

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



**Financial Statements  
(Together with Independent Auditors' Report)**

**Years Ended June 30, 2016 and 2015**

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

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

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

**YEARS ENDED JUNE 30, 2016 AND 2015**

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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 financial statements of Council on the Environment, Inc. d/b/a GrowNYC ("GrowNYC") which comprise the statements of financial position as of June 30, 2016 and 2015, 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, 2016 and 2015, 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  
January 20, 2017

**COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNYC**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2B and 11)	\$ 1,579,031	\$ 1,762,307
Investments, at fair value (Notes 2C and 3)	1,950,411	2,028,133
Government grants receivable, net (Notes 2D and 2I)	2,639,622	2,029,726
Accounts receivable - participant rental fees, net (Note 2D)	238,092	247,346
Accounts receivable - other fees, net (Note 2D)	226,233	205,178
Contributions receivable (Note 2E)	694,381	715,528
Prepaid expenses, deposits and other assets	288,971	274,954
Property and equipment, net (Notes 2F and 4)	<u>356,132</u>	<u>188,800</u>
<b>TOTAL ASSETS</b>	<u>\$ 7,972,873</u>	<u>\$ 7,451,972</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 428,534	\$ 309,546
Accrued farmers' token redemption (Note 2G)	212,422	304,129
Accrued payroll and related expenses	605,680	372,722
Advance payments (Note 2K)	277,951	284,325
Government grant advances (Note 2I)	642,931	654,426
Note payable (Note 6)	<u>105,000</u>	<u>75,000</u>
<b>TOTAL LIABILITIES</b>	<u>2,272,518</u>	<u>2,000,148</u>
<b>COMMITMENTS AND CONTINGENCIES</b> (Note 5)		
<b>NET ASSETS</b> (Note 2H)		
Unrestricted:		
Operations	1,593,469	1,883,466
Invested in property and equipment	356,132	188,800
Board designated investment fund (Note 7B)	1,695,817	1,764,341
Board designated operating reserve fund (Note 7B)	<u>251,162</u>	<u>250,881</u>
Total unrestricted	3,896,580	4,087,488
Temporarily restricted (Note 7A)	<u>1,803,775</u>	<u>1,364,336</u>
<b>TOTAL NET ASSETS</b>	<u>5,700,355</u>	<u>5,451,824</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 7,972,873</u>	<u>\$ 7,451,972</u>

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, 2016 AND 2015**

	For the Year Ended June 30, 2016			For the Year Ended June 30, 2015		
	Unrestricted	Temporarily Restricted	Total 2016	Unrestricted	Temporarily Restricted	Total 2015
<b>REVENUES AND SUPPORT:</b>						
Government grants (Note 2I)	\$ 4,207,269	\$ -	\$ 4,207,269	\$ 3,620,177	\$ -	\$ 3,620,177
Contributions - foundations (Note 2E)	120,148	1,278,476	1,398,624	193,473	1,585,788	1,779,261
Contributions - individuals and corporations (Note 2E)	127,920	1,077,939	1,205,859	202,565	570,586	773,151
Contributed facilities and services (Notes 2J and 8)	611,448	-	611,448	635,916	-	635,916
Participant rental fees (Note 2K)	3,967,080	-	3,967,080	3,822,508	-	3,822,508
Other fees (Note 2K)	2,781,261	-	2,781,261	2,128,083	-	2,128,083
Investment activity (Notes 2C and 3)	(67,711)	-	(67,711)	(11,088)	-	(11,088)
Miscellaneous	140,731	-	140,731	133,729	-	133,729
Net assets released from restriction (Note 7A)	1,916,976	(1,916,976)	-	1,485,983	(1,485,983)	-
<b>TOTAL REVENUES AND SUPPORT</b>	<u>13,805,122</u>	<u>439,439</u>	<u>14,244,561</u>	<u>12,211,346</u>	<u>670,391</u>	<u>12,881,737</u>
<b>EXPENSES (Note 2L):</b>						
Program Services:						
Greening and gardens	1,516,559	-	1,516,559	1,297,440	-	1,297,440
Greenmarket and farmer development	4,631,558	-	4,631,558	4,330,378	-	4,330,378
Food access and wholesale distribution	3,167,208	-	3,167,208	2,738,636	-	2,738,636
Environmental education	1,345,270	-	1,345,270	778,462	-	778,462
Environmental policy/public information	60,353	-	60,353	61,886	-	61,886
Recycling outreach and education	1,664,717	-	1,664,717	1,513,370	-	1,513,370
Total Program Services	<u>12,385,665</u>	<u>-</u>	<u>12,385,665</u>	<u>10,720,172</u>	<u>-</u>	<u>10,720,172</u>
Supporting Services:						
Management and general	983,943	-	983,943	833,370	-	833,370
Fundraising	626,422	-	626,422	502,286	-	502,286
Total Supporting Services	<u>1,610,365</u>	<u>-</u>	<u>1,610,365</u>	<u>1,335,656</u>	<u>-</u>	<u>1,335,656</u>
<b>TOTAL EXPENSES</b>	<u>13,996,030</u>	<u>-</u>	<u>13,996,030</u>	<u>12,055,828</u>	<u>-</u>	<u>12,055,828</u>
<b>CHANGE IN NET ASSETS</b>	(190,908)	439,439	248,531	155,518	670,391	825,909
Net assets - beginning of year	<u>4,087,488</u>	<u>1,364,336</u>	<u>5,451,824</u>	<u>3,931,970</u>	<u>693,945</u>	<u>4,625,915</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,896,580</u>	<u>\$ 1,803,775</u>	<u>\$ 5,700,355</u>	<u>\$ 4,087,488</u>	<u>\$ 1,364,336</u>	<u>\$ 5,451,824</u>

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, 2016**  
(With Summarized Totals for the Year Ended June 30, 2015)

	For the Year Ended June 30, 2016							Supporting Services		2016 Total Expenses	2015 Total Expenses
	Program Services							Management and General	Fundraising		
	Greening and Gardens	Greenmarket and Farmer Development	Food Access and Wholesale Distribution	Environmental Education	Environmental Policy/Public Information	Recycling Outreach and Education	Total				
Salaries	\$ 634,999	\$ 2,237,473	\$ 823,531	\$ 665,020	\$ 52,481	\$ 1,069,854	\$ 5,483,358	\$ 490,927	\$ 521,816	\$ 6,496,101	\$ 5,707,972
Payroll taxes and employee benefits (Note 10)	189,731	548,363	181,037	144,577	7,872	271,400	1,342,980	123,843	78,272	1,545,095	1,445,026
Total salaries and related expenses	824,730	2,785,836	1,004,568	809,597	60,353	1,341,254	6,826,338	614,770	600,088	8,041,196	7,152,998
Contributed facilities and services (Notes 2J and 8)	73,368	207,900	48,912	79,488	-	97,836	507,504	103,944	-	611,448	635,916
Consultants and professional fees	62,600	482,205	85,743	113,482	-	6,245	750,275	98,631	17,679	866,585	560,483
Office supplies	3,360	92,341	23,973	35,125	-	2,532	157,331	32,292	1,069	190,692	162,742
Meetings	5,741	32,748	3,308	4,106	-	11,711	57,614	4,450	1,144	63,208	66,877
Travel	9,681	27,467	20,594	21,512	-	13,741	92,995	133	361	93,489	91,030
Telephone and mobile data	8,997	41,588	18,681	8,133	-	12,254	89,653	10,504	-	100,157	78,898
Printing and photography	5,949	59,735	5,680	3,376	-	8,853	83,593	14,305	3,117	101,015	110,518
Vehicle fuel, maintenance and repairs	10,266	26,324	29,433	58	-	10,351	76,432	85	31	76,548	91,299
Advertising (Note 2M)	260	140,094	2,200	52,675	-	77,369	272,598	780	100	273,478	119,572
Insurance	11,350	88,461	40,250	13,890	-	33,846	187,797	24,138	-	211,935	140,610
Space rentals (Note 5D)	295	364,515	127,579	25	-	12,314	504,728	-	-	504,728	502,536
Field supplies and gardening materials	243,546	80,689	42,236	192,222	-	7,418	566,111	1,054	48	567,213	421,624
Cost of goods sold	96,520	53,228	1,608,183	-	-	-	1,757,931	-	-	1,757,931	1,399,612
Equipment lease and rentals (Note 5C)	9,797	23,148	39,380	1,902	-	28,463	102,690	6,977	667	110,334	171,471
Grants and awards (Note 2N)	147,870	3,723	-	6,000	-	-	157,593	-	-	157,593	133,603
Depreciation and amortization (Note 4)	246	43,497	9,371	-	-	-	53,114	14,019	-	67,133	38,380
Bad debt expenses	-	8,420	-	-	-	-	8,420	-	-	8,420	18,158
Miscellaneous	1,983	69,639	57,117	3,679	-	530	132,948	57,861	2,118	192,927	159,501
<b>Total expenses</b>	<b>\$ 1,516,559</b>	<b>\$ 4,631,558</b>	<b>\$ 3,167,208</b>	<b>\$ 1,345,270</b>	<b>\$ 60,353</b>	<b>\$ 1,664,717</b>	<b>\$ 12,385,665</b>	<b>\$ 983,943</b>	<b>\$ 626,422</b>	<b>\$ 13,996,030</b>	<b>\$ 12,055,828</b>
Total expenses - 2015	\$ 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	

**COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNYC**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Program Services						Supporting Services		2015 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
Payroll taxes and employee benefits (Note 10)	<u>173,543</u>	<u>532,455</u>	<u>162,235</u>	<u>131,745</u>	<u>7,467</u>	<u>263,790</u>	<u>1,271,235</u>	<u>108,935</u>	<u>64,856</u>	<u>1,445,026</u>
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
Contributed facilities and services (Notes 2J and 8)	96,000	331,920	-	32,004	-	39,996	499,920	135,996	-	635,916
Consultants and professional fees	45,987	290,162	118,501	7,664	3,287	12,686	478,287	79,061	3,135	560,483
Office supplies	5,262	79,696	46,961	3,449	-	8,180	143,548	19,151	43	162,742
Meetings	8,177	28,653	9,561	6,251	63	6,823	59,528	7,349	-	66,877
Travel	10,405	21,459	13,762	33,507	-	11,483	90,616	296	118	91,030
Telephone and mobile data	6,751	37,491	14,434	5,416	-	8,968	73,060	5,838	-	78,898
Printing and photography	5,743	58,547	9,050	11,118	1,006	12,548	98,012	12,506	-	110,518
Vehicle fuel, maintenance and repairs	12,466	27,584	33,145	35	-	17,172	90,402	897	-	91,299
Advertising (Note 2N)	320	49,710	1,879	4,819	65	62,059	118,852	720	-	119,572
Insurance	9,200	66,000	10,500	11,100	-	29,632	126,432	14,178	-	140,610
Space rentals (Note 5D)	-	362,245	137,208	-	-	2,573	502,026	510	-	502,536
Field supplies and gardening materials	172,547	144,075	6,002	64,916	125	32,274	419,939	1,685	-	421,624
Cost of goods sold	79,925	-	1,319,687	-	-	-	1,399,612	-	-	1,399,612
Equipment lease and rentals (Note 5C)	8,682	19,808	95,440	2,073	-	38,505	164,508	6,963	-	171,471
Grants and awards (Note 2O)	127,090	6,513	-	-	-	-	133,603	-	-	133,603
Depreciation and amortization (Note 4)	272	30,929	1,978	76	-	-	33,255	5,125	-	38,380
Bad debt expenses	10,000	3,278	3,875	500	-	-	17,653	505	-	18,158
Miscellaneous	<u>1,685</u>	<u>47,295</u>	<u>69,220</u>	<u>1,449</u>	<u>92</u>	<u>1,799</u>	<u>121,540</u>	<u>36,199</u>	<u>1,762</u>	<u>159,501</u>
Total expenses	<u>\$ 1,297,440</u>	<u>\$ 4,330,378</u>	<u>\$ 2,738,636</u>	<u>\$ 778,462</u>	<u>\$ 61,886</u>	<u>\$ 1,513,370</u>	<u>\$ 10,720,172</u>	<u>\$ 833,370</u>	<u>\$ 502,286</u>	<u>\$ 12,055,828</u>

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

**COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 248,531	\$ 825,909
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	67,133	38,380
Bad debt expense	8,420	18,158
Donated stocks	(4,147)	-
Realized gain on sales of investments	(123,970)	(90,710)
Unrealized loss on investments	227,699	151,473
Subtotal	423,666	943,210
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Government grants receivable	(618,316)	(311,373)
Accounts receivable - participant rental fees	9,254	(23,536)
Accounts receivable - other fees	(21,055)	(119,465)
Contributions receivable	21,147	(633,615)
Prepaid expenses, deposits and other assets	(14,017)	(62,646)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	118,988	(39,300)
Accrued farmers' token redemption	(91,707)	77,506
Accrued payroll and related expenses	232,958	54,644
Advance payments	(6,374)	(4,982)
Government grant advances	(11,495)	(18,925)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>43,049</b>	<b>(138,482)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(234,465)	(61,309)
Proceeds from sales of investments	320,389	424,875
Purchases of investments	(342,249)	(458,864)
<b>Net Cash Used in Investing Activities</b>	<b>(256,325)</b>	<b>(95,298)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of notes payable	(50,000)	
Proceeds from notes payable	80,000	-
<b>Net Cash Provided by Financing Activities</b>	<b>30,000</b>	<b>-</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(183,276)</b>	<b>(233,780)</b>
Cash and cash equivalents - beginning of year	1,762,307	1,996,087
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 1,579,031</b>	<b>\$ 1,762,307</b>

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



**COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**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.
- **Project Farmhouse** (due to open publicly in FY 2017), which will allow all New Yorkers to explore environmental issues through the lens of food, horticulture, arts, recycling, cooking, and community education. Located at 76 E 13<sup>th</sup> Street in Manhattan, Project Farmhouse is a state-of-the-art sustainability and education center, and a home for dynamic programming which will take place throughout the day and evenings, and on some weekends.

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).

**COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**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.

**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, 2016 and 2015:

	2016	2015
Government grants receivable	\$ 30,062	\$ 30,062
Accounts receivable – participant rental fees	6,922	4,254
Accounts receivable – other fees	25,495	19,833
Total allowance for uncollectible receivables	\$ 62,479	\$ 54,149

**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.

**COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As of June 30, 2016 and 2015, contributions receivable were scheduled to be received as follows:

	<u>2016</u>	<u>2015</u>
Amount due in less than one year	\$ 574,973	\$ 467,014
Amount due in one to five years	<u>119,408</u>	<u>248,514</u>
	<u>\$ 694,381</u>	<u>\$ 715,528</u>

**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 – represents unrestricted net assets designated by the Board for the general purpose of helping to 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, 2016 and 2015 which are designated by the donor to be held and invested in perpetuity.

**COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC**  
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**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. 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.

**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.

**M. Advertising Costs**

Advertising costs are expensed as incurred.

**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 statements of financial position.

**NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Investments consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Corporate stock:		
Basic materials	\$ 29,205	\$ 25,984
Consumer goods and services	298,935	459,297
Financial	244,127	270,186
Industrial goods	211,361	117,743
Real Estate	-	53,138
Technology and other	<u>101,144</u>	<u>112,075</u>
Total corporate stock	884,772	1,038,423
Corporate bonds	373,640	580,851
Money market mutual funds	<u>691,999</u>	<u>408,859</u>
Total investments	<u>\$ 1,950,411</u>	<u>\$ 2,028,133</u>

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**NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 36,018	\$ 49,675
Realized gains on sales of investments	123,970	90,710
Unrealized loss on investments	<u>(227,699)</u>	<u>(151,473)</u>
Total investment activity, net	<u>\$ (67,711)</u>	<u>\$ (11,088)</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.

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, 2016 and 2015, no such transfers between fair value levels occurred.

**COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC**  
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**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	\$ 491,039	\$ 458,741	3-5 years
Vehicles	304,838	206,751	10 years
Leasehold improvements	<u>146,178</u>	<u>42,098</u>	15 years
Total cost	942,055	707,590	
Less: accumulated depreciation and amortization	<u>(585,923)</u>	<u>(518,790)</u>	
Net book value	<u>\$ 356,132</u>	<u>\$ 188,800</u>	

Depreciation and amortization expense amounted to \$67,133 and \$38,380 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, 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***

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, 2016 are as follows:

2017	\$ 28,000
2018	<u>23,000</u>
	<u>\$ 51,000</u>

Equipment rental expense amounted to \$32,753 and \$31,776, respectively, for the years ended June 30, 2016 and 2015.

**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 lease agreements for warehouse space for operation of the Greenmarket Co. food distribution hub and for Project Farmhouse.

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**NOTE 5 – COMMITMENTS AND CONTINGENCIES (Continued)**

Approximate future minimum payments under these leases for fiscal years subsequent to June 30, 2016, are as follows

2017	\$ 161,000
2018	239,000
2019	249,000
2020	197,000
2021	<u>204,000</u>
	<u>\$ 1,050,000</u>

Space rental expense amounted to \$504,728 and \$502,536, respectively, for the years ended June 30, 2016 and 2015.

**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 (the “Program”) for the Greenmarket food distribution hub. The Program is structured such that GrowNYC receives 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 in 2015, 2016, and 2017.

During the year ended June 30, 2016, GrowNYC received an additional \$375,000 from the foundation. The Program is structured such that GrowNYC 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 2019, 2020, and 2021.

**NOTE 7 – RESTRICTED NET ASSETS**

**A) *Temporarily Restricted Net Assets***

Temporarily restricted net assets were available for the following purposes at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Purpose restriction:		
Greenmarket and farmer development	\$ 115,424	\$ 270,100
Food access and wholesale distribution	122,070	47,000
Greening and gardens	58,917	34,146
Environmental education	64,900	53,893
Outreach and education	7,510	-
Project Farmhouse	370,985	-
Supporting services	35,000	-
Time restriction:		
For periods after June 30, 2016 and 2015	25,000	150,000
Purpose and time restriction:		
Greenmarket and farmer development	91,042	197,583
Food access and wholesale distribution	694,740	371,860
Environmental education	<u>218,187</u>	<u>239,754</u>
	<u>\$ 1,803,775</u>	<u>\$ 1,364,336</u>

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**NOTE 7 – RESTRICTED NET ASSETS (Continued)**

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, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Greening and gardens	\$ 733,390	\$ 789,839
Greenmarket and farmer development	374,648	130,800
Food access and wholesale distribution	407,969	308,688
Environmental education	198,942	198,321
Recycling outreach and education	17,100	-
Project Farmhouse	69,927	-
Supportive services	<u>115,000</u>	<u>58,335</u>
	<u>\$ 1,916,976</u>	<u>\$ 1,485,983</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, 2016 and 2015.

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.

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).



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**NOTE 7 – RESTRICTED NET ASSETS (Continued)**

Changes in endowment net assets for year ended June 30, 2016, were as follows:

	Board Designated Investment <u>Fund</u>	Board Designated Reserve <u>Fund</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,764,341	\$ 250,881	\$ 2,015,222
Investment activity:			
Interest and dividends	35,205	281	35,486
Realized gains on sales of investments	123,970	-	123,970
Unrealized loss	<u>(227,699)</u>	<u>-</u>	<u>(227,699)</u>
Change in endowment net assets	(68,524)	281	(68,243)
Endowment net assets, end of year	<u>\$ 1,695,817</u>	<u>\$ 251,162</u>	<u>\$ 1,946,979</u>

Changes in endowment net assets for year ended June 30, 2015, were as follows:

	Board Designated Investment <u>Fund</u>	Board Designated Reserve <u>Fund</u>	<u>Total</u>
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 gain	<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>

**NOTE 8 – CONTRIBUTED FACILITIES AND SERVICES**

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. Contributed facilities amounted to \$611,448 and \$635,916 for the years ended June 30, 2016 and 2015.

**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 and was renewed in July 2016 for \$1,250,000, at the rate of LIBOR plus 3.900%. The new line of credit expires July 2017. As of June 30, 2016 and 2015, there were no outstanding borrowings on the line of credit.

**COUNCIL ON THE ENVIRONMENT, INC. D/B/A GROWNVC**  
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**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. For the year ended June 30, 2015, GrowNYC contributed 6% of gross payroll paid to eligible employees, which amounted to \$240,532.

During the year ended June 30, 2016, GrowNYC converted the plan to a profit sharing plan with discretionary contributions paid to eligible employees. During the year ended June 30, 2016, contributions amounted to \$259,252. 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 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, 2016 and 2015, there was approximately \$1,639,000 and \$1,826,000 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 January 20, 2017, the date the financial statements were available to be issued.