

Council on the Environment, Inc. D/B/A GrowNYC



Financial Statements (Together with Independent Auditors' Report)

Years Ended June 30, 2015 and 2014

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWN NYC

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of Council on the Environment, Inc. d/b/a GrowNYC ("GrowNYC") which comprise the statements of financial position as of as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 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 financial statements referred to above present fairly, in all material respects, the financial position of GrowNYC as of June 30, 2015 and 2014, and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
February 25, 2016



COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNYC
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents (Notes 2B and 11)	\$ 1,762,307	\$ 1,996,087
Investments, at fair value (Notes 2C and 3)	2,028,133	2,054,907
Government grants receivable, net (Notes 2D and 2I)	2,029,726	1,708,086
Accounts receivable - participant rental fees, net (Note 2D)	247,346	225,651
Accounts receivable - other fees, net (Note 2D)	205,178	112,297
Contributions receivable (Note 2E)	715,528	81,913
Prepaid expenses, deposits and other assets	274,954	212,308
Property and equipment, net (Notes 2F and 4)	188,800	165,871
TOTAL ASSETS	\$ 7,451,972	\$ 6,557,120
 LIABILITIES		
Accounts payable and accrued expenses	\$ 309,546	\$ 348,846
Accrued farmers' token redemption (Note 2G)	304,129	226,623
Accrued payroll and related expenses	372,722	318,078
Advance payments (Note 2L)	284,325	289,307
Government grant advances (Note 2I)	654,426	673,351
Note payable (Note 6)	75,000	75,000
TOTAL LIABILITIES	2,000,148	1,931,205
 COMMITMENTS AND CONTINGENCIES (Note 5)		
 NET ASSETS (Note 2H)		
Unrestricted:		
Operations	1,883,466	1,738,323
Invested in property and equipment	188,800	165,871
Board designated investment fund (Note 7B)	1,764,341	1,777,235
Board designated operating reserve fund (Note 7B)	250,881	250,541
Total unrestricted	4,087,488	3,931,970
Temporarily restricted (Note 7A)	1,364,336	693,945
TOTAL NET ASSETS	5,451,824	4,625,915
TOTAL LIABILITIES AND NET ASSETS	\$ 7,451,972	\$ 6,557,120

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

**COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	For the Year Ended June 30, 2015			For the Year Ended June 30, 2014		
	Unrestricted	Temporarily Restricted	Total 2015	Unrestricted	Temporarily Restricted	Total 2014
REVENUES AND SUPPORT:						
Government grants (Note 2I)	\$ 3,620,177	\$ -	\$ 3,620,177	\$ 3,481,761	\$ -	\$ 3,481,761
Contributions - foundations (Note 2E)	193,473	1,585,788	1,779,261	94,378	980,650	1,075,028
Contributions - individuals and corporations (Note 2E)	202,565	570,586	773,151	201,390	578,457	779,847
Contributed facilities and services (Notes 2J and 8)	635,916	-	635,916	1,150,376	-	1,150,376
Special events, net of costs of direct benefits to donors of \$34,064 in 2014 (Note 2K)	-	-	-	88,747	-	88,747
Participant rental fees (Note 2L)	3,822,508	-	3,822,508	3,498,287	-	3,498,287
Other fees (Note 2L)	2,128,083	-	2,128,083	992,114	-	992,114
Investment activity (Notes 2C and 3)	(11,088)	-	(11,088)	209,239	-	209,239
Miscellaneous	133,729	-	133,729	191,089	-	191,089
Net assets released from restriction (Note 7A)	1,485,983	(1,485,983)	-	1,660,900	(1,660,900)	-
TOTAL REVENUES AND SUPPORT	12,211,346	670,391	12,881,737	11,568,281	(101,793)	11,466,488
EXPENSES (Note 2M):						
Program Services:						
Greening and gardens	1,297,440	-	1,297,440	1,334,540	-	1,334,540
Greenmarket and farmer development	4,330,378	-	4,330,378	4,414,799	-	4,414,799
Food access and wholesale distribution	2,738,636	-	2,738,636	1,560,894	-	1,560,894
Environmental education	778,462	-	778,462	764,931	-	764,931
Environmental policy/public information	61,886	-	61,886	61,542	-	61,542
Recycling outreach and education	1,513,370	-	1,513,370	1,549,534	-	1,549,534
Total Program Services	10,720,172	-	10,720,172	9,686,240	-	9,686,240
Supporting Services:						
Management and general	833,370	-	833,370	781,886	-	781,886
Fundraising	502,286	-	502,286	615,623	-	615,623
Total Supporting Services	1,335,656	-	1,335,656	1,397,509	-	1,397,509
TOTAL EXPENSES	12,055,828	-	12,055,828	11,083,749	-	11,083,749
CHANGE IN NET ASSETS	155,518	670,391	825,909	484,532	(101,793)	382,739
Net assets - beginning of year	3,931,970	693,945	4,625,915	3,447,438	795,738	4,243,176
NET ASSETS - END OF YEAR	\$ 4,087,488	\$ 1,364,336	\$ 5,451,824	\$ 3,931,970	\$ 693,945	\$ 4,625,915

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

COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015
(With Summarized Totals for the Year Ended June 30, 2014)

	For the Year Ended June 30, 2015							2015		2014	
	Program Services						Supporting Services		Total Expenses	Total Expenses	
	Greening and Gardens	Greenmarket and Farmer Development	Food Access and Wholesale Distribution	Environmental Education	Environmental Policy/Public Information	Recycling Outreach and Education	Total	Management and General			Fundraising
Salaries	\$ 523,385	\$ 2,192,558	\$ 685,198	\$ 462,340	\$ 49,781	\$ 964,882	\$ 4,878,144	\$ 397,456	\$ 432,372	\$ 5,707,972	\$ 5,271,845
Payroll taxes and employee benefits (Note 10)	173,543	532,455	162,235	131,745	7,467	263,790	1,271,235	108,935	64,856	1,445,026	1,305,870
Total salaries and related expenses	696,928	2,725,013	847,433	594,085	57,248	1,228,672	6,149,379	506,391	497,228	7,152,998	6,577,715
Contributed facilities and services (Notes 2J and 8)	96,000	331,920	-	32,004	-	39,996	499,920	135,996	-	635,916	1,150,376
Consultants and professional fees	45,987	290,162	118,501	7,664	3,287	12,686	478,287	79,061	3,135	560,483	469,097
Office supplies	5,262	79,696	46,961	3,449	-	8,180	143,548	19,151	43	162,742	119,222
Meetings	8,177	28,653	9,561	6,251	63	6,823	59,528	7,349	-	66,877	75,224
Travel	10,405	21,459	13,762	33,507	-	11,483	90,616	296	118	91,030	68,324
Telephone and mobile data	6,751	37,491	14,434	5,416	-	8,968	73,060	5,838	-	78,898	72,846
Printing and photography	5,743	58,547	9,050	11,118	1,006	12,548	98,012	12,506	-	110,518	99,934
Vehicle fuel, maintenance and repairs	12,466	27,584	33,145	35	-	17,172	90,402	897	-	91,299	81,917
Advertising (Note 2N)	320	49,710	1,879	4,819	65	62,059	118,852	720	-	119,572	203,677
Insurance	9,200	66,000	10,500	11,100	-	29,632	126,432	14,178	-	140,610	158,700
Space rentals (Note 5D)	-	362,245	137,208	-	-	2,573	502,026	510	-	502,536	436,912
Field supplies and gardening materials	172,547	144,075	6,002	64,916	125	32,274	419,939	1,685	-	421,624	375,104
Cost of goods sold	79,925	-	1,319,687	-	-	-	1,399,612	-	-	1,399,612	645,718
Equipment lease and rentals (Note 5C)	8,682	19,808	95,440	2,073	-	38,505	164,508	6,963	-	171,471	112,963
Grants and awards (Note 2O)	127,090	6,513	-	-	-	-	133,603	-	-	133,603	240,619
Depreciation and amortization (Note 4)	272	30,929	1,978	76	-	-	33,255	5,125	-	38,380	52,114
Bad debt expenses	10,000	3,278	3,875	500	-	-	17,653	505	-	18,158	20,204
Miscellaneous	1,685	47,295	69,220	1,449	92	1,799	121,540	36,199	1,762	159,501	123,083
Event catering and rental costs	-	-	-	-	-	-	-	-	-	-	34,064
Subtotal	1,297,440	4,330,378	2,738,636	778,462	61,886	1,513,370	10,720,172	833,370	502,286	12,055,828	11,117,813
Less: costs of direct benefits to donors netted on the statements of activities (Note 2K)	-	-	-	-	-	-	-	-	-	-	(34,064)
Total expenses	\$ 1,297,440	\$ 4,330,378	\$ 2,738,636	\$ 778,462	\$ 61,886	\$ 1,513,370	\$ 10,720,172	\$ 833,370	\$ 502,286	\$ 12,055,828	\$ 11,083,749
Total expenses - 2014	\$ 1,334,540	\$ 4,414,799	\$ 1,560,894	\$ 764,931	\$ 61,542	\$ 1,549,534	\$ 9,686,240	\$ 781,886	\$ 615,623	\$ 11,083,749	

**COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014**

	For the Year Ended June 30, 2014									
	Program Services						Supporting Services			2014 Total Expenses
	Greening and Gardens	Greenmarket and Farmer Development	Food Access and Wholesale Distribution	Environmental Education	Environmental Policy/Public Information	Recycling Outreach and Education	Total	Management and General	Fundraising	
Salaries	\$ 492,207	\$ 2,093,703	\$ 479,997	\$ 466,178	\$ 47,047	\$ 944,998	\$ 4,524,130	\$ 366,927	\$ 380,788	\$ 5,271,845
Payroll taxes and employee benefits (Note 10)	146,043	508,256	116,285	118,438	7,057	259,278	1,155,357	93,395	57,118	1,305,870
Total salaries and related expenses	638,250	2,601,959	596,282	584,616	54,104	1,204,276	5,679,487	460,322	437,906	6,577,715
Contributed facilities and services (Notes 2J and 8)	146,000	596,380	-	57,004	-	39,996	839,380	135,996	175,000	1,150,376
Consultants and professional fees	42,568	272,582	57,464	6,730	4,217	10,505	394,066	74,631	400	469,097
Office supplies	4,124	65,875	20,841	6,988	240	4,497	102,565	16,608	49	119,222
Meetings	4,035	43,136	8,405	3,579	-	6,596	65,751	9,473	-	75,224
Travel	8,696	18,377	7,368	21,032	-	12,729	68,202	122	-	68,324
Telephone and mobile data	6,553	37,523	8,114	4,298	-	12,063	68,551	4,295	-	72,846
Printing and photography	7,961	49,557	6,522	3,114	305	11,386	78,845	20,724	365	99,934
Vehicle fuel, maintenance and repairs	13,558	27,511	22,654	-	-	17,189	80,912	1,005	-	81,917
Advertising (Note 2N)	145	57,630	12,789	225	2,400	129,908	203,097	580	-	203,677
Insurance	10,500	77,929	11,000	11,950	-	33,624	145,003	13,697	-	158,700
Space rentals (Note 5D)	-	347,743	86,762	-	75	2,332	436,912	-	-	436,912
Field supplies and gardening materials	154,296	91,009	37,147	59,783	201	30,944	373,380	1,724	-	375,104
Cost of goods sold	72,751	-	572,967	-	-	-	645,718	-	-	645,718
Equipment lease and rentals (Note 5C)	4,306	17,643	52,253	1,382	-	30,260	105,844	7,119	-	112,963
Grants and awards (Note 2O)	219,344	20,000	1,275	-	-	-	240,619	-	-	240,619
Depreciation and amortization (Note 4)	272	45,001	1,451	130	-	1,696	48,550	3,564	-	52,114
Bad debt expenses	500	2,373	15,831	1,500	-	-	20,204	-	-	20,204
Miscellaneous	681	42,571	41,769	2,600	-	1,533	89,154	32,026	1,903	123,083
Event catering and rental costs	-	-	-	-	-	-	-	-	34,064	34,064
Subtotal	1,334,540	4,414,799	1,560,894	764,931	61,542	1,549,534	9,686,240	781,886	649,687	11,117,813
Less: costs of direct benefits to donors netted on the statements of activities (Note 2K)	-	-	-	-	-	-	-	-	(34,064)	(34,064)
Total expenses	<u>\$ 1,334,540</u>	<u>\$ 4,414,799</u>	<u>\$ 1,560,894</u>	<u>\$ 764,931</u>	<u>\$ 61,542</u>	<u>\$ 1,549,534</u>	<u>\$ 9,686,240</u>	<u>\$ 781,886</u>	<u>\$ 615,623</u>	<u>\$ 11,083,749</u>

COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNYC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 825,909	\$ 382,739
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	38,380	52,114
Bad debt expense	18,158	20,204
Realized gain on sales of investments	(90,710)	(44,367)
Unrealized loss (gain) on investments	151,473	(92,097)
Subtotal	943,210	318,593
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Government grants receivable	(311,373)	16,074
Accounts receivable - participant rental fees	(23,536)	(26,073)
Accounts receivable - other fees	(119,465)	(7,090)
Contributions receivable	(633,615)	112,634
Prepaid expenses, deposits and other assets	(62,646)	(51,663)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(39,300)	55,282
Accrued farmers' token redemption	77,506	(10,846)
Accrued payroll and related expenses	54,644	15,298
Advance payments	(4,982)	3,102
Government grant advances	(18,925)	673,351
Net Cash (Used in) Provided by Operating Activities	(138,482)	1,098,662
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(61,309)	(36,569)
Proceeds from sales of investments	424,875	262,363
Purchases of investments	(458,864)	(319,506)
Net Cash Used in Investing Activities	(95,298)	(93,712)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	-	50,000
Net Cash Provided by Financing Activities	-	50,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(233,780)	1,054,950
Cash and cash equivalents - beginning of year	1,996,087	941,137
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,762,307	\$ 1,996,087

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

COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNYC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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 achieves its mission through the following projects and programs:

- **Greening & Gardens**, which creates, rejuvenates, and provides substantial material and technical assistance to several new community gardens each year in addition to helping more than 80 gardens created in prior years; builds rainwater harvesting systems and promotes best practices in green infrastructure through workshops and collaborative installations; operates a substantial teaching garden on Governors Island; and inspires, promotes, and facilitates the creation of sustainable gardens in public schools through mini-grants and technical assistance provided by the Grow to Learn program;
- **Greenmarket & Farmer Development**, which provides regional, small family farmers the opportunity to sell their fruits, vegetables, and other farm products to New Yorkers by operating 54 farmers’ markets throughout the city, and helps both experienced and beginning farmers increase long term viability through the FARMroots program;
- **Food Access & Wholesale Distribution**, which expands wholesale distribution options for small and mid-size farmers through the Greenmarket Co. food distribution hub, and leverages wholesale distribution channels to improve food access opportunities in underserved communities through the Fresh Food Box program and youth-operated urban farm stands known as Youthmarkets;
- **Environmental Education**, which offers meaningful hands-on projects in the areas of conservation, alternative energy, school recycling, and more to NYC public school students at all grade levels; promotes a good food / good health community outreach model by and for teens in underserved communities through the Learn It, Grow It, Eat It program; and helps young people to learn where their food comes from, who grows it, and what is good for their bodies and the environment;
- **Environmental Policy/Public Information**, which provides the public with general environmental information through public events in addition to answering hundreds of inquiries throughout the year, whether by phone, email, or in person;
- **Recycling Outreach and Education**, which promotes recycling and waste prevention for tenants, building personnel, citizens, and students through a variety of reduce/reuse/recycle opportunities and workshops.

GrowNYC is supported primarily by government grants, contributions from foundations, individuals and corporations, and participant rental fees.

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).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting and Use of Estimates*

GrowNYC’s financial statements have been prepared on the accrual basis of accounting. The preparation of 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 financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. *Cash and Cash Equivalents*

GrowNYC 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 GrowNYC's investment manager for long-term investment purposes.

C. *Investments and Fair Value Measurements*

Investments are reported at fair value based upon quoted market value. 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 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 3.

D. *Allowance for Uncollectible Government Grants and Accounts Receivable*

GrowNYC determines whether an allowance for uncollectible balances should be provided for government grants and 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 government grants and accounts receivable consisted of the following as of June 30, 2015 and 2014:

	2015	2014
Government grants receivable	\$ 30,062	\$ 45,228
Accounts receivable – participant rental fees	4,254	5,666
Accounts receivable – other fees	19,833	16,720
Total allowance for uncollectible receivables	\$ 54,149	\$ 67,614

E. *Contributions Receivable*

Contributions are recognized when the donor makes an unconditional promise to give. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unless material, GrowNYC does not discount to present value, contributions to be received after more than one year.

As of June 30, 2015 and 2014, contributions receivable were scheduled to be received as follows:

	2015	2014
Amount due in less than one year	\$ 467,014	\$ 81,913
Amount due in one to five years	248,514	-
	\$ 715,528	\$ 81,913

COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. *Property and Equipment*

Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable value. GrowNYC 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. Office space is donated to GrowNYC by the City of New York for an indefinite time period. Therefore, leasehold improvements are amortized on a straight-line basis over their estimated useful life. GrowNYC 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.

G. *Accrued Farmers' Token Redemption*

As part of the Greenmarket program, farmers collect tokens from consumers who have exchanged either supplemental nutrition assistance program ("SNAP") benefit dollars or credit/debit as payment for produce. GrowNYC records a liability for tokens that have yet to be redeemed by the farmers. In connection with this liability, GrowNYC maintains the funds in a separate cash account.

H. *Basis of Presentation*

GrowNYC maintains its net assets under the following classes:

- a) Unrestricted – includes the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. GrowNYC's unrestricted net assets have been further classified as follows:
 - Operations – represents unrestricted net assets whose use is available for daily operations.
 - 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 unrestricted net assets whose use has been designated by the Board for investment and other purposes.
 - Board designated operating reserve fund – in fiscal year 2012, the Board resolved that \$250,000 of unrestricted net assets be designated as an operating reserve fund. The general purpose of the fund is to help ensure the long-term financial stability of GrowNYC and position it to respond to varying economic conditions and changes affecting GrowNYC's financial position and its ability to carry out its mission continuously.
- b) Temporarily Restricted – 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

GrowNYC did not have any permanently restricted net assets as of June 30, 2015 and 2014 which are designated by the donor to be held and invested in perpetuity.

COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. *Government Grants*

Revenues from government grants are recognized when reimbursable expenses are incurred under the terms of the grant. 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.

J. *Contributed Facilities and Services*

The value of contributed facilities and services are reported as in-kind contributions and expenses in the accompanying 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 financial statements. Contributed services are recognized in the 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. GrowNYC records contributed services at their fair value on the date received.

K. *Costs of Direct Benefits to Donors*

The direct costs of fundraising events include expenses for the benefit of the donor. For example, meals and facilities rental are considered costs of direct benefits to donors. These costs are netted against special events revenue in the accompanying statements of activities and amounted to \$0 and \$34,064 for the years ended June 30, 2015 and 2014, respectively.

L. *Participant Rental Fees and Other Fees*

Revenues from participant (farmer) rental fees are based on signed contracts, renewed annually. Other fees comprise sales of plants, wholesale distribution of fresh produce, and consulting services. Advance payments represent fees received in advance for the Greenmarket program applicable to the next fiscal year.

M. *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.

N. *Advertising Costs*

Advertising costs are expensed as incurred.

O. *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 statements of financial position.

P. *Reclassification*

Certain items in the June 30, 2014, financial statements have been reclassified to conform to the June 30, 2015, presentation and had no impact on the change in net assets for the year ended June 30, 2014.

COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Corporate stock:		
Basic materials	\$ 25,984	\$ 57,165
Consumer goods and services	459,297	479,280
Financial	270,186	292,107
Industrial goods	117,743	109,509
Real Estate	53,138	46,050
Technology and other	<u>112,075</u>	<u>61,551</u>
Total corporate stock	1,038,423	1,045,662
Corporate bonds	580,851	617,188
Money market mutual funds	<u>408,859</u>	<u>392,057</u>
Total investments	<u>\$ 2,028,133</u>	<u>\$ 2,054,907</u>

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

Investment activity, net included the following for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 49,675	\$ 72,775
Realized gains on sales of investments	90,710	44,367
Unrealized (loss) gain on investments	<u>(151,473)</u>	<u>92,097</u>
Total investment activity, net	<u>\$ (11,088)</u>	<u>\$ 209,239</u>

Financial Accounting Standards Board (“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’s 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 valuations techniques during the current year. GrowNYC uses third party pricing information without adjustment.

COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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

Corporate Stock 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 GrowNYC 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.

GrowNYC'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, 2015 and 2014, no such transfers between fair value levels occurred.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	\$ 458,741	\$ 442,388	3-5 years
Vehicles	206,751	170,101	10 years
Leasehold improvements	<u>42,098</u>	<u>33,792</u>	15 years
Total cost	707,590	646,281	
Less: accumulated depreciation and amortization	<u>(518,790)</u>	<u>(480,410)</u>	
Net book value	<u>\$ 188,800</u>	<u>\$ 165,871</u>	

Depreciation and amortization expense amounted to \$38,380 and \$52,114 for the years ended June 30, 2015 and 2014, respectively.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

A. Contingencies for Future Audits by Governmental Funding Sources

Pursuant to GrowNYC's contractual relationships with certain governmental funding sources, governmental agencies have the right to examine GrowNYC's books and records involving transactions relating to these contracts. The accompanying financial statements make no provision for possible disallowances.

B. Uncertainty in Income Taxes

GrowNYC believes it had no uncertain income tax positions as of June 30, 2015 and 2014, in accordance with FASB ASC Topic 740 ("Income Taxes"), which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5 – COMMITMENTS AND CONTINGENCIES (Continued)

C. Lease Commitments

GrowNYC has entered into equipment leases with various expiration dates through 2018. Approximate future minimum payments under these leases for fiscal years subsequent to June 30, 2015 are as follows:

2016	\$ 33,000
2017	28,000
2018	<u>23,000</u>
	<u>\$ 84,000</u>

Equipment rental expense amounted to \$31,776 and \$24,066, respectively, for the years ended June 30, 2015 and 2014.

D. Space Rental

GrowNYC pays license and permit fees for use of City property in the operation of Greenmarkets and Youthmarkets. In addition, GrowNYC has entered into a lease agreement with a non-City agency for warehouse space for operation of the Greenmarket Co. food distribution hub.

Approximate future minimum payments under this warehouse lease for fiscal years subsequent to June 30, 2015, are as follows

2016	\$ 68,000
2017	70,000
2018	71,000
2019	<u>64,000</u>
	<u>\$ 273,000</u>

Space rental expense amounted to \$502,536 and \$436,912, respectively, for the years ended June 30, 2015 and 2014.

NOTE 6 – NOTE PAYABLE

During the year ended June 30, 2013, GrowNYC received a \$225,000 commitment from a foundation through the foundation's Working Capital program for the Greenmarket food distribution hub. The program is structured such that organizations receive a \$50,000 grant and a \$25,000 interest-free loan each year for three years. The loan is not collateralized and is to be repaid in annual installments of \$25,000 each on July 15, 2015, 2016, and 2017.

**COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 7 – RESTRICTED NET ASSETS

A) *Temporarily Restricted Net Assets*

Temporarily restricted net assets were available for the following purposes at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Purpose restriction:		
Greenmarket and farmer development	\$ 270,100	\$ 4,815
Food access and wholesale distribution	47,000	111,178
Greening and gardens	34,146	185,175
Environmental education	53,893	19,112
Time restriction:		
For periods after June 30, 2015 and 2014	150,000	58,334
Purpose and time restriction:		
Greenmarket and farmer development	197,583	229,675
Food access and wholesale distribution	371,860	23,210
Greening and gardens	-	62,446
Environmental education	<u>239,754</u>	<u>-</u>
	<u>\$ 1,364,336</u>	<u>\$ 693,945</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors or the passage of time during the years ended June 30, 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
Greening and gardens	\$ 789,839	\$ 799,661
Greenmarket and farmer development	130,800	199,961
Food access and wholesale distribution	308,688	420,633
Environmental education	198,321	182,310
Supportive services	<u>58,335</u>	<u>58,335</u>
	<u>\$ 1,485,983</u>	<u>\$ 1,660,900</u>

B) *Endowment Net Assets*

New York State adopted as law the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) on September 17, 2010. NYPMIFA replaced the prior law which was the Uniform Management of Institutional Funds Act (“UMIFA”). NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund’s fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated. GrowNYC had no donor-restricted permanent endowment funds subject to the appropriation provisions of NYPMIFA as of June 30, 2015 and 2014.

FASB Staff Position No. FAS 117-1, “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for all Endowment Funds,” now codified at ASC 958-205 (“ASC 958-205”), provides guidance on the net asset classifications of donor-restricted endowment funds for a not-for-profit organization that is subject to the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). ASC 958-205 also improves disclosure about an organization’s endowment funds, whether or not the organization is subject to UPMIFA.

COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 7 – RESTRICTED NET ASSETS (Continued)

GrowNYC maintains two endowment funds as further described in Note 2H. However, such Board designated endowment funds are not subject to the appropriation provisions of NYPMIFA and, therefore, GrowNYC has implemented only the disclosure guidance provided for in ASC 958-205.

GrowNYC's endowment 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 endowment, financial and investment objectives, such as to preserve the principal, protect against inflation, receive stable returns and achieve long-term growth. GrowNYC 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 endowment net assets for year ended June 30, 2015, were as follows:

	Board Designated Investment Fund	Board Designated Reserve Fund	Total
Endowment net assets, beginning of year	\$ 1,777,235	\$ 250,541	\$ 2,027,776
Investment activity:			
Interest and dividends	47,869	340	48,209
Realized gains on sales of investments	90,710	-	90,710
Unrealized loss	<u>(151,473)</u>	<u>-</u>	<u>(151,473)</u>
Change in endowment net assets	(12,894)	340	(12,554)
Endowment net assets, end of year	<u>\$ 1,764,341</u>	<u>\$ 250,881</u>	<u>\$ 2,015,222</u>

Changes in endowment net assets for year ended June 30, 2014, were as follows:

	Board Designated Investment Fund	Board Designated Reserve Fund	Total
Endowment net assets, beginning of year	\$ 1,570,235	\$ 250,169	\$ 1,820,404
Investment activity:			
Interest and dividends	70,536	372	70,908
Realized gains on sales of investments	44,367	-	44,367
Unrealized gain	<u>92,097</u>	<u>-</u>	<u>92,097</u>
Change in endowment net assets	207,000	372	207,372
Endowment net assets, end of year	<u>\$ 1,777,235</u>	<u>\$ 250,541</u>	<u>\$ 2,027,776</u>

NOTE 8 – CONTRIBUTED FACILITIES AND SERVICES

Contributed facilities and services were as follows for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Facilities	\$ 635,916	\$ 635,916
Services	<u>-</u>	<u>514,460</u>
	<u>\$ 635,916</u>	<u>\$ 1,150,376</u>

GrowNYC uses certain premises located in New York City-owned buildings 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.

COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 8 – CONTRIBUTED FACILITIES AND SERVICES (Continued)

In fiscal year 2014, GrowNYC received pro bono legal services valued at \$164,460 and program and fundraising services valued at \$350,000. The services were valued based upon current market values. The related expense is reflected in the statements of functional expenses.

NOTE 9 – LINE OF CREDIT

GrowNYC had a \$750,000 line of credit for working capital which is secured by the assets of the organization. Interest was at LIBOR plus 3.974%. The line of credit expired in January 2016. As of June 30, 2015 and 2014, there were no outstanding borrowings on the line of credit.

NOTE 10 – RETIREMENT PLAN

Effective July 1, 1985, GrowNYC established a noncontributory defined contribution pension plan covering all employees upon their meeting minimum age and length of service requirements. Participants in the plan are vested as follows:

<u>Years of Service</u>	<u>Percentage</u>
3	20%
4	40%
5	60%
6	80%
7	100%

GrowNYC contributes 6% of gross payroll paid to eligible employees. Retirement expense under the plan (net of forfeitures) amounted to \$240,532 and \$177,164 for the years ended June 30, 2015 and 2014, respectively, and is included in payroll taxes and employee benefits in the accompanying statements of functional expenses.

NOTE 11 – CONCENTRATION OF CREDIT RISK

Cash and cash equivalents that potentially subject GrowNYC to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Insured accounts are insured up to \$250,000 per depositor. As of June 30, 2015 and 2014, there was approximately \$1,826,000 and \$1,988,000 of cash and cash equivalents held by banks that exceeded FDIC limits. Such excess includes outstanding checks.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through February 25, 2016, the date the financial statements were available to be issued.