

VERDE, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2022



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

VERDE, INC.
FINANCIAL STATEMENTS
Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Verde, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Verde, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
Verde, Inc.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Verde, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Verde, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Verde, Inc.'s 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kern & Thompson LLC

Portland, Oregon
January 6, 2023

VERDE, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2022

(With Comparative Totals as of June 30, 2021)

ASSETS

	<u>2022</u>	<u>2021</u>
Cash	\$ 2,597,706	\$ 2,058,008
Contracts and accounts receivable	192,674	179,739
Grants and contributions receivable	423,624	997,218
Prepaid expenses	17,169	31,812
Property and equipment, net	<u>65,065</u>	<u>8,103</u>
Total assets	\$ <u>3,296,238</u>	\$ <u>3,274,880</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 336,141	\$ 101,934
Accrued payroll and related expenses	94,287	88,912
Refundable advance	<u>-</u>	<u>120,000</u>
Total liabilities	<u>430,428</u>	<u>310,846</u>
Net assets		
Without donor restrictions	1,601,194	1,083,680
With donor restrictions	<u>1,264,616</u>	<u>1,880,354</u>
Total net assets	<u>2,865,810</u>	<u>2,964,034</u>
Total liabilities and net assets	\$ <u>3,296,238</u>	\$ <u>3,274,880</u>

See notes to financial statements.

VERDE, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2022</u>	<u>2021</u>
Revenues and other support				
Service contracts	\$ 665,404	\$ -	\$ 665,404	\$ 540,601
Government grants	1,024,929	96,883	1,121,812	405,146
Contributions	453,250	1,161,995	1,615,245	2,776,184
Contribution - PPP loan forgiveness	-	-	-	240,000
Other income	9,244	-	9,244	154,693
	<u>2,152,827</u>	<u>1,258,878</u>	<u>3,411,705</u>	<u>4,116,624</u>
Net assets released from restriction	<u>1,874,616</u>	<u>(1,874,616)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>4,027,443</u>	<u>(615,738)</u>	<u>3,411,705</u>	<u>4,116,624</u>
Expenses				
Program services				
HCC Fiscal Sponsorship	28,841	-	28,841	33,565
Outreach	420,112	-	420,112	502,556
Energy, Climate and Transportation	594,022	-	594,022	324,339
Living Cully	485,983	-	485,983	445,451
Suma	489,301	-	489,301	343,232
Verde Builds	828,631	-	828,631	143,257
Total program services	<u>2,846,890</u>	<u>-</u>	<u>2,846,890</u>	<u>1,792,400</u>
Supporting services				
Administration	545,969	-	545,969	517,054
Fundraising	117,070	-	117,070	99,317
	<u>117,070</u>	<u>-</u>	<u>117,070</u>	<u>99,317</u>
Total expenses	<u>3,509,929</u>	<u>-</u>	<u>3,509,929</u>	<u>2,408,771</u>
Total change in net assets	517,514	(615,738)	(98,224)	1,707,853
Net assets, beginning of year	<u>1,083,680</u>	<u>1,880,354</u>	<u>2,964,034</u>	<u>1,256,181</u>
Net assets, end of year	<u>\$ 1,601,194</u>	<u>\$ 1,264,616</u>	<u>\$ 2,865,810</u>	<u>\$ 2,964,034</u>

See notes to financial statements.

VERDE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	SUPPORTING SERVICES											
	Healthy Communities Coalition		Energy, Climate and Transportation		Living Cully	Suma	Verde Builds	Total Program	Admin-istration	Fundraising	Total	
	Outreach									2022	2021	
Salaries and wages	\$ 1,801	\$ 270,533	\$ 217,730	\$ 240,392	\$ -	\$ 192,049	\$ 922,505	\$ 305,297	80,880	\$ 1,308,682	\$ 1,118,928	
Payroll taxes	138	23,973	18,697	21,569	-	17,155	81,532	26,152	6,863	114,547	97,237	
Employee benefits	251	34,241	25,362	42,107	-	30,303	132,264	39,308	10,606	182,178	147,481	
Professional services	14,610	39,525	305,333	140,649	202,460	569,932	1,272,509	82,283	5,288	1,360,080	608,564	
Licenses, taxes, fees	-	170	-	618	594	185	1,567	225	-	1,792	1,351	
Office supplies	-	1,562	819	2,095	4,658	125	9,259	12,531	2,058	23,848	16,825	
Program supplies	-	19,168	80	9,572	1,093	4,583	34,496	-	-	34,496	50,972	
Plant materials	-	856	-	-	-	-	856	-	-	856	4,756	
Dump fees	-	103	58	270	-	19	450	501	6	957	3,493	
Printing	-	9	-	583	6	2,162	2,760	2,690	-	5,450	7,821	
Postage	-	95	-	11	22	-	128	432	67	627	2,999	
Telephone	18	3,731	3,024	3,912	3,241	2,230	16,156	12,364	1,230	29,750	27,305	
Occupancy	-	10,775	6,060	9,091	27,920	2,020	55,866	14,339	996	71,201	209,728	
Equipment rental	-	-	-	-	-	-	-	60	-	60	804	
Other equipment	-	765	7,476	530	1,051	-	9,822	6,741	8,578	25,141	10,284	
Insurance	-	2,372	1,633	1,278	1,865	2,464	9,612	4,675	-	14,287	21,994	
Utilities	-	838	436	654	2,586	208	4,722	798	73	5,593	32,967	
Vehicle expense	-	2,463	-	1,191	2,659	556	6,869	2,586	-	9,455	5,770	
Travel	-	338	816	37	2,861	751	4,803	7,339	81	12,223	14,890	
Training and education	-	343	-	1,599	860	-	2,802	448	-	3,250	5,870	
Program and Staff Meals	-	5,016	1,298	9,457	709	1,161	17,641	1,490	254	19,385		
Recruiting	-	1,043	-	-	-	360	1,403	286	-	1,689	892	
Depreciation	-	660	-	-	-	2,368	3,028	20,022	-	23,050	11,613	
Fiscal sponsorship and other	12,023	1,533	5,200	368	236,716	-	255,840	5,402	90	261,332	6,227	
	<u>\$ 28,841</u>	<u>\$ 420,112</u>	<u>\$ 594,022</u>	<u>\$ 485,983</u>	<u>\$ 489,301</u>	<u>\$ 828,631</u>	<u>\$ 2,846,890</u>	<u>\$ 545,969</u>	<u>\$ 117,070</u>	<u>\$ 3,509,929</u>	<u>\$ 2,408,771</u>	

See notes to financial statements.

VERDE, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (98,224)	\$ 1,707,853
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	23,050	11,613
Changes in assets and liabilities:		
Contracts and accounts receivable	(12,935)	(60,359)
Grants and contributions receivable	573,594	(840,128)
Prepaid expenses	14,643	(728)
Accounts payable	234,207	55,562
Accrued payroll and related expenses	5,375	5,296
Refundable advance	(120,000)	(120,000)
Net cash provided by (used in) operating activities	619,710	759,109
Cash flows from investing activities:		
Purchase of equipment	(81,332)	-
Sale of equipment	1,320	-
Net cash provided by (used in) investing activities	(80,012)	-
Net change in cash	539,698	759,109
Cash, beginning of year	2,058,008	1,298,899
Cash, end of year	\$ 2,597,706	\$ 2,058,008

See notes to financial statements.

VERDE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

The Healthy Communities Coalition program ended as of June 30, 2022. Verde led the Healthy Communities Coalition (HCC). HCC members advocated for change in the City of Portland and in Prosper Portland’s strategy for investing public resources. The framework for change was grounded in knowledge and resource sharing, collective impact through coalition building, and co-creation of a strategic campaign framework that utilized internal agency advocacy and developed external community power and voice. We shaped public policy and brought innovative tools that had been tested and refined in other communities, such as directly negotiated and legally binding Community Benefit Agreements (CBAs), to our region. HCC’s membership was 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, 2022

NOTE A – DESCRIPTION OF ORGANIZATION (CONTINUED)

Suma

The Suma fiscal sponsorship ended as of June 30, 2022. Verde served as Suma's fiscal sponsor per a written fiscal sponsorship agreement. In support of its charitable purpose, Suma carried out the following activities: *Digital Organizing*. Suma worked with Verde and other partners to build technology capacity in frontline communities; *Digital Enterprise*. Suma worked with Verde and other partners to develop and implement a digital platform that increased access to environmental services for frontline communities; *Digital Justice*. Suma worked with Verde and other partners to increase frontline community leadership of technology policymaking, including environmental technologies. Amounts due to Suma at year end June 30, 2022, related to the exit of the fiscal sponsorship agreement, were \$235,395 and are included in accounts payable. Expenses related to Suma, for the year then ended, were \$235,395 and included with fiscal sponsorship and other expenses in the statement of functional expense.

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, 2022

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, 2022. 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, 2022

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, 2021, from which the summarized information was derived.

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Leasehold improvements	\$	83,099
Vehicles		11,840
Equipment		<u>33,853</u>
		128,792
Less accumulated depreciation		<u>(63,727)</u>
	\$	<u><u>65,065</u></u>

For the year ended June 30, 2022, depreciation expense was \$23,050.

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 plus 1.5% (6.25% at June 30, 2022). There is no outstanding balance as of June 30, 2022.

VERDE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

NOTE E – OPERATING LEASE COMMITMENTS

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

Year Ended June 30,	
2023	\$ 42,945
2024	44,124
2025	<u>14,852</u>
	<u>\$ 101,921</u>

Total rental expense for the year ended June 30, 2022 was \$61,590.

NOTE F – 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	\$ 104,527
Living Cully: A Cully Eco-District	281,348
Outreach	294,091
Energy	<u>584,650</u>
Total net assets with donor restrictions	<u>\$ 1,264,616</u>

NOTE G – LIQUIDITY

The following chart represents the Organization's financial assets available to meet cash needs for general expenditures within one year of June 30, 2022:

Financial assets at year-end	
Cash and cash equivalents	\$ 2,597,706
Grants and contributions receivable	423,624
Contracts and accounts receivable	192,674
Total financial assets	<u>3,214,004</u>
Less those unavailable for general expenditure within one year, due to:	
Contractual or donor-imposed restrictions	<u>(1,264,616)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,949,388</u>

VERDE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

NOTE H – 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.

NOTE I – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 6, 2023, which is the date the financial statements were available to be issued.