

DOWNTOWN GREENS INC.
CONSOLIDATED FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2023



DOWNTOWN GREENS INC.
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INDEPENDENT AUDITORS' REPORT

**To the Board of Directors
Downtown Greens Inc.
Fredericksburg, Virginia**

Opinion

We have audited the accompanying financial statements of Downtown Greens Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2023, and the related statement 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 Downtown Greens Inc. as of December 31, 2023, 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.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Downtown Greens 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 Statement

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 Downtown Greens Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 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.

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

- Exercise professional judgement 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 Downtown Greens 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 Downtown Greens 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.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
July 12, 2024

- Financial Statements -

DOWNTOWN GREENS INC.

**Consolidated Statement of Financial Position
As of December 31, 2023**

Assets

Current assets:

Cash and cash equivalents	\$ 159,184
Accounts receivable	4,662
Inventory - land preservation tax credits	<u>552,643</u>

Total current assets \$ 716,489

Noncurrent assets:

Investments \$ 65,955

Property and equipment:

Land conservation	\$ 2,353,271
Building	46,229
Building improvements	27,139
Accumulated depreciation	<u>(29,842)</u>

Net property and equipment \$ 2,396,797

Total noncurrent assets \$ 2,462,752

Total assets \$ 3,179,241

Liabilities and Net Assets

Liabilities:

Current liabilities:

Accrued expenses and other liabilities	\$ 7,176
Current portion of long-term debt	<u>96,300</u>

Total current liabilities \$ 103,476

Long-term liabilities:

Long-term debt, less current portion	\$ <u>203,123</u>
Total long-term liabilities	<u>203,123</u>

Total liabilities \$ 306,599

Net assets:

Without donor restrictions	\$ 2,263,359
With donor restrictions	609,283
Total net assets	<u>2,872,642</u>

Total liabilities and net assets \$ 3,179,241

The accompanying notes to financial statements are an integral part of this statement.

DOWNTOWN GREENS INC.

**Consolidated Statement of Activities
Year Ended December 31, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support:			
Contributions	\$ 130,948	\$ 506,460	\$ 637,408
Grants	55,222	-	55,222
Program service fees	5,565	-	5,565
Fundraisers	25,170	-	25,170
Rental	10,643	-	10,643
Miscellaneous	5,183	-	5,183
Interest and dividends	4,363	20	4,383
Unrealized gain(loss) on investment	7,885	-	7,885
Land conservation easements	-	526,321	526,321
Land preservation tax credits, gain(loss)	-	602,884	602,884
Net assets released from donor restrictions	1,255,951	(1,255,951)	-
Total revenues, gains and other support:	<u>\$ 1,500,930</u>	<u>\$ 379,734</u>	<u>\$ 1,880,664</u>
Expenses:			
Program services:			
Greenspace and garden activities	\$ 249,950	\$ -	\$ 249,950
Supporting services:			
Management and general	87,518	-	87,518
Fundraising	7,161	-	7,161
Total expenses	<u>\$ 344,629</u>	<u>\$ -</u>	<u>\$ 344,629</u>
Increase (decrease) in net assets	\$ 1,156,301	\$ 379,734	\$ 1,536,035
Net assets, beginning of year	<u>1,107,058</u>	<u>229,549</u>	<u>1,336,607</u>
Net assets, end of year	<u>\$ 2,263,359</u>	<u>\$ 609,283</u>	<u>\$ 2,872,642</u>

The accompanying notes to financial statements are an integral part of this statement.

DOWNTOWN GREENS INC.

Consolidated Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services		Supporting Services		Total
	Greenspace and Garden Activities		Management and General	Fundraising	
Salaries and Wages	\$ 121,203	\$ 38,274	\$ -	\$ -	\$ 159,477
Payroll Taxes	8,207	4,419	-	-	12,626
Other employee benefits	-	975	-	-	975
Contract services	50,241	21,740	-	-	71,981
Other fees for services	1,538	1,113	-	-	2,651
Investment fees	749	543	-	-	1,292
Advertising and promotion	1,809	-	-	-	1,809
Office	-	6,662	-	-	6,662
Information technology	-	1,588	-	-	1,588
Occupancy	-	8,084	-	-	8,084
Conference, conventions and meetings	71	-	-	-	71
Interest	46,964	-	-	-	46,964
Depreciation	3,475	-	-	-	3,475
Insurance	2,109	-	-	-	2,109
Events	-	-	7,161	-	7,161
Garden maintenance and supplies	7,400	-	-	-	7,400
Program and workshops	3,362	-	-	-	3,362
Repairs and maintenance	2,822	2,822	-	-	5,644
Miscellaneous expenses	-	1,298	-	-	1,298
Total	\$ 249,950	\$ 87,518	\$ 7,161	\$ -	\$ 344,629

The accompanying notes to financial statements are an integral part of this statement.

DOWNTOWN GREENS INC.

**Consolidated Statement of Cash Flows
Year Ended December 31, 2023**

Cash flows from operating activities:

Change in net assets	\$	1,536,035
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation		3,475
Unrealized and realized (gain) loss on investments		7,885
(Increase) decrease in operating assets:		
Change in accounts receivable		(4,662)
Change in inventory - land preservation tax credits		(552,643)
Change in accrued expenses and other liabilities		7,185
Net cash provided by (used for) operating activities	\$	<u>997,275</u>

Cash flows from investing activities:

Purchase of property and equipment	\$	(21,850)
Redemption (purchase) of investments		56,162
Net cash provided by (used for) investing activities	\$	<u>34,312</u>

Cash flows from financing activities:

Principal payments on long-term debt	\$	(1,125,246)
Net cash provided by (used for) financing activities	\$	<u>(1,125,246)</u>

Net increase (decrease) in cash and cash equivalents \$ (93,659)

Cash and cash equivalents at beginning of year 252,843

Cash and cash equivalents at end of year 159,184

Summary of cash and cash equivalents:

Cash and cash equivalents 159,184

Total cash and cash equivalents 159,184

The accompanying notes to financial statements are an integral part of this statement.

DOWNTOWN GREENS INC.

Notes to Financial Statements As of December 31, 2023

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

Downtown Greens Inc. (the Organization) is a nonprofit organization established to enhance the well-being of our community, by connecting people with nature through education and the preservation of greenspaces. Downtown Greens is supported primarily through grants and public contributions.

Entities Whose Financial Results are Consolidated in the Financial Statements

The financial statements present the consolidated financial results of Downtown Greens and its single member limited liability company, DTGreens, LLC, with all significant balances and transactions between the two entities eliminated. DTGreens, LLC was organized for the ownership of land.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement

The Organization is required to report information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions: net assets without donor restrictions and net asset assets with donor restrictions. In addition, the Organization is required to present a statement of cash flows. 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 any donor-imposed restrictions. At December 31, 2023, the Organization had \$2,263,359 in net assets without donor restrictions.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. A donor-imposed restriction is a donor stipulation for the use of a contributed asset that is more specific than the broad limits resulting from the Organization's nature, environment, and purpose. At December 31, 2023, the Organization had \$609,283 in net assets with donor restrictions.

Use of 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.

Property and Equipment

It is the Organization's policy to capitalize fixed assets over \$5,000. Fixed assets are recorded at cost. Donated furniture and equipment are recorded at estimated fair market value at the date of acquisition. Major renewals and improvements are capitalized; while replacements, maintenance and repairs, which do not materially extend the useful lives of the assets, are expensed. Upon the sale or retirement of fixed assets, the costs and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is recorded.

DOWNTOWN GREENS INC.

**Notes to Financial Statements
As of December 31, 2023 (Continued)**

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property and Equipment (Continued)

Depreciation of property and equipment is determined using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives range from 39 years for buildings, from 5 to 7 years for vehicles, and from 5 to 7 years for equipment and office equipment.

Depreciation expense for the year ended December 31, 2023, totaled \$3,475, all of which was for Program Expenses.

Land Conservation

The Organization owns approximately 59 acres of land under conservation easements under Virginia's Open-Space Land Act. The conservation easements are nonpossessory interests in the Organization's land and are dedicated in perpetuity as open space that benefit public interest for ecological, historical, or cultural value. The conservation easements are legally recorded and bound to the deed of the property permanently. The easements represent restrictions on the use, subdivision and/or development of parcels.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of 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.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Inventory - Land Preservation Tax Credits

The Organization received Land Preservation Tax Credits enabled by the Virginia Land Conservation Incentives Act. Through this program, 40% of the fair value of the donated land or conservation easements are awarded to the organization by the State of Virginia as tax credits. The tax credits are purchased by or transferred to Virginia taxpayers to reduce their tax liability. The Organization recognizes revenue for land preservation tax credits when (1) satisfies either the Virginia Department of Conservation and Recreation (tax credits of \$1,000,000 or more) or the Virginia Department of Taxation (tax credits of \$1,000,000 or less) approve the application criteria as adopted by the Virginia Land Conservation Foundation Board and (2) the approved land preservation tax credits are sold to a 3rd party.

For the year-ended December 31, 2023, the Organization sold Land Preservation Tax Credits at \$0.90 per dollar of tax credit for a total of \$602,884. After brokerage fees and the 5.00% Virginia State Transfer fee for selling the tax credits, the Organization had a balance at December 31, 2023 of \$552,643 of Land Preservation Tax Credits to be transferred to 3rd parties for cash in the subsequent fiscal year.

DOWNTOWN GREENS INC.

**Notes to Financial Statements
As of December 31, 2023 (Continued)**

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Land Conservation Easements

The Organization sold land conservation easements under Virginia's Open-Space Land Act for dedicating land in perpetuity as open space that benefit public interest for ecological, historical, or cultural value. The Organization recognizes revenue for the Land Conservation Easements when the contractual performance obligations on the conservation easement are met. For the year ended December 31, 2023 the Organization sold \$526,321 of Land Conservation Easements.

Income Taxes

The Organization is a nonprofit organization, which is exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization other than a private foundation under Section 509(a)(2). However, the Organization is subject to unrelated business income tax for activities conducted outside of its tax-exempt purpose. The Organization did not conduct any unrelated business activities during the year ended December 31, 2023.

Accounting for Uncertain Tax Positions

The Organization follows FASB ASC 740 in measurement and disclosure of uncertain tax positions. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of all cash in banks, certificates of deposit and highly liquid investments with original maturities of three months or less from the date of acquisition.

NOTE 2 - CUSTODIAL CREDIT RISK:

The Organization maintains cash balances at financial institutions located within its market area. The amount at each institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time, the balances maintained at one or more institutions may exceed the maximum amount insured by the FDIC. The Organization has not experienced any losses and believes they are not exposed to significant risk.

DOWNTOWN GREENS INC.

**Notes to Financial Statements
As of December 31, 2023 (Continued)**

NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are available for the following purposes or periods:

Program activities:	
Greenspace and garden activities - land expansion	\$ <u>609,283</u>
Total	\$ <u><u>609,283</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of the passage of time or other events specified:

Restriction:	
Greenspace and garden activities - land expansion	\$ <u>1,255,951</u>
Total	\$ <u><u>1,255,951</u></u>

NOTE 4 - FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of actual time spent and recorded to each program. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Downtown Greens.

NOTE 5 - LIQUIDITY AND AVAILABILITY OF RESOURCES:

The Organization's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$ 159,184
Accounts receivable	<u>4,662</u>
Total	\$ <u><u>163,846</u></u>

DOWNTOWN GREENS INC.

**Notes to Financial Statements
As of December 31, 2023 (Continued)**

NOTE 6 - FAIR VALUE MEASUREMENTS:

The Organization follows FASB ASC 820 to disclose fair value measurements of assets and liabilities. FASB ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flows methodologies and similar techniques that use significant unobservable inputs.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to FASB ASC 820. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by the Organization at December 31, 2023. The inputs and techniques used in measuring fair value were not changed in 2023.

The following table presents the balances of assets measured at fair value by level within the hierarchy. There are no liabilities that are being measured and reported on a fair value basis.

	<u>12/31/2023</u>	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bond mutual fund	\$ 28,824	\$ 28,824	\$ -	\$ -
Equities	37,131	37,131	-	-
Inventory - land preservation tax credits	<u>552,643</u>	<u>-</u>	<u>-</u>	<u>552,643</u>
Total	\$ <u>618,598</u>	\$ <u>65,955</u>	\$ <u>-</u>	\$ <u>552,643</u>

DOWNTOWN GREENS INC.

**Notes to Financial Statements
As of December 31, 2023 (Continued)**

NOTE 7 - DATE OF MANAGEMENT'S REVIEW:

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 12, 2024, the date that the financial statements were available to be issued.