

**Council on the Environment, Inc.
d/b/a GrowNYC and Affiliates**



**Consolidated Financial Statements
with Supplementary Information
(Together with Independent Auditors' Report)**

Years Ended June 30, 2021 and 2020

COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNYC AND AFFILIATES

**Consolidated Financial Statements
with Supplementary Information
(Together with Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Council on the Environment, Inc. d/b/a GrowNYC and Affiliates

We have audited the accompanying consolidated financial statements of Council on the Environment, Inc. d/b/a GrowNYC ("GrowNYC"), New York State Regional Food Hub LLC (the "LLC" or the "Affiliate"), and Food Hub QALICB, Inc. ("Food Hub QALICB" or "QALICB") (collectively, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2021 and 2020, and the respective 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.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information (shown on pages 21-22) is presented for the purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, change in net assets and cash flows of the individual companies, and is 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 supplementary information has been subjected to the auditing procedures applied in the audits 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 supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marks Paneth LLP

New York, NY
November 16, 2022

COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNYC AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents (Note 2B)	\$ 731,101	\$ 3,265,470
Restricted cash - token redemption (Note 2G)	481,125	392,511
Restricted cash - construction disbursement (Note 2G)	22,688,501	-
Restricted cash - CDE fee and expense reserve (Note 2G)	1,105,417	-
Total cash, cash equivalents and restricted cash	25,006,144	3,657,981
Investments, at fair value (Notes 2C and 4)	2,653,681	2,206,070
Government grants receivable (Note 2I)	11,011,191	5,084,319
Accounts receivable - participant rental fees, net (Note 2D)	350,339	433,409
Accounts receivable - sales, net (Note 2D)	298,959	327,926
Accounts receivable - other fees, net (Note 2D)	521,733	238,571
Contributions receivable (Note 2E)	677,580	1,143,299
Prepaid expenses, deposits and other assets	1,098,351	552,133
Note receivable - Leverage loan (Note 7E)	21,862,500	-
Property and equipment, net (Notes 2F and 5)	7,932,522	811,575
TOTAL ASSETS	\$ 71,413,000	\$ 14,455,283
LIABILITIES		
Accounts payable and accrued expenses	\$ 4,018,755	\$ 1,545,341
Accrued farmers' token redemption (Note 2G)	481,125	392,511
Advance payments (Note 2K)	326,543	313,904
Deferred revenue (capital construction grants) (Note 2I)	4,111,749	-
Government grant advances (Note 2I)	30,361	75,906
Notes payable - pre-construction (Note 7B)	-	892,364
Notes payable - construction (Note 7E)	20,132,799	-
Notes payable - QLICI Loans (construction) (Note 7E)	29,400,000	-
Notes payable - other (Note 7A)	-	40,000
Paycheck Protection Program loan (Note 7C)	1,855,095	1,855,095
TOTAL LIABILITIES	60,356,427	5,115,121
COMMITMENTS AND CONTINGENCIES (Note 6)		
NET ASSETS (Notes 2H, 8 and 9)		
Without donor restrictions:		
Operations	(5,419,438)	1,472,788
Net investment in property and equipment	7,932,522	811,575
Board-designated investment fund (Note 9)	3,135,395	1,928,854
Board-designated operating reserve fund (Note 9)	500,000	261,412
Total without donor restrictions	6,148,479	4,474,629
With donor restrictions (Note 8)	4,908,094	4,865,533
TOTAL NET ASSETS	11,056,573	9,340,162
TOTAL LIABILITIES AND NET ASSETS	\$ 71,413,000	\$ 14,455,283

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

COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	For the Year Ended June 30, 2021			For the Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total 2021	Without Donor Restrictions	With Donor Restrictions	Total 2020
REVENUES AND SUPPORT:						
Government grants (Note 2I)	\$ 8,375,187	\$ -	\$ 8,375,187	\$ 6,175,706	\$ -	\$ 6,175,706
Contributions - foundations (Note 2E)	648,874	2,030,266	2,679,140	408,191	1,837,857	2,246,048
Contributions - individuals and corporations (Note 2E)	779,242	1,414,449	2,193,691	540,813	2,268,772	2,809,585
Contributed facilities, services and assets (Notes 2J and 10)	729,416	-	729,416	755,308	-	755,308
Greenmarket participant rental fees (Note 2K)	4,604,398	-	4,604,398	4,401,421	-	4,401,421
Sales of wholesale produce, plants and grains (Note 2K)	4,045,756	-	4,045,756	3,349,903	-	3,349,903
Other fees (Note 2K)	326,928	-	326,928	534,109	-	534,109
Investment activity (Notes 2C and 4)	448,921	-	448,921	79,855	-	79,855
Miscellaneous	215,742	-	215,742	187,610	-	187,610
Net assets released from restrictions (Note 8)	3,402,154	(3,402,154)	-	1,688,762	(1,688,762)	-
TOTAL REVENUES AND SUPPORT	23,576,618	42,561	23,619,179	18,121,678	2,417,867	20,539,545
EXPENSES (Note 2L):						
Program Services:						
Green Space	920,452	-	920,452	762,301	-	762,301
Food access and agriculture	5,635,976	-	5,635,976	5,847,102	-	5,847,102
Wholesale	4,511,989	-	4,511,989	3,607,668	-	3,607,668
Education	514,442	-	514,442	1,098,676	-	1,098,676
Zero Waste	778,635	-	778,635	2,141,032	-	2,141,032
COVID-19 Relief	5,783,590	-	5,783,590	682,298	-	682,298
GrowNYC Partners	85,579	-	85,579	87,617	-	87,617
Project Farmhouse	454,751	-	454,751	661,910	-	661,910
New York State Regional Food Hub LLC	226,873	-	226,873	645,140	-	645,140
Total Program Services	18,912,287	-	18,912,287	15,533,744	-	15,533,744
Supporting Services:						
Management and general	1,951,281	-	1,951,281	1,529,003	-	1,529,003
Fundraising	1,039,200	-	1,039,200	996,004	-	996,004
Total Supporting Services	2,990,481	-	2,990,481	2,525,007	-	2,525,007
TOTAL EXPENSES	21,902,768	-	21,902,768	18,058,751	-	18,058,751
CHANGE IN NET ASSETS	1,673,850	42,561	1,716,411	62,927	2,417,867	2,480,794
Net assets - beginning of year	4,474,629	4,865,533	9,340,162	4,411,702	2,447,666	6,859,368
NET ASSETS - END OF YEAR	\$ 6,148,479	\$ 4,908,094	\$ 11,056,573	\$ 4,474,629	\$ 4,865,533	\$ 9,340,162

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

COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNYC AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(With Summarized Totals for the Year Ended June 30, 2020)

	For the Year Ended June 30, 2021										Supporting Services		2021 Total Expenses	2020 Total Expenses
	Program Services										Management and General	Fundraising		
	Green Space	Food Access & Agriculture	Wholesale	Education	Zero Waste	COVID-19 Relief	GrowNYC Partners	Project Farmhouse	NYS Regional Food Hub LLC	Total				
Salaries	\$ 487,030	\$ 3,222,473	\$ 669,147	\$ 277,549	\$ 413,520	\$ 1,431,837	\$ 70,608	\$ 128,707	\$ -	\$ 6,700,871	\$ 969,097	\$ 738,611	\$ 8,408,579	\$ 8,629,931
Payroll taxes and employee benefits (Note 11)	172,283	822,230	171,203	67,457	147,980	342,258	9,822	31,746	-	1,764,979	152,875	184,653	2,102,507	2,084,873
Total salaries and related expenses	659,313	4,044,703	840,350	345,006	561,500	1,774,095	80,430	160,453	-	8,465,850	1,121,972	923,264	10,511,086	10,714,804
Contributed facilities and services (Notes 2J and 10)	48,912	232,344	30,576	97,836	97,836	-	-	-	-	507,504	221,912	-	729,416	755,308
Consultants and professional fees	6,882	242,185	286,060	4,910	10,375	179,831	-	1,628	219,094	950,965	381,930	103,768	1,436,663	1,230,477
Office supplies	564	57,669	5,373	1,896	322	6,951	5	5,720	54	78,554	36,150	9,104	123,808	147,976
Meetings	2,679	4,537	35	195	-	-	-	-	-	7,446	158	-	7,604	51,784
Travel	2,856	14,524	18,441	904	2,682	214	181	-	44	39,846	279	-	40,125	81,558
Telephone and mobile data	5,662	66,181	12,163	3,118	3,821	3,017	650	17,213	-	111,825	19,058	563	131,446	143,128
Printing and photography	647	21,870	-	604	50	618	20	-	-	23,809	11,114	91	35,014	49,444
Vehicle fuel, maintenance and repairs	10,292	47,929	35,635	-	6,032	8,332	-	-	-	108,220	469	-	108,689	95,298
Advertising (Note 2M)	-	47,137	335	-	210	-	-	-	-	47,682	224	-	47,906	59,671
Insurance	15,000	148,680	93,000	6,300	44,844	-	-	7,500	-	315,324	50,106	-	365,430	320,887
Space rentals (Note 6D)	-	482,773	133,716	-	-	-	-	158,865	-	775,354	-	-	775,354	854,581
Field supplies and gardening materials	104,423	32,863	20,225	4,745	7,696	89,005	4,223	16	-	263,196	1,918	-	265,114	255,933
Cost of goods sold (Note 2L)	59,739	67,802	2,875,092	-	-	3,650,243	-	-	-	6,652,876	-	-	6,652,876	2,486,776
Equipment lease and rentals (Note 6C)	2,455	20,135	40,137	900	42,164	62,044	-	-	-	167,835	30,637	-	198,472	228,810
Grants and awards (Note 2N)	-	-	-	47,965	-	-	-	-	-	47,965	-	-	47,965	96,500
Depreciation and amortization (Note 5)	718	21,837	18,944	-	-	-	-	76,062	-	117,561	7,612	-	125,173	122,196
Bad debt expense	-	-	-	-	-	-	-	-	-	49,987	-	-	49,987	84,430
Miscellaneous	310	82,807	101,907	63	1,103	9,240	70	27,294	7,681	230,475	17,755	2,410	250,640	279,190
Total expenses	\$ 920,452	\$ 5,635,976	\$ 4,511,989	\$ 514,442	\$ 778,635	\$ 5,783,590	\$ 85,579	\$ 454,751	\$ 226,873	\$ 18,912,287	\$ 1,951,281	\$ 1,039,200	\$ 21,902,768	\$ 18,058,751
Total expenses - 2020	\$ 762,301	\$ 5,847,102	\$ 3,607,668	\$ 1,098,676	\$ 2,141,032	\$ 682,298	\$ 87,617	\$ 661,910	\$ 645,140	\$ 15,533,744	\$ 1,529,003	\$ 996,004	\$ 18,058,751	

COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	For the Year Ended June 30, 2020										Supporting Services		2020 Total Expenses
	Program Services										Management and General	Fundraising	
	Green Space	Food Access & Agriculture	Wholesale	Education	Zero Waste	COVID-19 Relief	GrowNYC Partners	Project Farmhouse	NYS Regional Food Hub LLC	Total			
Salaries	\$ 434,382	\$ 3,376,076	\$ 711,886	\$ 665,599	\$ 1,382,155	\$ 295,608	\$ 70,989	\$ 164,678	\$ -	\$ 7,101,373	\$ 806,344	\$ 722,214	\$ 8,629,931
Payroll taxes and employee benefits (Note 11)	136,554	809,822	182,235	161,099	366,211	70,493	8,476	36,748	-	1,771,638	139,904	173,331	2,084,873
Total salaries and related expenses	570,936	4,185,898	894,121	826,698	1,748,366	366,101	79,465	201,426	-	8,873,011	946,248	895,545	10,714,804
Contributed facilities and services (Notes 2J and 10)	48,912	232,344	69,509	97,836	97,836	-	-	-	-	546,437	208,871	-	755,308
Consultants and professional fees	8,213	190,438	113,854	9,211	15,850	36,122	-	1,412	625,262	1,000,362	141,616	88,499	1,230,477
Office supplies	2,267	74,373	7,699	4,735	9,632	208	31	7,145	26	106,116	37,091	4,769	147,976
Meetings	35	27,714	453	2,694	5,156	-	-	576	-	36,628	12,161	2,995	51,784
Travel	4,604	24,095	14,705	20,527	15,480	-	887	29	-	80,327	1,231	-	81,558
Telephone and mobile data	6,976	68,116	13,160	8,450	13,194	1,259	260	17,996	-	129,411	13,150	567	143,128
Printing and photography	300	25,735	950	615	8,680	877	105	242	-	37,504	8,832	3,108	49,444
Vehicle fuel, maintenance and repairs	7,703	36,965	32,822	-	16,207	1,476	-	-	-	95,173	125	-	95,298
Advertising (Note 2M)	-	45,422	1,016	1,033	9,841	-	-	-	-	57,312	2,138	221	59,671
Insurance	15,000	122,460	39,585	15,300	67,564	-	-	7,500	-	267,409	53,478	-	320,887
Space rentals (Note 6D)	-	453,272	73,903	4,589	15,583	-	-	307,234	-	854,581	-	-	854,581
Field supplies and gardening materials	88,899	66,414	22,143	4,422	25,423	39,488	6,869	1,074	-	254,732	1,201	-	255,933
Cost of goods sold (Note 2L)	-	124,268	2,145,079	54	-	217,375	-	-	-	2,486,776	-	-	2,486,776
Equipment lease and rentals (Note 6C)	6,509	48,024	34,678	6,931	88,054	16,084	-	-	-	200,280	28,530	-	228,810
Grants and awards (Note 2N)	-	2,000	-	94,500	-	-	-	-	-	96,500	-	-	96,500
Depreciation and amortization (Note 5)	718	22,943	12,309	-	-	-	-	76,683	-	112,653	9,543	-	122,196
Bad debt expense	-	2,801	81,629	-	-	-	-	-	-	84,430	-	-	84,430
Miscellaneous	1,229	93,820	50,053	1,081	4,166	3,308	-	40,593	19,852	214,102	64,788	300	279,190
Total expenses	\$ 762,301	\$ 5,847,102	\$ 3,607,668	\$ 1,098,676	\$ 2,141,032	\$ 682,298	\$ 87,617	\$ 661,910	\$ 645,140	\$ 15,533,744	\$ 1,529,003	\$ 996,004	\$ 18,058,751

COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNYC AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,716,411	\$ 2,480,794
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	125,173	122,196
Bad debt expense	49,987	84,430
Reclassification of property and equipment	-	26,518
Realized (gain) loss on sales of investments	(60,055)	12,399
Unrealized gain on investments	(347,223)	(48,302)
Subtotal	1,484,293	2,678,035
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Government grants receivable	(5,926,872)	(1,731,949)
Accounts receivable - participant rental fees	83,070	(89,917)
Accounts receivable - sales	28,967	(134,272)
Accounts receivable - other fees	(283,162)	(221,053)
Contributions receivable	455,122	(927,150)
Prepaid expenses, deposits and other assets	(546,218)	(103,221)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	2,473,414	279,010
Accrued farmers' token redemption	88,614	67,662
Deferred revenue - construction in progress	4,111,749	
Advance payments	12,639	29,809
Government grant advances	(45,545)	27,121
Net Cash Provided by (Used in) Operating Activities	1,936,071	(125,925)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(47,000)	(4,108)
Capitalization of construction in progress	(7,199,120)	-
Proceeds from sales of investments	268,772	306,696
Purchases of investments	(348,495)	(350,307)
Net Cash Used in Investing Activities	(7,325,843)	(47,719)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of notes payable - pre-construction	(932,364)	-
Repayment of notes payable - construction	(1,729,701)	-
Proceeds from notes payable - construction	51,262,500	-
Issuance of note receivable- Leverage loan	(21,862,500)	-
Proceeds from Paycheck Protection Program loan	-	1,855,095
Net Cash Provided by Financing Activities	26,737,935	1,855,095
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	21,348,163	1,681,451
Cash, cash equivalents and restricted cash - beginning of year	3,657,981	1,976,530
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	\$ 25,006,144	\$ 3,657,981
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 1,697	\$ 23,338

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

COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNYC AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Council on the Environment, Inc. d/b/a GrowNYC (“GrowNYC”) improves New York City’s quality of life through environmental programs that transform communities, block by block, and empower all New Yorkers to secure a clean and healthy environment for future generations. GrowNYC is supported primarily by government grants, contributions from foundations, individuals and corporations, Greenmarket participant rental fees and sales of wholesale fresh produce. GrowNYC is exempt from federal income tax as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a).

New York State Regional Food Hub LLC (the “LLC” or the “Affiliate”) is a limited liability company. GrowNYC is the sole member of the LLC. The LLC was incorporated in October 2011 and started operations in fiscal year 2017. The LLC was formed for the purpose of building and operating a food distribution warehouse facility (“Hub”) in the Bronx. The purpose of the Hub is to (a) promote the sale and distribution of fresh, healthy produce from regional farmers to underserved communities, (b) strengthen local and regional food aggregation services, (c) facilitate food storage, distribution, processing and co-packing and (d) provide space rental opportunities for subtenants that are mission-aligned with GrowNYC, all of which would dramatically expand food access programming in New York City. In furtherance of that purpose, on March 2, 2021, the LLC entered into a ground lease with the City of New York for a parcel of land in the Hunts Point section of the Bronx for the establishment of a 60,000 square foot warehouse, New York State Regional Food Hub (“Food Hub”) which will be operated by the LLC.

Formed by GrowNYC, Food Hub QALICB, Inc. (“Food Hub QALICB” or “QALICB”), is a special purpose entity established under Internal Revenue Code Section 509(a)(3) as a supporting organization to serve as the qualified active low-income community business (“QALICB”) financing the Food Hub construction. The QALICB is the recipient of loans derived from a qualified low-income community investment (“QLICI”) in conjunction with an allocation of NMTC to a third-party tax credit investor. Proceeds from the QLICI loans are used to reimburse costs incurred by the LLC during construction of the Food Hub. On March 2, 2021, the Food Hub QALICB entered into an agreement with the LLC to sublease the Food Hub site, with site improvements to be owned by the Food Hub QALICB for a minimum of seven years, after which the remaining interest of the tax credit investor will be acquired by GrowNYC. See Note 7 for additional information.

The Organization achieves its mission through the following projects and programs:

- **Food Access & Agriculture**, which operates 80 retail food access locations including Greenmarkets, Farmstands, and Fresh Food Box sites. These locations provide more than 200 small, regional producers with the opportunity to sell their fruits, vegetables, and other farm products to New Yorkers. The Farmer Assistance program provides technical and material assistance and training to experienced and beginning farmers to increase long-term viability. Annually, a class of young adults engages in workforce development by receiving career development education and hands-on work experience at Farmstands.
- **Wholesale**, which purchases fresh produce and other farm products from northeast regional farms and distributes to food pantries, senior centers, daycares, hospitals, and other institutional buyers. Under this not-for-profit model, farmers get a fair price for their product and program beneficiaries gain reliable access to affordable, nutrient-dense foods. More than 60% of the food distributed goes to nutritionally at-risk populations – the equivalent of 2.6 million pounds of food in 2021.
- **Green Space**, which creates, rejuvenates, and provides substantial material and technical assistance to several new community gardens each year in addition to helping more than 100 gardens created in prior years; builds rainwater harvesting systems and promotes best practices in green infrastructure through workshops and collaborative installations; and operates a substantial teaching garden on Governors Island.
- **Zero Waste**, which operates more than 50 food scrap drop-off sites throughout the city, coordinates textile collections, organizes Stop 'N' Swap community reuse events, and provides outreach and education to all New Yorkers to increase participation in the city’s zero waste programs and help conserve natural resources. Zero Waste drop-off sites collected 2.3 million pounds of food scraps in 2021.

COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

- **Education**, which connects K-12 public school students to the natural world with an eye towards environmental justice. Students learn sustainable behaviors that last a lifetime through the School Gardens program, Zero Waste Schools program, experiential field trips to the Teaching Garden at Governors Island, Greenmarket tours, and in-class curriculum. Additionally, professional development for teachers and easily accessible digital resources provide education for all ages.
- **GrowNYC Partners**, which provides professional consulting services to bring food, farming, gardening, green infrastructure, recycling, and waste prevention projects to fruition on behalf of a diverse list of clients including businesses, individuals, foundations, and government agencies.
- **Project Farmhouse**, which allows all New Yorkers to explore environmental issues through the lens of food, horticulture, arts, recycling, cooking, and community education. Located at 76 East 13th Street in Manhattan, Project Farmhouse is a state-of-the-art sustainability and education center, and a home for dynamic programming.
- **COVID-19 Relief**, which, during the height of the global pandemic, distributed pre-packed boxes of fresh produce and dry goods to community organizations throughout the city, providing nourishment to communities severely impacted by COVID-19. More than 25 partner organizations helped to distribute 6.1 million pounds of food to New York’s neediest populations. Additionally, information was disseminated to food insecure New Yorkers about supplemental nutrition assistance program (“SNAP”)/WIC enrollment, FMNP, P-EBT, and other food access initiatives, and policies and procedures were established to serve as a national model for safe operation of food access sites during a global pandemic.
- **New York State Regional Food Hub**, which will establish a wholesale food distribution hub to serve small- to mid-sized farms in New York State through the construction of a warehouse facility in the Hunts Point section of the Bronx. The facility will include approximately 60,000 square feet of refrigerated/freezer and food processing space and will serve as a new home for the Organization’s extant wholesale distribution program in addition to other tenants. The total estimated project cost is \$40 million including pre-construction soft costs, which commenced during fiscal year 2017. The formal ground-breaking occurred in March 2021. The facility is expected to begin operations in Fall 2023.
- **Food Hub QALICB**, a special purpose entity formed in support of the overall financing plan for construction of the Food Hub warehouse facility in the Bronx.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting, Use of Estimates, and Principles of Consolidation*

The Organization’s consolidated financial statements have been prepared on the accrual basis of accounting. The consolidated financial statements have been prepared by consolidating the financial statements of GrowNYC, LLC and QALICB (collectively the “Organization”). All intercompany transactions and balances have been eliminated in the consolidation. See pages 22-23 for consolidating supplementary information.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

B. *Cash and Cash Equivalents*

The Organization considers all highly liquid instruments with maturities of three months or less when acquired to be cash equivalents, with the exception of those short-term investments managed by the Organization’s investment manager for long-term investment purposes.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Investments and Fair Value Measurements*

Investments are reported at fair value based upon quoted market value or readily available pricing resources. Securities transactions are recorded on a trade-date basis. Realized gains and losses on sales of investments are determined on a specific identification basis and are included in investment activity in the consolidated statements of activities. Interest income is recognized when earned and dividends are recorded on the ex-dividend date.

Fair value measurements are based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.

D. *Allowance for Uncollectible Accounts Receivable*

The Organization determines whether an allowance for uncollectible balances should be provided for accounts receivable. Such estimates are based on management’s assessment of the likelihood of collection, including consideration of how long the receivable has been outstanding, creditworthiness of the debtor, current economic conditions and historical information.

The allowance for uncollectible accounts receivable consisted of the following as of June 30:

	2021	2020
Accounts receivable – participant rental fees	\$ 10,407	\$ 7,270
Accounts receivable – sales	11,683	14,915
Accounts receivable – other fees	8,738	8,402
Total allowance for uncollectible receivables	\$ 30,828	\$ 30,587

E. *Contributions Receivable*

Contributions are recognized when the donor makes an unconditional promise to give. All contributions are considered to be available for general purposes unless specifically restricted by the donor. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. Conditional promises are recognized as revenue when barriers specified by the grantor are overcome and there is no right of return/release from obligation. Unless material, the Organization does not discount to present value, contributions to be received after more than one year.

Contributions receivable are scheduled to be received as follows as of June 30:

	2021	2020
Amount due in less than one year	\$ 627,580	\$ 756,699
Amount due in one to five years	50,000	386,600
	\$ 677,580	\$ 1,143,299

F. *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable value. The Organization capitalizes certain property and equipment with a useful life of more than one year and a cost of at least \$1,000. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets estimated by the Organization. Office space is donated to the Organization by the City of New York for an indefinite time period. These leasehold improvements are amortized on a straight-line basis over their estimated useful lives. The Organization retains assets purchased with grantor restricted funds, unless the grantor requests that such equipment be returned. Purchases of property and equipment reimbursed by governmental funding sources, and for which the contractual agreement specifies that title to these assets rests with the governmental funding sources, are expensed.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Restricted Cash*

- ***Accrued Farmers' Token Redemption*** – As part of the Greenmarket Program, farmers collect tokens from consumers who have exchanged either SNAP benefit dollars or credit/debit as payment for produce. The Organization records a liability for tokens that have yet to be redeemed by the farmers. In connection with this liability, the Organization maintains the funds in a separate cash account. These funds are restricted to pay out tokens to farmers that have yet to be redeemed. These funds are to be used to pay out the tokens and amounted to \$481,125 and \$392,511 as of June 30, 2021 and 2020, respectively.
- ***Construction Disbursement*** – As part of the QALICB, the amounts received were deposited into a special disbursement account to reimburse construction costs incurred by the LLC during Food Hub construction.
- ***CDE Fee and Expense Reserve*** – As part of the QALICB, the amounts received were deposited into a special disbursement account to be used for fees and expenses for Food Hub QALICB.

H. *Basis of Presentation*

The Organization maintains its net assets under the following classes:

- a. Without donor restrictions – includes the net assets that do not have donor-imposed restrictions. The Organization's net assets without donor restrictions have been further classified as follows:
 - Operations – represents net assets without donor restrictions whose use is available for daily operations.
 - Net investment in property and equipment – this represents the net book value of property and equipment less any liabilities related to those assets.
 - Board designated investment fund – the Board designated investment fund consists of net assets whose use has been designated by the Board for investment and other purposes.
 - Board designated operating reserve fund – represents net assets without donor restrictions designated by the Board for the general purpose of helping to ensure the long-term financial stability of the Organization and position it to respond to varying economic conditions and changes affecting the Organization's financial position and its ability to carry out its mission continuously.
- b. With donor restrictions – includes gifts of cash and other assets received with donor stipulations that limit the use of donated assets. When a donor restriction expires or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities as net assets released from restrictions. The Organization did not have any net assets maintained in perpetuity by the Organization as of June 30, 2021 and 2020.

I. *Government Grants*

Government grants and contracts are nonexchange transactions and are accounted for under Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958). Grants and contracts are recognized as revenue when barriers within the contract are overcome and there is no right of return/release from obligation. Government grants receivable is recorded when expenses incurred under the terms of the grant exceed cash received. Advances received from government agencies in excess of expenditures incurred for a grant still in progress are reported as government grant advances and deferred revenue.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of June 30, 2021 and 2020, the Organization received conditional grants and contracts from government agencies in the aggregate amounts of approximately \$23,523,000 and \$30,851,000, respectively. Such grants have not been recognized in the accompanying consolidated financial statements as they are for future periods and will be recognized when contract barriers are overcome. Such barriers include expending these funds in accordance with their agreements. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts and the Organization may be required to return the funds already remitted.

J. *Contributed Facilities, Services and Assets*

The value of contributed facilities and services are reported as in-kind contributions and expenses in the accompanying consolidated statements of activities. Contributed facilities include office space donated by the City of New York and estimated fair value assessments of contributed facilities are performed every three years. Changes to the fair value in the interim years are not anticipated to be material to the consolidated financial statements. Contributed services are recognized in the consolidated financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization records contributed services at their fair value on the date received. Contributed assets are recognized at fair value on the date of receipt.

K. *Sales, Fees and Advance Payments*

Revenues from Greenmarket participant (farmer/producer) rental fees are based on signed contracts, renewed annually. Sales revenue includes sales of regional fresh produce and grains through the Food Access & Agriculture and Wholesale programs, as well as the annual plant sale to community gardens through the Green Space program.

Effective July 1, 2020 the Organization recognizes revenue from sales, fees and advance payments in accordance with the five-step model as prescribed by Financial Accounting Standards Board (“FASB”), Accounting Standards Update (“ASU”) 2014-09, (Topic 606) Revenue from Contracts with Customer, in which the Organization evaluates the transfer of promised goods or services and recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration which the Company expects to be entitled to receive in exchange for those goods or services. Revenue is recognized at a specific point in time. The two permitted transition methods under the guidance are the full retrospective approach or a cumulative effect adjustment to the opening retained earnings in the year of adoption. The adoption of Topic 606 did not result in an adjustment to prior period financial statements and therefore, no transition method was required to be applied. Other fees include consulting services as well as rental of Project Farmhouse. There are also advance payments that include fees received in advance for the Greenmarket Program applicable to the next fiscal year.

L. *Functional Allocation of Expenses*

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

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

M. *Advertising Costs*

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2021 and 2020, amounted to \$47,906 and \$59,671, respectively.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Grants and Awards

Grants and awards are expensed in the year awarded. Grants awarded, but unpaid at year-end are reported as grants payable in the consolidated statements of financial position.

O. New Accounting Pronouncements

The Organization has adopted ASU 2014-09 – Revenue from Contracts with Customers (Topic 606) for the year ended June 30, 2021. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of services to customers in the amount that reflects the consideration to which the Organization expects to be entitled in exchange for those services. The adoption of Topic 606 had no effect on the way the Organization recognizes revenue.

NOTE 3 – LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization strives to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Financial assets available to meet general expenditures over the next 12 months were as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 731,101	\$ 3,265,470
Investments, at fair value	2,653,681	2,206,070
Government grants receivable	11,011,191	5,084,319
Accounts receivable, net	1,171,031	999,906
Contributions receivable	<u>677,580</u>	<u>1,143,299</u>
Total	16,244,584	12,699,064
Less: those unavailable for general expenditures within one year		
Contributions receivable due within one to five years	(50,000)	(386,600)
Board-designated investment fund	(3,135,395)	(1,928,854)
Net assets with donor restrictions	<u>(4,908,094)</u>	<u>(4,865,533)</u>
Total	<u>\$ 8,151,095</u>	<u>\$ 5,518,077</u>

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Corporate stocks/mutual funds	\$ 1,567,623	\$ 1,321,755
Corporate bonds	708,415	542,175
Money market mutual funds	<u>377,643</u>	<u>342,140</u>
Total investments	<u>\$ 2,653,681</u>	<u>\$ 2,206,070</u>

Investments are subject to market volatility that could substantially change their value in the near term.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Investment activity, net, included the following for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 54,229	\$ 55,219
Realized gains (losses) on sales of investments	60,055	(12,399)
Unrealized gain on investments	347,223	48,302
Investment fees	<u>(12,586)</u>	<u>(11,267)</u>
Total investment activity, net	<u>\$ 448,921</u>	<u>\$ 79,855</u>

FASB Accounting Standards Codification (“ASC”) Topic 820, “Fair Value Measurement,” provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available.

An asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

All assets carried at fair value have been valued using a market approach. There were no changes in the valuation techniques during the current year. The Organization uses third-party pricing information without adjustment.

Following is a description of the valuation methodologies used for assets measured at fair value.

Corporate Stocks and Money Market Mutual Funds:

Valued at the closing price reported on the active market on which the individual securities are traded (Level 1).

Corporate Bonds:

Corporate bonds are designated as Level 2 instruments and valuations are obtained from readily-available pricing sources for comparable instruments (credit risk/grade, maturities, etc.).

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

The Organization’s policy is to recognize transfers in and transfers out between fair value levels as of the beginning of the period in which the transfer takes place. During the years ended June 30, 2021 and 2020, no such transfers between fair value levels occurred.

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NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following table presents the Organization's assets that are measured at fair value for each level at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Corporate stocks/mutual funds	\$ 1,567,623	\$ -	\$ 1,567,623
Money market mutual funds	377,643	-	377,643
Corporate bonds	<u>-</u>	<u>708,415</u>	<u>708,415</u>
Assets at Fair Value	<u>\$ 1,945,266</u>	<u>\$ 708,415</u>	<u>\$ 2,653,681</u>

The following table presents the Organization's assets that are measured at fair value for each level at June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Corporate stocks	\$ 1,321,755	\$ -	\$ 1,321,755
Money market mutual funds	342,140	-	342,140
Corporate bonds	<u>-</u>	<u>542,175</u>	<u>542,175</u>
Assets at Fair Value	<u>\$ 1,663,895</u>	<u>\$ 542,175</u>	<u>\$ 2,206,070</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment, net, consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	\$ 323,475	\$ 323,475	3-5 years
Vehicles	257,323	257,323	10 years
Leasehold improvements	803,913	756,913	
Construction in progress	<u>7,199,120</u>	<u>-</u>	15 years
Total cost	8,583,831	1,337,711	
Less: accumulated depreciation and amortization	<u>(651,309)</u>	<u>(526,136)</u>	
Net book value	<u>\$ 7,932,522</u>	<u>\$ 811,575</u>	

Depreciation and amortization expense amounted to \$125,173 and \$122,196 for the years ended June 30, 2021 and 2020, respectively. Disposals of assets amounted to \$-0- and \$26,518 for the years ended June 30, 2021 and 2020, respectively.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

A. *Contingencies for Future Audits by Governmental Funding Sources*

Pursuant to the Organization's contractual relationships with certain governmental funding sources, governmental agencies have the right to examine the Organization's books and records involving transactions relating to these contracts. The accompanying consolidated financial statements make no provision for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of management, any actual disallowances would be immaterial.

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NOTE 6 – COMMITMENTS AND CONTINGENCIES (Continued)

B. *Uncertainty in Income Taxes*

The Organization believes it has no uncertain income tax positions as of June 30, 2021 and 2020, in accordance with FASB ASC Topic 740 (“Income Taxes”), which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

C. *Lease Commitments*

The Organization has entered into equipment leases with various expiration dates through 2022. Future minimum payments under these leases for each of the fiscal years subsequent to June 30, 2021 are as follows:

2022	\$ <u>13,381</u>
	\$ <u>13,381</u>

Equipment rental expense amounted to \$60,815 and \$64,965 for the years ended June 30, 2021 and 2020, respectively.

D. *Space Rental*

The Organization pays license and permit fees for use of City property in the operation of Greenmarkets and Youthmarkets. In addition, the Organization has entered into lease agreements for warehouse space for operation of the Greenmarket Co. food distribution hub and for Project Farmhouse.

Approximate future minimum payments under these leases for each of the fiscal years subsequent to June 30, 2021 and thereafter, are as follows:

2022	\$ 163,000
2023	167,000
2024	<u>157,000</u>
	<u>\$ 487,000</u>

Space rental expense amounted to \$775,354 and \$854,581 for the years ended June 30, 2021 and 2020, respectively.

NOTE 7 – NOTES PAYABLE AND LINE OF CREDIT

- A. During the year ended June 30, 2016, the Organization received a \$375,000 commitment from a foundation through the foundation’s Working Capital Program (the “Program”) for the Wholesale food distribution program. The Program is structured such that the Organization receives an \$85,000 grant and a \$40,000 interest-free loan each year for three years. The loan is not collateralized and is to be repaid in annual installments of \$40,000 each in 2018, 2019, and 2020. The balance of the note was \$40,000 as of June 30, 2020, and the Organization made the final \$40,000 payment in September 2020.
- B. On December 4, 2017, the Organization signed a promissory note with a ceiling of up to \$2,000,000, which is secured by the assets of the Organization and is intended to serve as bridge financing while the Organization awaits reimbursement from government grants supporting NYS Regional Food Hub pre-construction soft costs. Interest is at the Prime Rate minus fifty (50) basis points. As of June 30, 2020 there was \$892,364 borrowed. All outstanding principal and interest was repaid in full on December 1, 2020.
- C. On May 1, 2020, in response to the COVID-19 pandemic, the Organization received a Paycheck Protection Program (“PPP”) loan amounting to \$1,855,095. Management opted to account for the proceeds as a loan under FASB ASC Topic 470 until the loan was, in part or wholly, forgiven and the Organization had been “legally released.” The loan was wholly forgiven on August 26, 2021.

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NOTE 7 – NOTES PAYABLE AND LINE OF CREDIT (Continued)

- D. On July 12, 2017, the Organization received an unsecured promissory note from an institution to refinance an existing line of credit. The Organization can borrow up to \$1,250,000. In July 2019, the Organization extended this line of credit to July 1, 2021, when all outstanding principal and interest will be due. In June 2021, the Organization extended this line of credit to July 1, 2023. The interest rate is the Prime Rate minus fifty (50) basis points. There were no outstanding borrowings as of June 30, 2021 and 2020. As of November 16, 2022, there were no outstanding borrowings.
- E. On March 2, 2021, the LLC executed a ground lease with the City of New York and simultaneously closed on multiple loans to finance construction of the Food Hub warehouse facility in the South Bronx. At closing, New Food Hub received Source Loans totaling \$21,862,500 from a consortium of lenders. Repayment of principal amounts due on the Source Loans is funded by reimbursement from State and City government grants awarded in support of Hub construction.

On March 2, 2021, the LLC used proceeds of the Source Loans to make a Leverage Loan for \$21,862,500 to the New Market Tax Credit (NMTC) Investment Fund. The Leverage Loan has a maturity date of March 1, 2050, and an interest rate of 1.35%. The NMTC Investment Fund merged these proceeds with the equity investment of a third-party tax credit investor to pay a \$30,000,000 Qualified Equity Investment (QEI) to the Community Development Entity (CDE) for the Food Hub project. After withholding fees, the CDE issued three Qualified Low-Income Community Investment (QLICI) loans (the "Loans") totaling \$29,400,000 to Food Hub QALICB, Inc. Each of the QLICI loans has a maturity date of March 1, 2051, and an interest rate of 1%.

Proceeds from the Loans were used to pay closing costs, reimburse project-related costs incurred prior to closing, and deposited into a special disbursement account to reimburse future costs incurred by the LLC during Food Hub construction. The Leverage Loan and the Loans are repaid on an interest-only basis for the initial seven years. The financing structure for Food Hub construction is such that Leverage Loan interest payments received by the LLC are sufficient to offset interest payments due on the Loans. The Food Hub QALICB is required to remain active for a minimum period of seven years, after which there is an option that the remaining interest of the tax credit investor is acquired by GrowNYC and it is anticipated that GrowNYC would then be in control of the entities involved in the NMTC transaction and could collapse the QALICB financing structure. Repayment of any outstanding debt at the end of Food Hub construction would be funded by government grant reimbursements applicable to the Food Hub construction, private donations restricted for this purpose, net operating income of the newly opened Food Hub, and unrestricted general operating funds of GrowNYC.

Future annual principal payments are payable as follows for each of the five years ending after June 30, 2021 and thereafter:

	LLC Note Payable	Food Hub QALICB Note Payable	Total
2022	\$ 2,070,310	\$ -	\$ 2,070,310
2023	18,062,489	-	18,062,489
2024	-	-	-
2025	-	-	-
2026	-	-	-
Thereafter	-	<u>29,400,000</u>	<u>29,400,000</u> *
Total	<u>\$ 20,132,799</u>	<u>\$ 29,400,000</u>	<u>\$ 49,532,799</u>

* The Organization intends to use the payments received from the Leverage Loan to repay a significant portion of this debt.

Interest expense related to notes payable and the line of credit for the years ended June 30, 2021 and 2020 amounted to \$1,697 and \$23,338, respectively.

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NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes as of June 30:

	<u>2021</u>	<u>2020</u>
Purpose restriction:		
Food access and agriculture	\$ 781,396	\$ 704,327
Wholesale	150,000	244,126
Green Space	740,734	813,117
Zero Waste	15,540	-
Education	479,523	367,562
COVID-19 relief	1,035,000	593,344
NYS Regional Food Hub LLC	1,150,000	1,150,000
Supporting services	-	3,154
Time restriction:		
For periods after June 30, 2021 and 2020	182,500	140,605
Purpose and time restriction:		
Food access and agriculture	100,844	215,844
Wholesale	36,018	210,811
Green Space	111,699	194,582
Education	<u>124,840</u>	<u>228,061</u>
	<u>\$ 4,908,094</u>	<u>\$ 4,865,533</u>

Net assets with donor restrictions were released by incurring expenses satisfying the restricted purposes specified by the donors or the passage of time during the years ended June 30, as follows:

	<u>2021</u>	<u>2020</u>
Food access and agriculture	\$ 701,936	\$ 299,944
Wholesale	520,919	186,693
Green Space	630,046	577,864
Zero Waste	190,891	8,132
Education	256,260	249,458
Project Farmhouse	-	153,811
COVID-19 relief	928,344	106,656
Supporting services	<u>173,759</u>	<u>106,204</u>
	<u>\$ 3,402,154</u>	<u>\$ 1,688,762</u>

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NOTE 9 – BOARD DESIGNATED FUNDS

The Organization maintains a board-designated investment fund and operating reserve fund as further described in Note 2H. However, such Board-designated funds are not subject to the appropriation provisions of the New York Prudent Management of Institutional Funds Act and, therefore, the Organization has implemented only the disclosure guidance provided for in ASC 958-205.

The Organization's investment policy is to invest primarily in a mix of equities, fixed income securities and money market mutual funds based on an asset allocation to satisfy its overall financial and investment objectives, such as to preserve the principal, protect against inflation, receive stable returns and achieve long-term growth. The Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Changes in board designated net assets for year ended June 30, 2021, were as follows:

	Board-Designated Investment Fund	Board-Designated Operating Reserve Fund	Total
Board designated net assets, beginning of year	\$ 1,928,854	\$ 261,412	\$ 2,190,266
Investment activity:			
Interest and dividends	52,934	138	53,072
Realized gains on sale of investments	60,055	-	60,055
Unrealized gains	347,223	-	347,223
Fees and other expenses	(12,587)	-	(12,587)
Transfers	758,916	238,450	997,366
Change in board designated net assets	<u>1,206,541</u>	<u>238,588</u>	<u>1,445,129</u>
Board designated net assets, end of year	<u>\$ 3,135,395</u>	<u>\$ 500,000</u>	<u>\$ 3,635,395</u>

Changes in board designated net assets for year ended June 30, 2020, were as follows:

	Board-Designated Investment Fund	Board-Designated Operating Reserve Fund	Total
Board designated net assets, beginning of year	\$ 1,852,350	\$ 258,569	\$ 2,110,919
Investment activity:			
Interest and dividends	51,867	2,993	54,860
Realized losses on sales of investments	(12,399)	-	(12,399)
Unrealized gains	48,302	-	48,302
Fees and other expenses	(11,266)	(150)	(11,416)
Change in board designated net assets	<u>76,504</u>	<u>2,843</u>	<u>79,347</u>
Board designated net assets, end of year	<u>\$ 1,928,854</u>	<u>\$ 261,412</u>	<u>\$ 2,190,266</u>

NOTE 10 – CONTRIBUTED FACILITIES, SERVICES AND ASSETS

The Organization uses certain buildings owned by the City of New York without charge. The estimated fair rental value of the premises is reported as both revenue and expense in the period in which the premises are used. Contributed facilities amounted to \$648,874 for each of the years ended June 30, 2021 and 2020. During the years ended June 30, 2021 and 2020, the Organization also received pro bono legal services in the amounts of \$80,542 and \$106,434, respectively, and these amounts were also reported as both revenue and expense in the respective periods.

COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWN NYC AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11 – RETIREMENT PLAN

Effective July 1, 1985, the Organization established a noncontributory defined contribution pension plan covering all employees upon their meeting minimum age and length of service requirements.

During the year ended June 30, 2016, the Organization converted the plan to a profit-sharing plan with discretionary contributions paid to eligible employees. For the years ended June 30, 2021 and 2020, employer contributions amounted to \$303,095 (net of plan forfeitures of \$10,213), and \$284,402 (net of plan forfeitures of \$11,440), respectively. Participants in the plan are vested as follows:

<u>Years of Service</u>	<u>Percentage</u>
2	20%
3	40%
4	60%
5	80%
6	100%

NOTE 12 – RECLASSIFICATIONS

Certain amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on the reported results of operations.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through November 16, 2022, which is the date the consolidated financial statements were available to be issued.

On December 15, 2021, the Organization entered into an agreement with the City of New York whereby the City would require water-related utility infrastructure work to be completed adjacent to the Food Hub construction site. This work was necessary in order for the site to receive water service from the City. The estimated cost of the additional work is \$524,075 which the City has agreed to reimburse per terms of the agreement.

In January of 2022, the Organization became aware via Consolidated Edison, Inc., that further electrical utility infrastructure enhancements would be required at the Food Hub construction site for an additional estimated cost of \$4M to \$5M. On April 9, 2022, the State of New York awarded the Organization an additional grant of \$4M to defray a significant portion of these additional costs.

This additional electrical work will extend the overall Food Hub construction timeline by approx. 5 months, as core elements of the original construction workplan must be paused pending completion of the new utility infrastructure work.

COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC AND AFFILIATES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

	As of June 30, 2021					As of June 30, 2020				
	GrowNYC	New York State Regional Food Hub LLC	Food Hub QALICB, Inc	Consolidating Eliminations	Consolidated Total 2021	GrowNYC	New York State Regional Food Hub LLC	Consolidating Eliminations	Consolidated Total 2020	
ASSETS										
Cash and cash equivalents	\$ 723,780	\$ 6,369	\$ 952	\$ -	\$ 731,101	\$ 2,615,895	\$ 649,575	\$ -	\$ 3,265,470	
Restricted cash - token redemption	481,125	-	-	-	481,125	392,511	-	-	392,511	
Restricted cash - construction disbursement	-	-	22,688,501	-	22,688,501	-	-	-	-	
Restricted cash - NYCNCC fee and expense reserve	-	-	1,105,417	-	1,105,417	-	-	-	-	
Investments, at fair value	2,653,681	-	-	-	2,653,681	2,206,070	-	-	2,206,070	
Government grants receivable	5,913,226	5,097,965	-	-	11,011,191	3,671,523	1,412,796	-	5,084,319	
Accounts receivable - participant rental fees, net	350,339	-	-	-	350,339	433,409	-	-	433,409	
Accounts receivable - sales, net	298,959	-	-	-	298,959	327,926	-	-	327,926	
Accounts receivable - other fees, net	424,550	97,183	-	-	521,733	238,571	-	-	238,571	
Contributions receivable	427,580	250,000	-	-	677,580	643,299	500,000	-	1,143,299	
Prepaid expenses, deposits and other assets	411,264	687,087	-	-	1,098,351	420,730	131,403	-	552,133	
Note receivable - Leverage loan	-	21,862,500	-	-	21,862,500	-	-	-	-	
Due from LLC	1,926,206	-	-	(1,926,206)	-	790,433	-	(790,433)	-	
Due from QALICB	-	1,593,038	-	(1,593,038)	-	-	-	-	-	
Property and equipment, net	733,402	-	7,199,120	-	7,932,522	811,575	-	-	811,575	
TOTAL ASSETS	\$ 14,344,112	\$ 29,594,142	\$ 30,993,990	\$ (3,519,244)	\$ 71,413,000	\$ 12,551,942	\$ 2,693,774	\$ (790,433)	\$ 14,455,283	
LIABILITIES										
Accounts payable and accrued expenses	\$ 1,657,628	\$ 2,361,127	\$ -	\$ -	\$ 4,018,755	\$ 1,527,221	\$ 18,120	\$ -	\$ 1,545,341	
Accrued farmers' token redemption	481,125	-	-	-	481,125	392,511	-	-	392,511	
Due to GrowNYC	-	1,926,206	-	(1,926,206)	-	-	790,433	(790,433)	-	
Due to NYSRFH	-	-	1,593,038	(1,593,038)	-	-	-	-	-	
Advance payments	326,543	-	-	-	326,543	313,904	-	-	313,904	
Deferred revenue (capital construction grants)	-	4,111,749	-	-	4,111,749	-	-	-	-	
Government grant advances	30,361	-	-	-	30,361	75,906	-	-	75,906	
Notes payable - pre-construction	-	-	-	-	-	-	892,364	-	892,364	
Notes payable - construction	-	20,132,799	-	-	20,132,799	-	-	-	-	
Notes payable - QLICI Loans (construction)	-	-	29,400,000	-	29,400,000	-	-	-	-	
Notes payable - other	-	-	-	-	-	40,000	-	-	40,000	
Paycheck Protection Program Loan	1,855,095	-	-	-	1,855,095	1,855,095	-	-	1,855,095	
TOTAL LIABILITIES	4,350,752	28,531,881	30,993,038	(3,519,244)	60,356,427	4,204,637	1,700,917	(790,433)	5,115,121	
NET ASSETS										
Without donor restrictions:										
Operations	1,866,469	(87,739)	(7,198,168)	-	(5,419,438)	1,629,931	(157,143)	-	1,472,788	
Net investment in property and equipment	733,402	-	7,199,120	-	7,932,522	811,575	-	-	811,575	
Board designated investment fund	3,135,395	-	-	-	3,135,395	1,928,854	-	-	1,928,854	
Board designated operating reserve fund	500,000	-	-	-	500,000	261,412	-	-	261,412	
Total without donor restrictions	6,235,266	(87,739)	952	-	6,148,479	4,631,772	(157,143)	-	4,474,629	
With donor restrictions	3,758,094	1,150,000	-	-	4,908,094	3,715,533	1,150,000	-	4,865,533	
TOTAL NET ASSETS	9,993,360	1,062,261	952	-	11,056,573	8,347,305	992,857	-	9,340,162	
TOTAL LIABILITIES AND NET ASSETS	\$ 14,344,112	\$ 29,594,142	\$ 30,993,990	\$ (3,519,244)	\$ 71,413,000	\$ 12,551,942	\$ 2,693,774	\$ (790,433)	\$ 14,455,283	

