,993	\$ 413,523	\$ 745,516
Contributions	-	9,860	9,860
Changes in beneficial interest	(27,153)	-	(27,153)
Distributions	(21,027)	-	(21,027)
Endowment net assets at June 30, 2022	283,813	423,383	707,196
Contributions	-	28,000	28,000
Changes in beneficial interest	37,665	-	37,665
Distributions	(24,482)	-	(24,482)
Endowment net assets at June 30, 2023	<u>\$ 296,996</u>	<u>\$ 451,383</u>	<u>\$ 748,379</u>

NOTE 9—CONTINGENCY

Groundswell held approximately 80 conservation easements at June 30, 2023 that may require expenditures to monitor and defend the provisions of the easements. Groundswell established funds to support easement stewardship. Easement stewardship provides for baseline development, monitoring, and enforcement, with a view to prompt identification and enforcement of violations of the terms of conservation easements granted to Groundswell. Easement legal defense provides for expenses incurred in the enforcement, by litigation or otherwise, of the terms of any easement granted to Groundswell.

NOTE 10—PAYCHECK PROTECTION PROGRAM LOAN

On April 9, 2020, Groundswell received a \$63,765 loan under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. On January 13, 2021, the SBA preliminarily approved forgiveness of the loan and accrued interest. Groundswell must retain PPP documentation in its files for six years after the date the loan was forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review Groundswell's good-faith certification concerning the necessity of its loan request, whether Groundswell calculated the loan amount correctly, whether Groundswell used loan proceeds for the allowable uses specified in the CARES Act, and whether Groundswell is entitled to loan forgiveness in the amount claimed on its application. If SBA determines Groundswell was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

GROUNDSWELL CONSERVANCY, INC.
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NOTE 11—COMMUNITY TRUST FUND

The Eugenie Mayer Bolz Family Foundation contributed \$125,000 in 2000 to establish the Dane County Natural Heritage Foundation Trust (Fund) at the Madison Community Foundation. MCF, as a community trust, serves the mutual interests of Dane County and those individuals and organizations who wish to enhance the quality of life in the community through charitable giving. Component funds of MCF are established by donors for the benefit of the community, and, when these funds are established, donors may indicate what organizations or causes should benefit from distributions from the fund. However, donors also grant MCF variance power that allows MCF to modify the donors' stipulations under certain circumstances as MCF monitors the changing needs of the community. Therefore, the Fund is not included in Groundswell's financial statements. The fair value of the Fund at MCF as of June 30, 2023 and 2022 was \$206,603 and \$204,334. The amount available for annual distribution is calculated using a variable rate set annually by MCF applied to the rolling twenty-month average of the Fund balance. Groundswell received distributions during the years ended June 30, 2023 and 2022 totaled \$8,111 and \$7,654, respectively.

NOTE 12—LIQUIDITY AND AVAILABILITY

The following table reflects Groundswell's financial assets as of the dates of the statements of financial position reduced by amounts not available for general expenditures within one year of the dates of the statements of financial position because of contractual or donor-imposed restrictions or internal board designations:

	2023	2022
Cash	\$ 991,426	\$ 182,335
Unconditional promises to give	114,245	138,515
Employee Retention Credit receivable	-	158,752
Investments	754,670	702,131
Financial assets at year-end	1,860,341	1,181,733
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Knowles-Nelson conservation activities-land rental revenue	(70,495)	(45,430)
Restricted by donor with time and purpose restrictions	(119,488)	(104,780)
Board designations:		
Designated reserve for easement enforcement fund	(150,000)	(150,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,520,358	\$ 881,523

As part of Groundswell's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.