

GROUNDWORK OHIO ORGANIZATION
FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2023 and 2022
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

Groundwork Ohio Organization
Index
June 30, 2023 and 2022

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MCCURDY & ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED IN 1986

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Groundwork Ohio Organization

Opinion

We have audited the accompanying financial statements of Groundwork Ohio Organization (a nonprofit organization), 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 financial statements referred to above present fairly, in all material respects, the financial position of the Groundwork Ohio Organization 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 the 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. 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 the Groundwork Ohio Organization 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.

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 the Groundwork Ohio Organization'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 generally accepted auditing standards 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 generally accepted auditing standards, 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 the Groundwork Ohio Organization'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 the Groundwork Ohio Organization'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.

McLendy & Associates, Inc.

Columbus, Ohio
May 21, 2024

Groundwork Ohio Organization
Statements of Financial Position
As of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,050,028	\$ 1,815,440
Investments	4,041,897	-
Grant funds receivable	242,768	316,523
Prepaid expenses and deposits	<u>52,368</u>	<u>3,300</u>
TOTAL CURRENT ASSETS	<u>6,387,061</u>	<u>2,135,263</u>
TOTAL ASSETS	<u><u>\$ 6,387,061</u></u>	<u><u>\$ 2,135,263</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 17,371	\$ 169,211
Accrued expenses	5,200	-
Deferred revenue	<u>5,011,854</u>	<u>944,863</u>
TOTAL CURRENT LIABILITIES	<u>5,034,425</u>	<u>1,114,074</u>
TOTAL LIABILITIES	5,034,425	1,114,074
NET ASSETS - WITHOUT DONOR RESTRICTIONS	<u>1,352,636</u>	<u>1,021,189</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,387,061</u></u>	<u><u>\$ 2,135,263</u></u>

See accompanying notes to the financial statements and independent auditor's report.

Groundwork Ohio Organization
Statements of Activities
For the years ended June 30, 2023 and 2022

	Without Donor Restrictions	Without Donor Restrictions
	2023	2022
OPERATING ACTIVITIES		
REVENUES		
Fees	\$ 3,078	\$ 6,010
Grants	2,514,288	1,791,021
Education	-	31,195
Contributions	45,743	910
Interest income	67,281	115
Other income	2,120	200
TOTAL REVENUES	2,632,510	1,829,451
EXPENSES		
Grant services	1,947,147	1,668,210
Education services	193,915	12,200
Management and general	157,747	5,549
TOTAL EXPENSES	2,298,809	1,685,959
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	333,701	143,492
NON OPERATING ACTIVITIES		
Investment return, net	(2,254)	-
TOTAL NON OPERATING ACTIVITIES	(2,254)	-
CHANGE IN NET ASSETS	331,447	143,492
NET ASSETS - WITHOUT DONOR RESTRICTIONS		
Beginning of year	1,021,189	(301,346)
Capital contributed	-	1,179,043
End of year	<u>\$ 1,352,636</u>	<u>\$ 1,021,189</u>

See accompanying notes to the financial statements and independent auditor's report.

Groundwork Ohio Organization
Statements of Functional Expenses
For the years ended June 30, 2023 and 2022

	2023			
	Grant services	Education services	Management and general	Total
Salaries	\$ 922,401	\$ -	\$ 135,788	\$ 1,058,189
401(k) employee benefit plan	25,130	-	162	25,292
Medical, life & disability insurance	53,441	-	4,214	57,655
Payroll taxes	69,981	-	10,457	80,438
Payroll fees	24,516	-	3,663	28,179
Other employee benefits	1,059	-	-	1,059
Professional services	522,223	13,384	10,771	546,378
Advertising and promotion	36,108	49,434	-	85,542
Office expenses	73,792	8,889	4,809	87,490
Occupancy	34,888	-	-	34,888
Travel	55,900	3,184	1,965	61,049
Events	55,248	115,060	38	170,346
Grants	50,000	-	-	50,000
Stipends	8,340	3,964	-	12,304
	<u>\$ 1,933,027</u>	<u>\$ 193,915</u>	<u>\$ 171,867</u>	<u>\$ 2,298,809</u>

	2022			
	Grant services	Education services	Management and general	Total
Salaries	\$ 708,049	\$ -	\$ -	\$ 708,049
401(k) employee benefit plan	22,309	-	-	22,309
Medical, life & disability insurance	62,222	-	-	62,222
Payroll taxes	56,610	-	-	56,610
Payroll fees	18,820	-	-	18,820
Other employee benefits	708	-	-	708
Professional services	501,032	-	4,850	505,882
Advertising and promotion	62,240	-	232	62,472
Office expenses	35,483	-	665	36,148
Occupancy	24,425	-	-	24,425
Travel	8,377	-	(776)	7,601
Events	93,452	-	-	93,452
Grants	45,000	-	-	45,000
Stipends	29,483	12,200	-	41,683
Other	-	-	578	578
	<u>\$ 1,668,210</u>	<u>\$ 12,200</u>	<u>\$ 5,549</u>	<u>\$ 1,685,959</u>

See accompanying notes to the financial statements and independent auditor's report.

Groundwork Ohio Organization
Statements of Cash Flows
For the years ended June 30, 2023 and 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 331,447	\$ 143,492
Adjustments to reconcile change in net assets to net cash and cash equivalents provided (used) by operating activities:		
Unrealized loss on investments	2,254	-
Changes in operating assets and liabilities:		
Grant funds receivable	73,755	183,477
Prepaid expenses	(49,068)	(3,300)
Accounts payable	(151,840)	165,293
Accrued expenses	5,200	-
Deferred revenue	4,066,991	(56,937)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,278,739</u>	<u>432,025</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Sales of investment securities	4,000,000	-
Purchase of investment securities	(8,044,151)	-
NET CASH USED BY INVESTING ACTIVITIES	<u>(4,044,151)</u>	<u>-</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from capital contributed	-	1,179,043
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>1,179,043</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	234,588	1,611,068

CASH

Beginning of year	1,815,440	204,372
End of year	<u>\$ 2,050,028</u>	<u>\$ 1,815,440</u>

SUPPLEMENTARY DATA

Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

See accompanying notes to the financial statements and independent auditor's report.

GROUNDWORK OHIO ORGANIZATION

Notes to the Financial Statements

June 30, 2023 and 2022

1. ORGANIZATION

Groundwork Ohio Organization (the “Company”) is organized in Ohio as a not-for-profit corporation effective August 7, 2020. The mission of the Company is to champion high-quality early learning and healthy development strategies from the prenatal period to age five, that lay a strong foundation for Ohio kids, families and communities.

The Company previously operated under Community Initiatives Corporation. Effective May 11, 2021 the Company began operating as a stand alone not-for-profit corporation. Community Initiatives Corporation assigned previously earned Grant Funds to the Company and provided cash to the Company. During the year ended June 30, 2022, the Company received \$1,179,043 of cash from Community Initiatives Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Use of Estimates

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

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. The Company has cash deposits and certificates of deposit in financial institutions in excess of the federally insured limit of \$250,000.

Grant Funds Receivable

Provisions are made for estimated uncollectible grant funds receivable. The Company’s estimate of the allowance is based on historical collection experience and a review of the current status of receivables. There is no allowance for uncollectible grant funds receivable deemed necessary as of June 30, 2023 and 2022. Decisions to write-off grant funds receivable are based on management’s judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. It is reasonably possible that the Company’s estimate of the allowance for doubtful accounts will change.

Deferred Revenue

The Company records grant receipts as deferred revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue. Any recoverable amounts that are expended in excess of grant funds received are recorded as grant funds receivable and recognized as revenue at that time.

Basis of Presentation

The financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Company to report information regarding its financial position and activities according to the following net asset classifications:

GROUNDWORK OHIO ORGANIZATION
Notes to the Financial Statements (Continued)
June 30, 2023 and 2022

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

Net assets with donor restrictions:

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Company or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

The Company does not have any donor restricted net assets as of June 30, 2023 and 2022.

Measure of operations

The statement of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Company's ongoing program services and interest earned on cash. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring in nature.

Fair Value Measurements

The fair value accounting standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard clarifies how to measure fair value as permitted under other accounting pronouncements.

Revenues

The Company's primary sources of revenues are grants and contracted services. The Company has adopted the following accounting policies with respect to revenues and expenses:

Grant revenue is recognized during the time period in which services are performed in satisfaction of the grant conditions. Contracted service revenue is recognized during the time period in which the services are performed.

The Company's contracts are cancellable at any time by either party typically with either 30 days or 60 days notice. The Company's standard payment terms are typically due upon receipt of invoice or 30 days from invoice date. The Company does not have any significant financing components.

Revenue from performance obligations satisfied at a point in time consists of grants received. These grants are used to perform services to customers throughout the grants stated period. For performance obligations related to the grants, control transfers as the Company performs the services stated in the grant agreement.

The nature of the Company's business gives rise to variable considerations. These variable considerations consist of the associated expenses incurred during the period. As the associated expenses incur, the Company is able to recognize the revenue associated with the grants.

GROUNDWORK OHIO ORGANIZATION
Notes to the Financial Statements (Continued)
June 30, 2023 and 2022

Federal Income Taxes

The Company is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code for activities that relate to the Company’s exempt purpose. Certain activities of the Company are subject to unrelated business income taxes.

The Company has not identified any material uncertain tax positions requiring an accrual or disclosure in the financial statements. There were no interest or penalties recognized in the statement of activities for the year ended June 30, 2023 and 2022 related to uncertain tax positions. The statutory tax years remain open to examination.

Recent Accounting Pronouncements

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842)*, which amends the lease accounting and disclosure requirements in ASC 842, Leases. The objective of this ASU is to increase transparency and comparability among organizations recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about lease arrangements. This ASU requires the recognition of lease assets and lease liabilities for those leases classified as operating leases under previous US GAAP. This ASU permits an accounting policy election for private companies to use a risk-free rate to discount the lease liability for each lease. The ASU became effective for fiscal years beginning after December 15, 2021 using a modified retrospective approach. The organization determined the accounting pronouncement did not impact the organization as the current leases are primarily short term. The organization will continue to evaluate the pronouncement as changes to lease terms occur.

Functional Expenses

The costs of providing program and other activities have been summarized in the statements of functional expenses. Accordingly, certain costs have been allocated to the program services and management and general expenses benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries	Time and effort
401(k) employee benefit plan	Time and effort
Medical, life & disability insurance	Time and effort
Payroll taxes	Time and effort
Payroll fees	Time and effort
Other employee benefits	Time and effort
Professional services	Time and effort
Advertising and promotion	Time and effort
Office expenses	Time and effort
Occupancy	Time and effort
Travel	Time and effort
Events	Time and effort
Grants	Time and effort
Stipends	Direct allocation

GROUNDWORK OHIO ORGANIZATION
Notes to the Financial Statements (Continued)
June 30, 2023 and 2022

Subsequent Events

Subsequent events are defined as events or transactions that occur after the statement of financial position date, but before the financial statements are issued or available to be issued. Management has evaluated subsequent events through May 21, 2024, the date that the financial statements were available to be issued. Management has indicated no events have occurred that would require adjustment to or disclosure in the financial statements.

3. AVAILABILITY AND LIQUIDITY

As of June 30, 2023, the Company has \$6,222,193 of financial assets available within 1 year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$2,050,028, investments of \$4,041,897 and grant funds receivable of \$130,268. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The grant funds receivables are subject to implied time restrictions but are expected to be collected within one year. The Company has a goal to maintain financial assets, which consist of cash and investments on hand to meet 60 days normal operating expenses, which are, on average approximately \$385,000. The Company has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
 - Quoted prices for identical or similar assets in non-active markets;
 - Inputs other than quoted prices that are observable for the asset/liability; and,
 - Inputs that are derived principally from or corroborated by other observable market data.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

The only investments maintained by the Organization are certificate of deposits. Items classified as Level 1 are certificates of deposits. Level 1 investments are valued based on observable inputs.

GROUNDWORK OHIO ORGANIZATION
Notes to the Financial Statements (Continued)
June 30, 2023 and 2022

Within the fair value hierarchy, investments were accounted for at fair value on a recurring basis as of June 30, 2023 and 2022, as follows:

**Assets Measured at
Fair Value on a Recurring Basis
June 30, 2023**

Without donor restrictions:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$4,041,897	\$ -	\$ -	\$4,041,897
	\$4,041,897	\$ -	\$ -	\$4,041,897

**Assets Measured at
Fair Value on a Recurring Basis
June 30, 2022**

Without donor restrictions:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -

The following summarizes the investment income and its classification in the statements of activities for the years ended June 30, 2023 and 2022:

	2023	2022
Interest income	\$ 67,281	\$ 115
Unrealized losses on investments	(2,254)	-
Investment return, net	(2,254)	-
Total investment income	\$ 65,027	\$ 115

GROUNDWORK OHIO ORGANIZATION
Notes to the Financial Statements (Continued)
June 30, 2023 and 2022

5. DEFERRED REVENUE

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

	<u>2023</u>	<u>2022</u>
Alliance for Early Success	\$ 9,979	\$ 14,774
Ohio Association of Health Plans	4,353,070	-
B3	143,556	280,094
Bruening Foundation	35,439	-
Cleveland Foundation	23,365	40,408
W.K. Kellogg Foundation	383,116	224,010
Mt. Sinai Health Care Foundation	-	54,113
Eric & Jane Nord Family Fund	-	16,142
Ohio Children's Hospital Association Foundation	-	100,000
Pritzker Children's Initiative	63,329	215,322
	<u>\$ 5,011,854</u>	<u>\$ 944,863</u>

6. LEASE COMMITMENTS

The Company leases a building under noncancellable operating leases, which expires on October 31, 2024. Rent expense for the building was \$30,655 for the year ended June 30, 2023.

At June 30, 2023, the future remaining lease commitments under noncancellable leases was \$50,400. The amount due during fiscal year 2024 is \$37,800 and \$12,600 is due during fiscal year 2025.

7. BENEFIT PLAN

The Company maintains a Safe Harbor 401(k) Plan for participants who satisfy the eligibility requirements, as defined in the plan. The plan provides for a safe harbor matching contribution equal to 100% of the amount the participant contributes to the Plan for each payroll period up to 4% of Plan Compensation. The retirement plan expense was \$25,292 and \$22,310 for the years ended June 30, 2023 and 2022.