

VERDE, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2021



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

VERDE, INC.
FINANCIAL STATEMENTS
Year Ended June 30, 2021

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-12

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Verde, Inc.
Portland, Oregon

We have audited the accompanying financial statements of Verde, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 from 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 auditors' 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 Verde, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Verde, Inc.'s 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated February 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kern & Thompson, LLC

Portland, Oregon
January 6, 2022

VERDE, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2021

(With Comparative Totals as of June 30, 2020)

ASSETS

	<u>2021</u>	<u>2020</u>
Cash	\$ 2,058,008	\$ 1,298,899
Contracts and accounts receivable	179,739	119,380
Grants and contributions receivable	997,218	157,090
Prepaid expenses	31,812	31,084
Property and equipment, net	<u>8,103</u>	<u>19,716</u>
Total assets	<u>\$ 3,274,880</u>	<u>\$ 1,626,169</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 101,934	\$ 46,372
Accrued payroll and related expenses	88,912	83,616
Refundable advance	<u>120,000</u>	<u>240,000</u>
Total liabilities	<u>310,846</u>	<u>369,988</u>
Net assets		
Without donor restrictions	1,083,680	143,917
With donor restrictions	<u>1,880,354</u>	<u>1,112,264</u>
Total net assets	<u>2,964,034</u>	<u>1,256,181</u>
Total liabilities and net assets	<u>\$ 3,274,880</u>	<u>\$ 1,626,169</u>

See notes to financial statements.

VERDE, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

(With Comparative Totals for the Year Ended June 30, 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2021</u>	<u>2020</u>
Revenues and other support				
Service contracts	\$ 540,601	\$ -	\$ 540,601	\$ 780,406
Government grants	405,146	-	405,146	279,731
Contributions	642,813	2,133,371	2,776,184	1,443,854
Contribution - PPP loan forgiveness	240,000	-	240,000	-
In-kind contributions	-	-	-	4,850
Miscellaneous	154,693	-	154,693	247,506
	<u>1,983,253</u>	<u>2,133,371</u>	<u>4,116,624</u>	<u>2,756,347</u>
Net assets released from restriction	<u>1,365,281</u>	<u>(1,365,281)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>3,348,534</u>	<u>768,090</u>	<u>4,116,624</u>	<u>2,756,347</u>
Expenses				
Program services				
HCC Fiscal Sponsorship	33,565	-	33,565	99,226
Outreach	502,556	-	502,556	671,915
Energy, Climate and Transportation	324,339	-	324,339	259,314
Living Cully	445,451	-	445,451	267,719
Verde Landscape	-	-	-	607,180
Suma	343,232	-	343,232	-
Verde Builds	143,257	-	143,257	1,217,371
Total program services	<u>1,792,400</u>	<u>-</u>	<u>1,792,400</u>	<u>3,122,725</u>
Supporting services				
Administration	517,054	-	517,054	475,384
Fundraising	99,317	-	99,317	118,057
Total expenses	<u>2,408,771</u>	<u>-</u>	<u>2,408,771</u>	<u>3,716,166</u>
Total change in net assets	939,763	768,090	1,707,853	(959,819)
Net assets, beginning of year	<u>143,917</u>	<u>1,112,264</u>	<u>1,256,181</u>	<u>2,216,000</u>
Net assets, end of year	<u>\$ 1,083,680</u>	<u>\$ 1,880,354</u>	<u>\$ 2,964,034</u>	<u>\$ 1,256,181</u>

See notes to financial statements.

VERDE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

(With Comparative Totals for the Year Ended June 30, 2020)

							SUPPORTING SERVICES					
	Healthy Communities Coalition		Energy, Climate and Transportation		Living Cully	Suma	Verde Builds	Total Program	Admin-istration	Fundraising	Total	
		Outreach									2021	2020
Salaries and wages	\$ 18,449	\$ 307,154	\$ 124,703	190,095	88,606	67,242	\$ 796,249	\$ 262,695	59,984	\$ 1,118,928	\$ 1,294,501	
Payroll taxes	1,588	26,434	10,946	16,428	7,672	6,928	69,996	22,219	5,022	97,237	106,837	
Employee benefits	1,526	37,284	14,686	34,720	11,003	7,472	106,691	32,084	8,706	147,481	175,272	
Professional services	11,797	35,253	134,229	99,560	210,722	24,434	515,995	75,025	17,544	608,564	725,100	
Licenses, taxes, fees	-	170	-	-	93	820	1,083	268	-	1,351	1,691	
Office supplies	-	986	-	1,357	534	3,264	6,141	10,675	9	16,825	15,683	
Program supplies	-	15,199	1,273	31,636	379	2,458	50,945	27	-	50,972	59,399	
Plant materials	-	1,012	-	-	3,744	-	4,756	-	-	4,756	23,321	
Dump fees	-	1,086	536	735	183	-	2,540	861	92	3,493	13,150	
Printing	-	76	-	3,919	978	-	4,973	2,848	-	7,821	3,174	
Postage	-	25	569	1,167	-	9	1,770	1,091	138	2,999	1,124	
Telephone	145	7,096	2,349	4,607	1,535	1,683	17,415	9,082	808	27,305	16,625	
Occupancy	-	55,793	29,248	39,768	9,965	16,185	150,959	53,141	5,628	209,728	241,097	
Equipment rental	-	309	-	-	495	-	804	-	-	804	1,509	
Other equipment	-	422	-	422	-	5,403	6,247	4,037	-	10,284	8,303	
Insurance	60	1,811	511	1,479	913	1,703	6,477	15,367	150	21,994	38,358	
Utilities	-	8,967	4,568	6,585	1,620	1,086	22,826	9,334	807	32,967	31,582	
Vehicle expense	-	1,211	-	840	95	1,064	3,210	2,560	-	5,770	23,075	
Travel	-	1,586	204	7,554	1,415	373	11,132	3,604	154	14,890	22,867	
Training and education	-	125	125	3,119	125	2,101	5,595	-	275	5,870	4,324	
Recruiting	-	-	162	162	486	-	810	82	-	892	-	
Depreciation	-	330	-	330	2,368	-	3,028	8,585	-	11,613	10,608	
Other	-	227	230	968	301	1,032	2,758	3,469	-	6,227	898,566	
	\$ 33,565	\$ 502,556	\$ 324,339	\$ 445,451	\$ 343,232	\$ 143,257	\$ 1,792,400	\$ 517,054	\$ 99,317	\$ 2,408,771	\$ 3,716,166	

See notes to financial statements.

VERDE, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2021

(With Comparative Totals for the Year Ended June 30, 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 1,707,853	\$ (959,819)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	11,613	10,608
Changes in assets and liabilities:		
Contracts and accounts receivable	(60,359)	163,614
Grants and contributions receivable	(840,128)	165,799
Prepaid expenses	(728)	942
Accounts payable	55,562	(55,279)
Accrued payroll and related expenses	5,296	(25,577)
Deposits	-	(7,994)
Refundable advance	(120,000)	240,000
Net cash provided by (used in) operating activities	759,109	(467,706)
Cash flows from investing activities:		
Purchase of equipment	-	(10,558)
Net cash provided by (used in) investing activities	-	(10,558)
Net change in cash	759,109	(478,264)
Cash, beginning of year	1,298,899	1,777,163
Cash, end of year	\$ 2,058,008	\$ 1,298,899

See notes to financial statements.

VERDE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE A – DESCRIPTION OF ORGANIZATION

Verde, Inc. (the Organization) is an Oregon tax-exempt not-for-profit corporation. Verde's mission: Verde serves communities by building environmental wealth through social enterprise, outreach and advocacy. Program services of the Organization are as follows:

Energy, Climate & Transportation

The Energy, Climate & Transportation program builds the power of low-income people and people of color through education, grassroots organizing, and policy advocacy to create policy and investments to benefit low-income and people of color communities. The program focuses on reducing energy cost burden, reducing carbon, and making mobility a universal right.

Healthy Communities Coalition

Verde leads the Healthy Communities Coalition (HCC). HCC members advocate for change in the City of Portland and in Prosper Portland's current strategies for investing public resources. Our framework for change is grounded in knowledge and resource sharing, collective impact through coalition building, and co-creation of a strategic campaign framework that utilizes internal agency advocacy and develops external community power and voice. We aim to shape public policy and bring innovative tools that have been tested and refined in other communities, such as directly negotiated and legally binding Community Benefit Agreements (CBAs), to our region. HCC's membership is made up of over 20 organizations from organized labor, racial justice organizations, and other community-based groups.

Living Cully

Verde serves as the backbone organization and leads Living Cully, a collaboration of community-based organizations operating in the Cully neighborhood in NE Portland. The program delivers direct services to residents, generates policy and investments to benefit low-income and people of color residents and builds community power through education and organizing.

Outreach

The Outreach program engages residents, peer organizations and policymakers about the connection between protecting the environment and making a good living, empowering low-income people and people of color to drive environmental resources into their neighborhoods in response to existing needs. The program delivers environmental education for middle school youth of color and leadership development for adults (Lideres Verdes).

Verde Builds

Verde Builds is a licensed and bonded Commercial General Contractor Level 2 in the State of Oregon. Verde Builds was established to create contract opportunities with minority-owned and women-owned businesses and to provide workforce development opportunities for people who come from low-income, people-of-color communities who are often left out of Portland's green economy.

VERDE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE A – DESCRIPTION OF ORGANIZATION (CONTINUED)

Suma

Verde serves as Suma's fiscal sponsor per a written fiscal sponsorship agreement. In support of its charitable purpose, Suma carries out the following activities: *Digital Organizing*. Suma works with Verde and other partners to build technology capacity in frontline communities; *Digital Enterprise*. Suma works with Verde and other partners to develop and implement a digital platform that increases access to environmental services for frontline communities; *Digital Justice*. Suma works with Verde and other partners to increase frontline community leadership of technology policymaking, including environmental technologies.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting, which recognizes revenue when earned and expenses when incurred.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets either subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VERDE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue streams applicable to the Organization that qualify as exchange transactions with “customers” (primarily service fees) are recognized at a single point upon receipt when all risks and rewards transfer. Amounts received from customers in advance, such as deposits for reserved future services and events, are recorded as deferred revenue until the Organization’s performance obligations are satisfied. Such deferred revenue is historically not material.

Grants and Contributions

Grants and contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period awarded. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Contracts and Accounts Receivable

Receivables consists of amounts due to the Organization from customers, other non-profit organizations and granting agencies. Contracts and accounts receivable are recorded as the related projects and services are completed and billed. Management periodically assesses the need for an allowance for doubtful accounts based on historical experience and existing conditions affecting probable collection. Management has determined that no allowance for doubtful accounts was necessary as of June 30, 2021. Contracts and accounts receivable greater than 90-days are immaterial.

Property and Equipment

Property and equipment is recorded at cost when purchased or fair market value when donated. Depreciation is computed using the straight-line method over an estimated useful life of three to seven years. Expenditures exceeding \$5,000 for additions, major renewals and betterments are capitalized. Maintenance and repairs are expensed when incurred.

Income Taxes

The Organization has been approved as a tax exempt organization under the Internal Revenue Code Section 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization does not believe it has unrelated trade or business income in excess of \$1,000.

VERDE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Functional Expenses

The costs of providing the programs and supporting services have been summarized in the Statement of Activities. Directly identifiable expenses are charged to programs and supporting services when incurred. Certain costs, including office expense, occupancy, leases and utilities have been allocated among the programs and supporting services benefited based primarily on estimates of time and effort or square footage.

Concentrations of Credit Risk

The Organization's financial instruments consist primarily of cash and cash equivalents, which may subject the Organization to concentrations of credit risk. Cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC).

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Leasehold improvements	\$	5,968
Vehicles		19,921
Equipment		<u>33,853</u>
		59,742
Less accumulated depreciation		<u>(51,639)</u>
	\$	<u><u>8,103</u></u>

For the year ended June 30, 2021, depreciation expense was \$11,613.

NOTE D – REVOLVING LINE OF CREDIT

The Organization maintains a revolving bank line of credit with a limit of \$250,000, secured by substantially all assets, bearing interest at the prime rate as determined by the bank (4.75% at June 30, 2021). There is no outstanding balance as of June 30, 2021.

VERDE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE E – REFUNDABLE ADVANCES

Paycheck Protection Program Loan

In response to the global economic impact caused by the coronavirus pandemic, the US Small Business Administration (SBA) created the Paycheck Protection Program (PPP) “forgivable loan” to assist nonprofit organizations and for-profit enterprises with eligible payroll and certain specified operating costs. The loans are funded by the SBA through participating banks and are subject to specific conditions, which if met, will result in forgiveness of all or part of the loan.

During the year ended June 30, 2020, the Organization received PPP funding in the amount of \$240,000 which was included as a refundable advance at June 30, 2020. The PPP advance was forgiven during the year ended June 30, 2021 and was included as revenue on the accompanying statement of activities.

Conditional Grant Advances

Refundable advances result primarily from conditional grant payments received prior to the incurrence of allowable grant expenditures, and are refundable to the grantor if not used for grant purposes. At June 30, 2021, the Organization had a refundable advance of \$120,000 from a conditional grant payment.

NOTE F – OPERATING LEASE COMMITMENTS

Minimum lease payments under non-cancellable leases for the office space and copier are as follows:

Year Ended June 30,	
2022	\$ 26,819
2023	42,735
2024	44,016
2025	<u>18,565</u>
	<u>\$ 132,135</u>

Total rental expense for the year ended June 30, 2021 was \$167,412.

VERDE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE G – RESTRICTIONS ON NET ASSETS

The Organization's net assets with donor restrictions are subject to the following purpose or time restrictions:

Subject to purpose restrictions:	
Verde Builds	\$ 116,261
Suma	262,302
Living Cully: A Cully Eco-District	660,419
Health Community Coalition	53,005
Outreach	400,140
Energy	<u>388,227</u>
Total net assets with donor restrictions	\$ <u>1,880,354</u>

NOTE H – LIQUIDITY

The following chart represents the Organization's financial assets available to meet cash needs for general expenditures within one year of June 30, 2021:

Financial assets at year-end:	
Cash and cash equivalents	\$ 2,058,008
Grants and contributions receivable	997,218
Contracts and accounts receivable	<u>179,739</u>
Total financial assets	<u>3,234,965</u>
Less those unavailable for general expenditure within one year, due to:	
Contractual or donor-imposed restrictions:	<u>(1,880,354)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>1,354,611</u>

NOTE I – CONTINGENCIES

A significant portion of the Organization's revenue and support are earned under grants and contracts with various funding sources. Amounts received or receivable from these contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future. It is management's belief that no material amounts received will be required to be returned in the future that have not already been provided for.

VERDE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE J – UNCERTAINTY

Beginning in March 2020, an outbreak of a coronavirus necessitated that many employees work from home and provided for social distancing measure. The effects of these events may continue for some time, including disruptions to or restrictions on employees' ability to work and on the ability of funders and members to fully participate in programs and continue their current level of financial support to the Organization. At the present time, the ultimate future effects of these issues are unknown.

NOTE K – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 6, 2022, which is the date the financial statements were available to be issued.