

**COMMUNITY DEVELOPMENT PROJECT, INC.  
(D/B/A TAKEROOT JUSTICE)  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

**COMMUNITY DEVELOPMENT PROJECT, INC. (D/B/A TAKEROOT JUSTICE)  
FOR THE YEAR ENDED JUNE 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Community Development Project, Inc. (d/b/a TakeRoot Justice)

We have audited the accompanying financial statements of Community Development Project, Inc. (d/b/a TakeRoot Justice) (the "Organization"), which comprise the statement of financial position as of June 30, 2020, 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.

### Auditor's 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 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 the Organization as of June 30, 2020, and the results of 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.



CERTIFIED PUBLIC ACCOUNTANTS

Melville, New York  
March 4, 2022

**COMMUNITY DEVELOPMENT PROJECT, INC. (D/B/A TAKEROOT JUSTICE)**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2020**

**ASSETS**

Cash	\$ 389,578
Accounts receivable	1,886,097
Security deposits	<u>2,742</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>2,278,417</u></b>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable and accrued expenses	\$ 266,594
Paycheck Protection Program note payable	991,040
Deferred rent	<u>55,276</u>
Total liabilities	<u>1,312,910</u>
Commitments and contingencies (Notes 3, 5 and 7)	
Net assets:	
Net assets without donor restrictions	940,507
Net assets with donor restrictions	<u>25,000</u>
Total net assets	<u>965,507</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>2,278,417</u></b>

See accompanying notes to financial statements.

**COMMUNITY DEVELOPMENT PROJECT, INC. (D/B/A TAKEROOT JUSTICE)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Contributions and grants	\$ <u>7,429,993</u>	\$ <u>25,000</u>	\$ <u>7,454,993</u>
Expenses:			
Program services	<u>4,850,527</u>	<u>-</u>	<u>4,850,527</u>
Supporting services:			
Management and general	1,596,122	-	1,596,122
Fundraising	<u>42,837</u>	<u>-</u>	<u>42,837</u>
Total supporting services	<u>1,638,959</u>	<u>-</u>	<u>1,638,959</u>
Total expenses	<u>6,489,486</u>	<u>-</u>	<u>6,489,486</u>
Change in net assets	940,507	25,000	965,507
Net assets - beginning	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS - ENDING</b>	<u>\$ <u>940,507</u></u>	<u>\$ <u>25,000</u></u>	<u>\$ <u>965,507</u></u>

See accompanying notes to financial statements.

**COMMUNITY DEVELOPMENT PROJECT, INC. (D/B/A TAKEROOT JUSTICE)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Program Services								Supporting Services			Total	
	Capacity Building	Consumer Justice	Equitable Neighborhoods	Housing Rights	Immigrants' Rights	Research and Policy	Resource Management	Workers' Rights	Total Program Services	Administrative	Fundraising		Total Supporting Services
Salaries and wages	\$ 147,112	\$ 206,741	\$ 172,886	\$ 931,980	\$ 467,385	\$ 158,545	\$ 487,595	\$ 358,541	\$ 2,930,785	\$ 952,857	\$ 25,154	\$ 978,011	\$ 3,908,796
Fringe benefits	44,348	62,324	52,118	280,954	140,898	47,795	146,990	108,086	883,513	287,248	7,583	294,831	1,178,344
Occupancy	24,582	34,547	28,890	155,738	78,102	26,493	81,479	59,914	489,745	159,226	4,203	163,429	653,174
Professional and consultant fees	10,386	14,597	13,706	65,803	35,600	11,194	41,427	25,315	218,028	141,423	1,776	143,199	361,227
Subcontractors	-	-	30,000	120,000	-	-	-	-	150,000	-	-	-	150,000
Computer system support	2,025	2,846	2,380	12,830	6,434	2,183	6,712	4,936	40,346	13,117	346	13,463	53,809
Program supply expenses	161	429	3,323	1,729	21,762	-	17,219	1,239	45,862	-	-	-	45,862
Communications	1,292	1,816	1,518	8,185	4,105	1,392	4,282	3,149	25,739	8,369	221	8,590	34,329
Office supplies	1,333	1,287	1,260	6,733	3,092	987	6,811	2,330	23,833	8,530	157	8,687	32,520
Dues, fees and subscriptions	923	1,047	656	2,223	848	489	393	1,874	8,453	9,023	-	9,023	17,476
Insurance	661	929	777	4,189	2,101	713	2,192	1,612	13,174	4,283	113	4,396	17,570
Postage	338	476	398	2,144	1,075	365	1,122	825	6,743	2,192	58	2,250	8,993
Professional development	153	215	675	1,580	970	165	507	1,332	5,597	2,905	26	2,931	8,528
Printing	151	212	177	955	479	162	500	367	3,003	977	26	1,003	4,006
Travel and conferences	1,656	55	558	101	391	-	-	522	3,283	-	-	-	3,283
Miscellaneous	60	190	-	285	1,573	-	315	-	2,423	5,972	3,174	9,146	11,569
<b>TOTAL EXPENSES</b>	<u>\$ 235,181</u>	<u>\$ 327,711</u>	<u>\$ 309,322</u>	<u>\$ 1,595,429</u>	<u>\$ 764,815</u>	<u>\$ 250,483</u>	<u>\$ 797,544</u>	<u>\$ 570,042</u>	<u>\$ 4,850,527</u>	<u>\$ 1,596,122</u>	<u>\$ 42,837</u>	<u>\$ 1,638,959</u>	<u>\$ 6,489,486</u>

See accompanying notes to financial statements.

**COMMUNITY DEVELOPMENT PROJECT, INC. (D/B/A TAKEROOT JUSTICE)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Cash flows from operating activities:	
Change in net assets	\$ 965,507
Adjustments to reconcile change in net assets to net cash used in operating activities	
Changes in assets and liabilities:	
Accounts receivable	(1,886,097)
Accounts payable and accrued expenses	266,594
Security deposits	(2,742)
Deferred rent	<u>55,276</u>
Net cash used in operating activities	(601,462)
Cash provided by financing activities:	
Proceeds from Paycheck Protection Program note payable	<u>991,040</u>
Net increase in cash	389,578
Cash - beginning	<u>-</u>
<b>CASH - ENDING</b>	<b><u>\$ 389,578</u></b>

See accompanying notes to financial statements.



**COMMUNITY DEVELOPMENT PROJECT, INC. (D/B/A TAKEROOT JUSTICE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS**

Community Development Project, Inc. (d/b/a TakeRoot Justice) ("TakeRoot" or the "Organization") was formed through a reorganization agreement dated June 27, 2019, under the Not-For-Profit Corporation Law of the state of New York. The Organization is exempt from federal income tax under Internal Revenue Service Code 501(c)(3) as a public charity.

The Organization is a nonprofit organization established to provide civil legal services and research and policy assistance to individuals, nonprofits and small businesses in New York City. The Organization's mission is to "provide legal, participatory research and policy support to strengthen the work of grassroots and community-based groups in New York City to dismantle racial, economic and social oppression."

The Organization has eight distinct "practice areas" or departments, described as follows:

*Capacity Building/Transactional Legal Services* - TakeRoot's Capacity Building Team offers community groups the legal assistance they need to establish, grow, build power and bring new opportunities to their neighborhoods. The Organization's attorneys help build the nonprofits' capacities for effective organizational management and support their organizing and advocacy efforts in the communities TakeRoot serves. TakeRoot provides support in a variety of areas, including entity selection and formation, obtaining and maintaining tax exemption, creating governance documents, complying with employment laws, and engaging in real estate and lease transactions. TakeRoot also assists with the formation of worker cooperatives, which gives workers greater control over their working conditions, income and economic futures.

*Consumer Justice* - Through free resources including legal clinics, community education, consumer advocacy services, and legal representation, the Consumer Justice Team builds community strength and financial empowerment. TakeRoot's consumer empowerment services include:

- Community education workshops and materials that encourage greater public awareness around consumer and financial empowerment issues, such as credit reporting and access to banking, to demonstrate their impact on low-income communities. The Organization strives to teach consumers how to protect and assert their rights.
- Direct legal services to represent consumers in debt collection litigation and to assert their rights against unlawful debt collection practices. The Organization's areas of coverage include breach of lease, credit card debts, student loans, and identity theft, with special attention to the disparate impact of unlawful and fraudulent acts on immigrant communities.
- Support of community organizations' advocacy campaigns to bring reform in the areas of employment agency fraud, injustice in the bail bond industry, and increased regulation of debt collectors and process servers in New York City.

**COMMUNITY DEVELOPMENT PROJECT, INC. (D/B/A TAKEROOT JUSTICE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS (CONTINUED)**

*Equitable Neighborhoods* - TakeRoot's Equitable Neighborhoods Practice works with grassroots groups, neighborhood organizations and community coalitions to ensure that people of color, immigrants and low-income residents are not ignored or pushed out in the name of "progress." TakeRoot partners with residents in historically under-resourced areas to fight for stable, affordable housing, community spaces, jobs to make a good living and other opportunities that allow people to thrive.

TakeRoot's Equitable Neighborhoods Team supports community groups when they respond to New York City-initiated projects and plans, including neighborhood rezonings; when they want to understand and influence big development projects coming to their area; as they create or defend important community spaces; and when they work to ensure public assets are being used for public good. The Organization's team also supports grassroots efforts to reform policies to ensure that local people, businesses and community institutions are not displaced by large developers.

*Housing Rights* - TakeRoot's 20 years of affordable housing work has preserved more than 10,000 units of affordable housing, achieved millions of dollars' worth of repairs for low-income tenants, and kept thousands of New Yorkers in their homes by preventing eviction and displacement. TakeRoot's Housing Rights Team provides legal support to neighborhood groups across the city that are organizing low-income tenants to fight back against gentrification and preserve the affordability of New York's housing stock. The Organization provides civil legal services to low-income tenants by bringing suit on behalf of tenant associations against landlords attempting to displace low-income tenants by withholding repairs, illegally increasing rents, harassing and intimidating tenants. TakeRoot's Housing Rights Team also provides legal assistance through community workshops and training, legal clinics and an advice hotline. In coalition with local grassroots organizations, TakeRoot's Housing Rights Team also works to strengthen tenant protections at the local and state level to ensure housing stability for all New Yorkers.

*Immigrants' Rights* - TakeRoot's Immigrants' Rights Team finds innovative ways to use and change laws in order to build power in immigrant communities of color. The Organization employs the tools of direct representation, community education, and advocacy to advance the rights of low-income immigrants. TakeRoot partners with working class immigrant organizing groups to provide their members with comprehensive legal representation in affirmative and removal defense cases. TakeRoot aims to protect individuals from detention and deportation, keep families together and build power in immigrant communities. TakeRoot provides up-to-date Know Your Rights ("KYR") workshops and materials to help our partners keep their base safe and informed of changes in immigration policy. TakeRoot's team is also involved in efforts to support the development of immigrant community defense networks, advocacy to challenge harsh immigration laws and enforcement practices, and promote language access.

**COMMUNITY DEVELOPMENT PROJECT, INC. (D/B/A TAKEROOT JUSTICE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1.      ORGANIZATION AND NATURE OF OPERATIONS (CONTINUED)**

*Participatory Research & Policy* - TakeRoot's Research & Policy Team partners with organizing groups on research projects and policy analysis to document problems, formalize issues for policy-makers, and help move campaigns forward.

The Organization's direct work with community organizations includes:

- Research Partnerships to Strengthen Organizing: Organizing is the foundation of our projects. TakeRoot works in partnership with community groups to design, administer, analyze and write participatory action research reports. For example, many groups aim to document and formalize issues in the eyes of their targets and stakeholders; TakeRoot works with them to identify what research will best serve them. Then TakeRoot helps coordinate and guide the project with the Organization's goals, priorities and leadership always at the center.
- Training: Rather than exclude organizations from the "how" of research work, TakeRoot trains organizers and community members to conduct, understand and use research. TakeRoot utilizes a train-the-trainer model so that these skills can then be shared within communities. Trainings include: designing research instruments such as surveys or focus group guides, conducting research, entering data, developing findings, creating policy recommendations, and more.
- Strategic Campaign Research: The Organization conducts background research and develops fact sheets to provide strategic data for organizing campaigns. TakeRoot's partners use these materials in leadership development and base-building and to educate elected and government officials about specific issues and campaigns.
- Action: The Organization's reports are not designed to sit on a shelf. The Organization's research helps groups move their targets, advance legislative campaigns, garner press coverage, and more. TakeRoot provides support for strategic report releases and media engagement, which serve as a launching point for the Organization's partners' campaigns.

*Resource Management and Coalition Coordination* - TakeRoot's Resource Management Team administers and manages the Organization's government funding contracts and collects and analyzes data on TakeRoot's many programs and services. The team also includes professionals who coordinate and manage coalitions of nonprofit organizations engaged in housing, immigration and employment work in New York City.

**COMMUNITY DEVELOPMENT PROJECT, INC. (D/B/A TAKEROOT JUSTICE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS (CONTINUED)**

*Workers' Rights* - TakeRoot's Workers' Rights Practice combats wage theft, workplace exploitation and violations against workers who assert their rights under labor laws. The Organization partners with worker centers and worker organizing groups to bring lawsuits on behalf of low-wage workers to combat violations such as unpaid minimum wages and overtime, tip theft, discrimination, harassment and retaliation against workers who assert their rights under the labor laws. We also engage in extensive advocacy with the New York and U.S. Departments of Labor on behalf of individual workers whose workplace rights have been violated. The Organization's Workers' Rights Team has developed deep experience in litigating claims for violations of federal and state wage and hour laws, anti-harassment and anti-discrimination laws, anti-trafficking laws and the right to engage in concerted protected activity. In total, TakeRoot has won more than \$25 million in unpaid wages and tips for low-wage workers who were exploited and mistreated by their employers.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications.

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Organization recognizes revenue in accordance with Accounting Standards Update ("ASU") No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), which provides guidance for determining whether a transaction should be accounted for as a contribution or an exchange transaction, and whether a contribution is conditional or unconditional.

**COMMUNITY DEVELOPMENT PROJECT, INC. (D/B/A TAKEROOT JUSTICE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue Recognition (Continued)

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations 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 donor restrictions.

Contributions of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier, are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management evaluates such receivables and establishes an allowance for doubtful accounts based on a history of write-offs and collections and current credit conditions. As of June 30, 2020, there was no allowance for doubtful accounts recorded by the Organization.

Income Taxes

The Organization is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and from state income taxes. As a not-for-profit entity, the Organization is subject to unrelated business income tax ("UBIT"), if applicable.

The Organization recognizes and measures its unrecognized tax benefits in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes*. Under that guidance, the Organization assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change.

Management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require adjustment to the accompanying financial statements.

**COMMUNITY DEVELOPMENT PROJECT, INC. (D/B/A TAKEROOT JUSTICE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Functional Allocation of Expenses

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the accompanying statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The Organization incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services. Specifically, salaries and wages, professional fees, and travel expenses which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on estimates of time and effort incurred by personnel.

Recently Issued but Not Yet Effective Accounting Pronouncements

*Contributed Nonfinancial Assets* - In September 2020, FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), which is intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosures. ASU 2020-07 is effective for annual periods beginning after June 15, 2021, with early adoption permitted. The Organization is evaluating the effect that ASU 2020-07 will have on its financial statements and related disclosures.

*Revenue Recognition* - In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended (commonly referred to as "ASC 606"), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 606 replaces most existing revenue recognition standards in U.S. GAAP, including industry-specific standards, when it becomes effective. In June 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)* ("ASU 2020-05"). ASU 2020-05 provided for an optional election to defer the effective date for ASC 606 and related amendments for an additional year.

*Leases* - In February 2016, FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"), which among other items, requires an entity to recognize lease assets and lease liabilities in the Organization's statement of financial position and to disclose key information about leasing transactions. This new guidance is effective for the Organization's annual reporting period beginning after December 15, 2020, with early adoption permitted. In June 2020, FASB issued ASU 2020-05, which defers the effective date for one year for certain entities that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of ASU 2016-02. Those entities may elect to adopt the guidance for annual reporting periods beginning after December 15, 2021. Early adoption continues to be permitted, which means that an entity may choose to implement ASU 2016-02 before those deferred effective dates. The Organization has not yet elected to adopt ASU 2016-02 and is evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures.

**COMMUNITY DEVELOPMENT PROJECT, INC. (D/B/A TAKEROOT JUSTICE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events for potential recognition or disclosure in these financial statements through March 4, 2022, which is the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**NOTE 3. REORGANIZATION, SEPARATION AND TRANSITION AGREEMENT**

Effective July 1, 2019, TakeRoot entered into a reorganization, separation and transition agreement (the "Agreement") with a New York State not-for-profit organization (the "Project Manager"). Prior to the Agreement, the Organization operated as a specific project of the Project Manager and was consolidated into the Project Manager's financial statements.

**NOTE 4. LIQUIDITY AND AVAILABILITY**

The table below represents the Organization's financial assets as of June 30, 2020, reduced by amounts that are not available to meet general expenditures within one year of the financial position date due to donor-imposed purpose restrictions:

Cash	\$	389,578
Accounts receivable		<u>1,475,979</u>
Total financial assets available to meet cash needs for general expenditures within one year		1,865,557
Less amounts not available for general obligations within one year:		
Net assets with donor restrictions		<u>25,000</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>1,840,557</u>

The Organization receives contributions with and without donor restrictions. Contributions received with donor restrictions are to be used in accordance with the associated purpose restrictions.

As part of the Organization's liquidity management, it has a plan to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

**NOTE 5. PAYCHECK PROTECTION PROGRAM NOTE PAYABLE**

On April 23, 2020, the Organization received loan proceeds of \$991,040 under the Paycheck Protection Program (the "PPP"). The PPP, which was established as part of the Coronavirus Aid, Relief and Economic Security Act, provides for loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The loan and accrued interest, or a portion thereof, may be forgiven after 24 weeks so long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, mortgage interest and utilities, and maintains its payroll levels, as defined by the PPP. At least 60% of the loan proceeds must be spent on payroll costs, as defined by the PPP, for the loan to be eligible for forgiveness.

**COMMUNITY DEVELOPMENT PROJECT, INC. (D/B/A TAKEROOT JUSTICE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 5. PAYCHECK PROTECTION PROGRAM NOTE PAYABLE (CONTINUED)**

The PPP loan matures two years from the date of the note (the “PPP Loan Date”) and accrues interest at a fixed rate of 1%. Payments are deferred for at least the first six months and are payable in 18 equal consecutive monthly installments of principal and interest commencing upon expiration of the deferral period of the PPP Loan Date.

U.S. GAAP does not contain authoritative accounting standards for forgivable loans provided by governmental entities. Absent authoritative accounting standards, interpretative guidance issued and commonly applied by financial statement preparers allows for the selection of policies amongst acceptable alternatives. Based on the facts and circumstances, the Organization has determined it most appropriate to account for the PPP loan proceeds under the debt model. Under the debt model, the Organization recognizes the proceeds received as debt, recognizes periodic interest expense in the period in which the interest accrues at the stated interest rate and defers recognition of any potential forgiveness of the loan principal or interest until the period in which the Organization has been legally released from its obligation by the lender. The Organization deemed the debt model to be the most appropriate accounting policy for this arrangement as the underlying PPP loan is a legal form of debt and there are significant contingencies outside of the control of the Organization, mainly related to the third-party approval process for forgiveness.

The Organization currently intends to use the proceeds for purposes consistent with the PPP; however, there can be no assurances that the Organization will ultimately meet the conditions for forgiveness of the loan or that the Organization will not take actions that could cause the Organization to be ineligible for forgiveness of the loan, in whole or in part. Minimum payments required under the note at June 30, 2020 are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2021	\$ 493,663
2022	<u>497,377</u>
Total	<u>\$ 991,040</u>

**NOTE 6. CONCENTRATIONS**

Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash on deposit with a commercial bank.

At times, the Organization's cash or unreserved and reserved cash may exceed federally provided insurance coverage. The Organization has not experienced any losses in such accounts.

Revenue and Receivables

As of June 30, 2020, three contributors accounted for 92% of the Organization's total accounts receivable.

For the year ended June 30, 2020, two contributors accounted for 85% of the Organization's total support and revenue.



**COMMUNITY DEVELOPMENT PROJECT, INC. (D/B/A TAKEROOT JUSTICE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS**

The Organization's net assets with donor restrictions as of June 30, 2020 are restricted for future periods and subject to the passage of time.

**NOTE 8. COMMITMENTS AND CONTINGENCIES**

Lease Agreement

As of June 30, 2020, TakeRoot has one operating lease for office space that expires in December 2027. In addition to the minimum lease payments, TakeRoot is also responsible for its pro-rata share of related real estate taxes, insurance and common area maintenance.

Under U.S. GAAP, the Organization charges rent expense to operations equally over the term of the leases. Accordingly, this has resulted in a liability in the amount of \$55,276, as of June 30, 2020, which is included in the accompanying statement of financial position as "Deferred rent."

Rent paid and included in functional expenses amounted to \$653,174 for the year ended June 30, 2020.

Future minimum noncancelable lease payments are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2021	\$ 569,722
2022	583,965
2023	598,565
2024	613,529
2025	628,867
Thereafter	<u>1,643,902</u>
	<u>\$ 4,638,550</u>

Collective Bargaining Agreement

As of July 1, 2019, TakeRoot entered into a collective bargaining agreement with a labor union (the "Union") as the sole and exclusive bargaining representative of all non-management employees of TakeRoot. All employees covered by the agreement shall within 30 days of its ratification, and all new employees covered by this agreement shall within 30 days of their first day of employment, as a condition of employment, join the Union and remain members of the Union in good standing during the term of this agreement.

Grants and Contracts

Certain grants and contracts may be subject to audit by funding sources. Such audits might result in possible adjustments and/or disallowance of costs submitted for reimbursement. The effects of any such adjustments are recorded when reasonably determinable. Management is of the opinion that such cost disallowances or adjustments, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been reserved in the financial statements for such potential claims.

**COMMUNITY DEVELOPMENT PROJECT, INC. (D/B/A TAKEROOT JUSTICE)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 8. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Litigation

From time to time, the Organization is subject to various proceedings arising during the ordinary course of operations. Based on the Organization's understanding of the facts of any such matters and, where necessary, the advice of counsel, management believes that the ultimate resolution of these matters will not have a material adverse effect on the Organization's financial condition.

**NOTE 9. COVID-19**

During the 2020 calendar year, the World Health Organization declared the novel coronavirus ("COVID-19") to constitute a "Public Health Emergency of International Concern." COVID-19 has impacted the Organization's revenue-generating activities as it relates to its special events. Through the date of this report, the COVID-19 pandemic is ongoing and further disruption to business operations could occur as a result of quarantines of employees, volunteers, donors and vendors in areas affected by the outbreak. Due to the fluidity of the ongoing COVID-19 pandemic, uncertainties as to its scope and duration, and ongoing changes in the way that governments, businesses and individuals react and respond to the pandemic, the Organization is unable at this time to accurately predict the pandemic's future impact on the Organization's business, results of operations, financial condition and liquidity. No adjustments or provisions were made in these financial statements related to COVID-19.