



NEW GROUND INC. AND SUBSIDIARY

**CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT**

**AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

NEW GROUND INC. AND SUBSIDIARY
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AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
New Ground Inc. and Subsidiary:

Opinion

We have audited the accompanying consolidated financial statements of New Ground Inc. and Subsidiary (collectively, the "Organization", both nonprofit organizations), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New Ground Inc. and Subsidiary as of December 31, 2022 and 2021, and the changes in their net assets and their 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of New Ground Inc. and Subsidiary 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about New Ground Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

NawrockiSmith

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 and *Government 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, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

NawrockiSmith


Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating schedules of financial position on pages 16 and 17 and the supplementary consolidating schedules of activities and changes in net assets on pages 18 and 19 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Emphasis-of-Matter

As discussed in Note 3 to the financial statements, the Organization adopted Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases*. Our opinion is not modified with respect to this matter.

Hauppauge, New York
October 13, 2023



NEW GROUND INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash	\$ 784,238	\$ 780,714
Accounts receivable	38,932	41,160
Contributions receivable, current portion	15,849	28,494
Loans receivable	2,257	2,257
Prepaid expenses	2,222	5,555
Total current assets	843,498	858,180
NONCURRENT ASSETS:		
Fixed assets, at cost, net of accumulated depreciation of \$134,233 and \$108,642, respectively	1,087,919	1,113,510
Right-of-use assets, at cost, net of accumulated amortization of \$1,177 for 2022	9,360	-
Contributions receivable, net of current portion	12,470	25,340
Other assets	4,257	2,757
Total assets	\$ 1,957,504	\$ 1,999,787
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Mortgage payable, current portion	\$ 16,132	\$ 15,440
Leases payable, current portion	2,019	-
Accounts payable	11,920	7,429
Deferred revenue - Paycheck Protection Program	-	85,910
Total current liabilities	30,071	108,779
LONG-TERM LIABILITIES:		
Mortgage payable, net of current portion	486,371	502,435
Leases payable, net of current portion	7,341	-
Security deposits held	4,257	2,757
Total long-term liabilities	497,969	505,192
Total liabilities	528,040	613,971
NET ASSETS:		
Net assets without donor restrictions:		
Undesignated	644,048	590,181
Board designated for fixed assets	585,416	595,635
Board designated for program expansion	200,000	200,000
Total net assets	1,429,464	1,385,816
Total liabilities and net assets	\$ 1,957,504	\$ 1,999,787

The accompanying notes to consolidated financial statements
are an integral part of these statements.

**NEW GROUND INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
REVENUES:		
Special events	\$ 495,603	\$ 449,170
Grants and contributions	367,847	392,669
Program revenue	88,384	44,185
Miscellaneous	2,928	-
Interest	2,185	1,064
	956,947	887,088
EXPENSES:		
Program services	741,503	588,765
Administration	46,738	38,507
Fundraising	125,058	79,893
	913,299	707,165
Change in net assets	43,648	179,923
NET ASSETS, BEGINNING OF YEAR	1,385,816	1,205,893
NET ASSETS, END OF YEAR	\$ 1,429,464	\$ 1,385,816

The accompanying notes to consolidated financial statements
are an integral part of these statements.

NEW GROUND INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022				2021			
	Program Services	Administration	Fundraising	Total	Program Services	Administration	Fundraising	Total
Salaries, benefits, and payroll taxes	\$ 473,049	\$ 26,661	\$ 21,450	\$ 521,160	\$ 390,264	\$ 19,363	\$ 20,666	\$ 430,293
Direct client services	65,210	-	-	65,210	32,091	-	-	32,091
Professional fees	32,288	11,621	-	43,909	28,162	11,084	-	39,246
Office	36,367	758	758	37,883	24,037	501	501	25,039
Repairs and maintenance	30,807	977	-	31,784	18,035	877	-	18,912
Depreciation	23,288	2,303	-	25,591	23,288	2,303	-	25,591
Interest	21,018	2,247	-	23,265	20,816	2,226	-	23,042
Insurance	19,673	402	-	20,075	17,407	355	-	17,762
Utilities	12,114	884	-	12,998	10,174	841	-	11,015
Employee retirement benefits	10,361	569	456	11,386	11,064	672	489	12,225
IT and computer	6,900	70	70	7,040	3,988	41	41	4,070
Clinical supervision	3,075	-	-	3,075	3,300	-	-	3,300
Conferences and seminars	2,988	-	-	2,988	1,531	-	-	1,531
Travel	2,043	-	-	2,043	556	-	-	556
Telephone	1,882	19	19	1,920	1,882	19	19	1,920
Website and fees	120	-	120	240	1,870	-	1,870	3,740
Miscellaneous	95	135	-	230	-	225	-	225
Recruitment	225	-	-	225	300	-	-	300
Bad debt	-	92	-	92	-	-	-	-
	<u>741,503</u>	<u>46,738</u>	<u>22,873</u>	<u>811,114</u>	<u>588,765</u>	<u>38,507</u>	<u>23,586</u>	<u>650,858</u>
Cost of special events	<u>-</u>	<u>-</u>	<u>102,185</u>	<u>102,185</u>	<u>-</u>	<u>-</u>	<u>56,307</u>	<u>56,307</u>
	<u>\$ 741,503</u>	<u>\$ 46,738</u>	<u>\$ 125,058</u>	<u>\$ 913,299</u>	<u>\$ 588,765</u>	<u>\$ 38,507</u>	<u>\$ 79,893</u>	<u>\$ 707,165</u>

The accompanying notes to consolidated financial statements
are an integral part of these statements.

NEW GROUND INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (INDIRECT METHOD)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 43,648	\$ 179,923
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	25,591	25,591
Amortization of right-of-use assets	1,177	-
(Increase) decrease in accounts receivable	2,228	(7,706)
Decrease in contributions receivable	25,515	21,717
Decrease in loans receivable	-	2,499
Increase in other assets	(1,500)	(300)
Decrease in prepaid expenses	3,333	3,333
Decrease in lease payable	(1,177)	-
Increase in accounts payable	4,491	6,527
Increase in security deposits held	1,500	300
Increase (decrease) in deferred revenue - Paycheck Protection Program	(85,910)	210
	<u>18,896</u>	<u>232,094</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of mortgage payable	<u>(15,372)</u>	<u>(14,834)</u>
	<u>(15,372)</u>	<u>(14,834)</u>
NET INCREASE IN CASH	3,524	217,260
CASH, BEGINNING OF YEAR	<u>780,714</u>	<u>563,454</u>
CASH, END OF YEAR	<u>\$ 784,238</u>	<u>\$ 780,714</u>
CASH PAID DURING THE YEAR FOR:		
Interest	<u>\$ 23,265</u>	<u>\$ 23,042</u>
Acquisition of right-of-use assets	<u>\$ 10,537</u>	<u>\$ -</u>

The accompanying notes to consolidated financial statements
are an integral part of these statements.

**NEW GROUND INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(1) Background and organization

The accompanying consolidated financial statements reflect the financial position and activities of New Ground Inc. and its subsidiary, NGIP Inc. (hereinafter, collectively “the Organization”).

Founded in 1991, New Ground Inc. is a not-for-profit organization formed under the laws of New York State, providing intensive social work services and education programs to families and veterans caught in the cycle of homelessness and poverty. Social work services include but are not limited to: career development, employment assistance, budgeting, repairing credit, parenting skills, household management skills, conflict resolution, problem solving, crisis management skills, and future permanent housing planning. Education programs include the Reading All-Stars Program, Education Assistance Program, Education Advocacy Program, Tutoring Program, Academic Scholarship Program, and Parent Workshop Program. Through these, New Ground assists children to succeed in school with a track to graduate high school and pursue higher education, as well as assisting adults to return to school and complete a higher degree or certification thereby increasing their household income. All of the programs and services offered are targeted toward developing self-sufficiency and assisting the families and veterans with securing an independent future.

NGIP Inc. is a wholly-owned subsidiary of New Ground Inc., formed as a not-for-profit organization in 2015 for purposes of providing housing for homeless and low income families and individuals in the Long Island and Metropolitan New York areas. Families and individuals residing in the housing owned and operated by NGIP Inc. will receive the social work services and education programs offered by New Ground Inc. to assist them in breaking the cycle of homelessness and poverty, eventually securing permanent housing and self-sufficiency.

New Ground Inc. and NGIP Inc. are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

(2) Summary of significant accounting policies:

Basis of accounting and financial statement presentation -

The accompanying consolidated financial statements include the assets, liabilities, revenues and expenses of the Organization which are presented under the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. All transactions between the entities comprising the Organization have been eliminated in consolidation. The following is a summary of significant accounting policies followed by the Organization:

Financial statement presentation -

The accompanying consolidated financial statements include the accounts of the Organization’s programs, administration and fundraising. U.S. generally accepted accounting principles require that the Organization’s consolidated financial statements distinguish net assets and changes in net assets between those with and without donor restrictions. The Organization’s net assets consist of the following:

Without donor restrictions - net assets of the Organization which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of the Organization.

NEW GROUND INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

With donor restrictions - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

As of December 31, 2022 and 2021, the Organization did not possess any net assets with donor restrictions.

As required by U.S generally accepted accounting principles, the Organization has also presented Consolidated Statements of Cash Flows for the years ended December 31, 2022 and 2021.

Principles of consolidation -

New Ground Inc. has voting control and an economic interest in NGIP Inc. (“NGIP”), which results in the accounts of NGIP being consolidated with those of New Ground Inc. in the accompanying financial statements. All intercompany balances and transactions have been eliminated in the consolidation.

Revenue recognition -

The following are the significant revenue recognition accounting policies of the Organization:

Contributions - Contributions are recognized as income when received and are considered to be available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities and Changes in Net Assets as net assets released from restrictions. Contributions restricted by donors 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. Conditional contributions are accounted for as a liability or are not recognized as revenue initially, until the barriers to entitlement are overcome, at which point a transaction is recognized as unconditional and classified as either net assets with donor restrictions, or net assets without donor restrictions.

Fundraising revenue - The portion of fundraising revenue that relates to the commensurate value the attendee receives in return is recognized when the related events are held, and performance obligations are met.

Cash and cash equivalents -

The Organization considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounts receivable -

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense based on its assessment of the current status of individual accounts.

NEW GROUND INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Loans receivable -

Loans receivable in the amount of \$2,257 represent funds advanced to families at December 31, 2022 and 2021, respectively. Through the Revolving Loan Program, New Ground Inc. provides zero interest loans for current program participants in need of specific financial assistance in order to continue to make progress on their program goals. Each client creates a specific monthly repayment plan for their loan based on their individual budget, often utilizing an annual tax refund upon receipt to pay off any remaining balance.

Contributions receivable -

Contributions receivable are recognized as support in the period pledged and are recorded at the present value of estimated cash flow. The discount on these amounts is computed using a risk-adjusted rate applicable to the years in which the promises are to be received. Amortization of the discount is recorded as an addition to contribution revenue in accordance with donor-imposed restrictions. The Organization expects contributions receivable to be collected in full, therefore an allowance for doubtful accounts has not been recorded as of December 31, 2022 and 2021.

Fixed assets -

Fixed assets consist of land, buildings and office equipment which are recorded at cost. Fixed assets acquired by gift are capitalized at the approximate market value at the date of gift. Such gifts are reported as unrestricted support unless the donor has restricted the donated assets for a specific purpose.

The Organization follows the practice of capitalizing all items over \$500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (generally periods of five to forty years).

Leases -

The Organization determines if an arrangement is a lease at inception. Leases are included in right-of-use ("ROU") assets in the Consolidated Statements of Financial Position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the Consolidated Statements of Financial Position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Retreat has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

NEW GROUND INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Liquidity considerations -

Quantitative

As of December 31, 2022, the Organization has \$843,498 of financial assets available to meet cash needs for program and supporting services expenditures within one year of the Consolidated Statement of Financial Position date, which consists of the current assets per the Consolidated Statement of Financial Position.

Qualitative

As of December 31, 2022 the Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$130,000.

Donated services -

A number of volunteers have donated significant amounts of their time in the Organization's program services, administration and fundraising campaigns. However, since these services do not meet the criteria for recognition under U.S. generally accepted accounting principles, they are not reflected in the accompanying consolidated financial statements.

Functional expenses -

Expenses are recognized when incurred. The Consolidated Statements of Functional Expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The significant expenses that are allocated include: salaries, benefits and payroll taxes which are allocated on the basis of estimates of time and effort.

Fair value of financial instruments -

U.S. generally accepted accounting principles define the fair value of a financial instrument as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where applicable, fair values are determined by reference to quoted market prices and other relevant information generated by market transactions.

U.S. generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, accounts receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

NEW GROUND INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The use of estimates in the preparation of financial statements -

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results may differ from those estimates.

(3) New accounting standard

In February 2016, the FASB issued Accounting Standards Update 2016-02, Leases (ASC 842). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (“ROU”) assets and lease liabilities on the Consolidated Statement of Financial Position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

(4) Contributions receivable

Contributions receivable as of December 31, 2022 are due as follows:

<u>Year ending December 31,</u>		
2023	\$	15,849
2024		<u>13,000</u>
Total contributions receivable		28,849
Less: discount at 4.25% present value		<u>(530)</u>
Total contributions receivable, net	\$	<u><u>28,319</u></u>

(5) Fixed assets

Fixed assets as of December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 317,481	\$ 317,481
Buildings and building improvements	899,126	899,126
Office equipment	<u>5,545</u>	<u>5,545</u>
	1,222,152	1,222,152
Less: accumulated depreciation	<u>(134,233)</u>	<u>(108,642)</u>
	<u><u>\$ 1,087,919</u></u>	<u><u>\$ 1,113,510</u></u>

NEW GROUND INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) Mortgage payable

In connection with the purchase of a building in September 2017, the Organization obtained a mortgage from a bank, which is secured by the property, in the amount of \$338,000 with a fixed interest rate of 4.25% for a period of 120 months. A final balloon payment of approximately \$245,774 consisting of remaining principal, plus accrued and unpaid interest outstanding under the term loan, will be due and payable on the loan maturity date of October 1, 2027.

The Organization purchased an additional building in December 2017 and obtained a second mortgage from a bank, which is secured by the property, in the amount of \$236,000 with a fixed interest rate of 4.25% for a period of 120 months. A final balloon payment of approximately \$173,522 consisting of remaining principal, plus accrued and unpaid interest outstanding under the term loan, will be due and payable on the loan maturity date of December 1, 2027.

Interest expense was \$23,265 and \$23,042 for the years ended December 31, 2022 and 2021, respectively. Accrued interest has not been imputed as it has been deemed to be immaterial. Future principal maturities of these loans are as follows:

<u>Year ending December 31,</u>	
2023	\$ 16,132
2024	16,794
2025	17,607
2026	18,396
2027	<u>433,574</u>
	<u>\$ 502,503</u>

(7) Leases

The Organization leases office equipment for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2027. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Rental expense recognized under these operating leases was \$1,554 and \$2,856 for the years ended December 31, 2022 and 2021, respectively.

The following table provides quantitative information concerning the Organizations' leases accounted for under FASC ASC 842:

Lease costs:	
Operating lease cost	<u>\$ 1,554</u>
Operating cash flows from leases	<u>\$ 1,554</u>
Right-of-use assets obtained in exchange for new lease liabilities	<u>\$ 10,537</u>
Weighted-average remaining lease term	5 years
Weighted-average discount rate	3.37%

NEW GROUND INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

During 2022, the Organization entered into an agreement on May 27, 2022, to lease copier machine and requires 60 monthly payments of \$188. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.37%, which was the Organization's borrowing rate at the inception of the lease agreement. As a result of the lease, the Organization has recorded a right-to-use asset with a net book value of \$9,360 as of December 31, 2022.

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022 is as follows:

<u>Year Ending December 31:</u>	
2023	\$ 2,256
2024	2,256
2025	2,256
2026	2,256
2027	<u>940</u>
Total lease payments	9,964
Less: present value discount	<u>(604)</u>
Present value of lease liabilities	<u>\$ 9,360</u>

(8) Paycheck Protection Program

On April 10, 2020, the Organization was granted a loan from a bank in the amount of \$85,700, pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), which was enacted on March 27, 2020. The loan and accrued interest are forgivable after periods of eight weeks or twenty-four weeks as long as the borrower uses the proceeds for eligible purposes including payroll, benefits, rent and utilities and maintains its payroll levels. In accordance with U.S. generally accepted accounting principles, the Organization has opted to account for its PPP loan as an in-substance conditional government grant. The Organization intends to use the proceeds for purposes consistent with the PPP and believes its use of the funds will meet the conditions for forgiveness of the loan. The Organization believes all conditions and barriers were met during the fiscal year ending December 31, 2021, as full forgiveness of the funds was received on April 8, 2021. Accordingly, the PPP funds have been reflected within grants and contributions revenue in the Consolidated Statements of Activities and Changes in Net Assets for the year ended December 31, 2021.

On February 1, 2021, the Organization received a second draw loan in the amount of \$85,910. In accordance with generally accepted accounting principles, the Organization has also opted to account for its PPP loan as an in-substance conditional government grant, which should be recognized in income when all conditions or measurable barriers have been substantially met. The Organization intends to use the proceeds for purposes consistent with the PPP, and believes its use of the funds will meet the conditions for forgiveness of the loan and that final approval of the forgiveness application will not be a barrier but a substantive administrative process. The Organization believes all conditions and barriers were met during the fiscal year ending December 31, 2022, as full forgiveness of the funds was received on May 23, 2022. Accordingly, the PPP funds have been reflected within grants and contributions revenue in the Consolidated Statements of Activities and Changes in Net Assets for the year ended December 31, 2022.

NEW GROUND INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(9) Board designated net assets

In January 2015, the Board of Directors approved a designation specifically for the expansion of program services, which is reflected on the Consolidated Statements of Financial Position. These funds have been set aside by the Board to procure housing, in conjunction with the submission of grant applications, for homeless families receiving services from the Organization, as well as to cover the increased program costs of serving a growing number of homeless veterans, parents and children. The amount associated with this designation was \$200,000 for each of the years ended December 31, 2022 and 2021, respectively.

(10) Employee benefit plan

The Organization has a 401(k) Plan (the "Plan") for all eligible employees. The Plan states that the employer will match participant contributions up to 4%. The expense associated with this Plan was \$11,386 and \$12,225 for the years ended December 31, 2022 and 2021, respectively.

(11) Concentrations

The Organization maintains its cash in bank deposit accounts at reputable establishments which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

(12) Subsequent events

The Organization has evaluated subsequent events through October 13, 2023, which is the date the consolidated financial statements were available to be issued. Based on this evaluation, the Organization has determined there are no matters which require disclosure in the financial statements.

NEW GROUND INC. AND SUBSIDIARY
SUPPLEMENTARY CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022

ASSETS	New Ground Inc.	NGIP Inc.	Eliminations	Consolidated
CURRENT ASSETS:				
Cash	\$ 779,022	\$ 5,216	\$ -	\$ 784,238
Accounts receivable	38,932	10,310	(10,310)	38,932
Contributions receivable, current portion	15,849	-	-	15,849
Loans receivable	2,257	-	-	2,257
Prepaid expenses	2,222	-	-	2,222
Total current assets	838,282	15,526	(10,310)	843,498
NONCURRENT ASSETS:				
Fixed assets, net	427,720	660,199	-	1,087,919
Right of use assets, net- operating	9,360	-	-	9,360
Contributions receivable, net of current portion	12,470	-	-	12,470
Other assets	-	4,257	-	4,257
Total assets	<u>\$ 1,287,832</u>	<u>\$ 679,982</u>	<u>\$ (10,310)</u>	<u>\$ 1,957,504</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Mortgage payable, current portion	\$ 9,615	\$ 6,517	\$ -	\$ 16,132
Leases payable, current portion	2,019	-	-	2,019
Accounts payable	10,281	11,949	(10,310)	11,920
Total current liabilities	21,915	18,466	(10,310)	30,071
LONG-TERM LIABILITIES:				
Mortgage payable, net of current portion	285,080	201,291	-	486,371
Leases payable, net of current portion	7,341	-	-	7,341
Security deposits held	-	4,257	-	4,257
Total long-term liabilities	292,421	205,548	-	497,969
Total liabilities	314,336	224,014	(10,310)	528,040
NET ASSETS:				
Net assets without donor restrictions:				
Undesignated	640,471	3,577	-	644,048
Board designated for fixed assets	133,025	452,391	-	585,416
Board designated for program expansion	200,000	-	-	200,000
Total net assets	973,496	455,968	-	1,429,464
Total liabilities and net assets	<u>\$ 1,287,832</u>	<u>\$ 679,982</u>	<u>\$ (10,310)</u>	<u>\$ 1,957,504</u>

See auditor's report on supplementary information.

NEW GROUND INC. AND SUBSIDIARY
SUPPLEMENTARY CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021

ASSETS	New Ground Inc.	NGIP Inc.	Eliminations	Consolidated
CURRENT ASSETS:				
Cash	\$ 777,797	\$ 2,917	\$ -	\$ 780,714
Accounts receivable	38,239	11,211	(8,290)	41,160
Contributions receivable, current portion	28,494	-	-	28,494
Loans receivable	2,257	-	-	2,257
Prepaid expenses	5,555	-	-	5,555
Total current assets	852,342	14,128	(8,290)	858,180
NONCURRENT ASSETS:				
Fixed assets, net	435,692	677,818	-	1,113,510
Contributions receivable, net of current portion	25,340	-	-	25,340
Other assets	-	2,757	-	2,757
Total assets	<u>\$ 1,313,374</u>	<u>\$ 694,703</u>	<u>\$ (8,290)</u>	<u>\$ 1,999,787</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Mortgage payable, current portion	\$ 9,210	\$ 6,230	\$ -	\$ 15,440
Accounts payable	15,628	91	(8,290)	7,429
Deferred revenue - Paycheck Protection Program	85,910	-	-	85,910
Total current liabilities	110,748	6,321	(8,290)	108,779
LONG-TERM LIABILITIES:				
Mortgage payable, net of current portion	294,494	207,941	-	502,435
Security deposits held	-	2,757	-	2,757
Total long-term liabilities	294,494	210,698	-	505,192
Total liabilities	405,242	217,019	(8,290)	613,971
NET ASSETS:				
Net assets without donor restrictions:				
Undesignated	576,144	14,037	-	590,181
Board designated for fixed assets	131,988	463,647	-	595,635
Board designated for program expansion	200,000	-	-	200,000
Total net assets	908,132	477,684	-	1,385,816
Total liabilities and net assets	<u>\$ 1,313,374</u>	<u>\$ 694,703</u>	<u>\$ (8,290)</u>	<u>\$ 1,999,787</u>

See auditor's report on supplementary information.

NEW GROUND INC. AND SUBSIDIARY
SUPPLEMENTARY CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	New Ground Inc. Net Assets Without Donor Restrictions	NGIP Inc. Net Assets Without Donor Restrictions	Eliminations	Consolidated
REVENUES:				
Special events	\$ 495,603	\$ -	\$ -	\$ 495,603
Grants and contributions	367,847	10,310	(10,310)	367,847
Program revenue	54,395	33,989	-	88,384
Miscellaneous	-	2,928	-	2,928
Interest	1,533	652	-	2,185
	<u>919,378</u>	<u>47,879</u>	<u>(10,310)</u>	<u>956,947</u>
EXPENSES:				
Program services	687,187	64,626	(10,310)	741,503
Administration	41,769	4,969	-	46,738
Fundraising	125,058	-	-	125,058
	<u>854,014</u>	<u>69,595</u>	<u>(10,310)</u>	<u>913,299</u>
Change in net assets	65,364	(21,716)	-	43,648
NET ASSETS, BEGINNING OF YEAR	<u>908,132</u>	<u>477,684</u>	<u>-</u>	<u>1,385,816</u>
NET ASSETS, END OF YEAR	<u>\$ 973,496</u>	<u>\$ 455,968</u>	<u>\$ -</u>	<u>\$ 1,429,464</u>

See auditor's report on supplementary information.

NEW GROUND INC. AND SUBSIDIARY
SUPPLEMENTARY CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	New Ground Inc. Net Assets Without Donor Restrictions	NGIP Inc. Net Assets Without Donor Restrictions	Eliminations	Consolidated
REVENUES:				
Special events	\$ 449,170	\$ -	\$ -	\$ 449,170
Grants and contributions	392,669	22,496	(22,496)	392,669
Program revenue	21,197	22,988	-	44,185
Interest	1,059	5	-	1,064
	<u>864,095</u>	<u>45,489</u>	<u>(22,496)</u>	<u>887,088</u>
EXPENSES:				
Program services	563,323	47,938	(22,496)	588,765
Administration	33,755	4,752	-	38,507
Fundraising	79,893	-	-	79,893
	<u>676,971</u>	<u>52,690</u>	<u>(22,496)</u>	<u>707,165</u>
Change in net assets	187,124	(7,201)	-	179,923
NET ASSETS, BEGINNING OF YEAR	<u>721,008</u>	<u>484,885</u>	<u>-</u>	<u>1,205,893</u>
NET ASSETS, END OF YEAR	<u><u>\$ 908,132</u></u>	<u><u>\$ 477,684</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,385,816</u></u>

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