

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

(WITH PRIOR YEAR SUMMARIZED
COMPARATIVE INFORMATION FOR 2022)

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Social Enterprise Greenhouse and Subsidiary

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Social Enterprise Greenhouse and Subsidiary, which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Social Enterprise Greenhouse and Subsidiary 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Social Enterprise Greenhouse and Subsidiary 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Social Enterprise Greenhouse and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated 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 GAAS and *Government 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 Social Enterprise Greenhouse and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Social Enterprise Greenhouse and Subsidiary'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United

States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Social Enterprise Greenhouse and Subsidiary's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 21, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Marcum LLP

Providence, RI
September 24, 2024

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION AS OF
DECEMBER 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
Assets				
Cash and Cash Equivalents	\$ 466,618	\$ 87,029	\$ 553,647	\$ 1,031,199
Cash - SEG Loan Fund, LLC	122,041	--	122,041	106,324
Grant receivable	352,817	--	352,817	316,923
Accounts receivable, net credit loss of \$2,000	14,417	--	14,417	37,959
Loans receivable, net credit loss of \$0	172,917	--	172,917	146,917
Prepaid expenses	10,429	--	10,429	5,587
Security deposit	3,720	--	3,720	3,720
Other current asset	45,160	--	45,160	--
Operating lease right of use asset	513,049	--	513,049	174,980
Finance lease right of use asset	12,228	--	12,228	--
Property and equipment, net	88,769	--	88,769	107,631
Total Assets	<u>\$ 1,802,165</u>	<u>\$ 87,029</u>	<u>\$ 1,889,194</u>	<u>\$ 1,931,240</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 139,790	\$ --	\$ 139,790	\$ 106,843
Deferred revenue	166,302	--	166,302	653,299
Operating lease liability	520,444	--	520,444	174,789
Finance lease liability	12,228	--	12,228	--
Loan fund - SEG Loan Fund, LLC	251,250	--	251,250	187,500
Total Liabilities	<u>1,090,014</u>	<u>--</u>	<u>1,090,014</u>	<u>1,122,431</u>
Net Assets				
Without donor restrictions	712,151	--	712,151	637,158
With donor restrictions	--	87,029	87,029	171,651
Total Net Assets	<u>712,151</u>	<u>87,029</u>	<u>799,180</u>	<u>808,809</u>
Total Liabilities and Net Assets	<u>\$ 1,802,165</u>	<u>\$ 87,029</u>	<u>\$ 1,889,194</u>	<u>\$ 1,931,240</u>

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

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2023

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Operating Revenue and Support				
Non-government grants and contracts	\$ 475,661	\$ --	\$ 475,661	\$ 323,450
Government grants	1,557,655	--	1,557,655	986,880
Program fees	169,072	--	169,072	177,837
Contributions	90,325	216,050	306,375	484,558
Events	167	--	167	4,539
Interest income	4,795	--	4,795	622
Interest income - SEG Loan Fund, LLC	6,564	--	6,564	4,358
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>300,672</u>	<u>(300,672)</u>	<u>--</u>	<u>--</u>
Total Operating Revenue and Support	<u>2,604,911</u>	<u>(84,622)</u>	<u>2,520,289</u>	<u>1,982,244</u>
Operating Expenses				
Program services	2,099,266	--	2,099,266	1,903,636
Management and general	365,198	--	365,198	443,178
Fundraising	<u>65,454</u>	<u>--</u>	<u>65,454</u>	<u>54,172</u>
Total Operating Expenses	<u>2,529,918</u>	<u>--</u>	<u>2,529,918</u>	<u>2,400,986</u>
Operating (Loss) Income	<u>74,993</u>	<u>(84,622)</u>	<u>(9,629)</u>	<u>(418,742)</u>
Change in Net Assets	74,993	(84,622)	(9,629)	(418,742)
Net Assets - Beginning of Year	<u>637,158</u>	<u>171,651</u>	<u>808,809</u>	<u>1,227,551</u>
Net Assets - End of Year	<u>\$ 712,151</u>	<u>\$ 87,029</u>	<u>\$ 799,180</u>	<u>\$ 808,809</u>

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

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2022)

	Program Services						Management and General	Fundraising	2023 Total	2022 Total
	SEG HUB	Venture Development	SEG Loan Fund, LLC	Microgrant	Pilot	Total				
Personnel Costs										
Salaries and wages	\$ 57,473	\$ 841,943	\$ 18,396	\$ --	\$ 163,162	\$ 1,080,974	\$ 149,735	\$ 56,498	\$ 1,287,207	\$ 1,022,238
Other employee benefits	6,022	74,535	1,708	--	12,881	95,146	13,375	3,193	111,714	52,185
Payroll taxes	5,308	76,232	1,340	--	14,374	97,254	11,736	5,424	114,414	97,686
Total Personnel Costs	<u>68,803</u>	<u>992,710</u>	<u>21,444</u>	<u>--</u>	<u>190,417</u>	<u>1,273,374</u>	<u>174,846</u>	<u>65,115</u>	<u>1,513,335</u>	<u>1,172,109</u>
Other Costs										
Accounting	--	--	--	--	--	--	--	--	--	48,946
Advertising and promotion	212	8,663	--	--	--	8,875	1,026	301	10,202	23,163
Current expected credit losses	245	--	--	--	--	245	5,908	--	6,153	560
Conference and meetings	--	7,684	--	--	--	7,684	9,240	--	16,924	11,315
Consultants	4,767	146,061	118	--	--	150,946	84,500	--	235,446	299,123
Depreciation and amortization	257	225	--	--	98	580	21,552	--	22,132	21,933
Grants and direct assistance	--	131,000	--	139,400	200,100	470,500	--	--	470,500	583,133
Insurance	--	--	--	--	--	--	12,173	--	12,173	12,200
Information technology	70	18,103	--	--	378	18,551	8,244	--	26,795	25,345
Occupancy expenses	69,063	27,668	--	--	--	96,731	26,288	--	123,019	110,801
Office expenses	18,835	47,136	--	--	1,976	67,947	16,567	38	84,552	76,139
Travel	--	803	--	--	50	853	4,180	--	5,033	1,306
Non-reimbursable VISTA fees	--	2,980	--	--	--	2,980	674	--	3,654	3,663
	--	--	--	--	--	--	--	--	--	11,250
Total Other Costs	<u>93,449</u>	<u>390,323</u>	<u>118</u>	<u>139,400</u>	<u>202,602</u>	<u>825,892</u>	<u>190,352</u>	<u>339</u>	<u>1,016,583</u>	<u>1,228,877</u>
Total Expenses	<u>\$ 162,252</u>	<u>\$ 1,383,033</u>	<u>\$ 21,562</u>	<u>\$ 139,400</u>	<u>\$ 393,019</u>	<u>\$ 2,099,266</u>	<u>\$ 365,198</u>	<u>\$ 65,454</u>	<u>\$ 2,529,918</u>	<u>\$ 2,400,986</u>

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

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2022)

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ (9,629)	\$ (418,742)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation and amortization	21,487	21,933
Amortization of right-of-use asset	(6,373)	(7,307)
(Increase) decrease in:		
Grant receivable	(35,894)	(131,128)
Accounts receivable, net	23,542	(24,274)
Loans receivable	(26,000)	(75,096)
Prepaid expenses	(4,842)	(331)
Other current asset	(45,160)	--
Increase (decrease) in:		
Accounts payable and accrued expenses	32,947	23,923
Deferred revenue	(486,997)	535,754
Operating lease assets and liabilities	13,959	7,116
Loan fund	63,750	56,350
Net Cash Used in Operating Activities	<u>(459,210)</u>	<u>(11,802)</u>
Cash Flows from Investing Activity		
Purchases of property and equipment	<u>(2,625)</u>	<u>(5,241)</u>
Net Cash Used in Investing Activities	<u>(2,625)</u>	<u>(5,241)</u>
Cash Flows from Financing Activity		
Repayments of Economic Injury Disaster Loan	<u>--</u>	<u>(125,000)</u>
Net Cash Used in Financing Activities	<u>--</u>	<u>(125,000)</u>
Net Change in Cash and Cash Equivalents	(461,835)	(142,043)
Cash and Cash Equivalents - Beginning	<u>1,137,523</u>	<u>1,279,566</u>
Cash and Cash Equivalents - Ending	<u>\$ 675,688</u>	<u>\$ 1,137,523</u>
Cash is Reported in the Financial Statements as Follows		
Cash and Cash Equivalents	\$ 553,647	\$ 1,031,199
Cash - SEG Loan Fund, LLC	<u>122,041</u>	<u>106,324</u>
Total Cash and Cash Equivalents	<u>\$ 675,688</u>	<u>\$ 1,137,523</u>

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

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

**(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2022)**

NOTE 1 – ORGANIZATION

Social Enterprise Greenhouse (the “Organization”) is a Rhode Island nonprofit corporation exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. Started in April, 2007, Social Enterprise Greenhouse creates positive social and economic impact by providing social entrepreneurs and enterprises with the tools and networks they need to thrive. Social Enterprise Greenhouse also fosters an ecosystem of diverse stakeholders who work to enable a more just, equitable and resilient economy.

In July 2016, Social Enterprise Greenhouse registered the SEG Loan Fund, LLC, as a single member LLC, with the State of Rhode Island and designated Social Enterprise Greenhouse as its sole member. SEG Loan Fund, LLC operates under Social Enterprise Greenhouse and Social Enterprise Greenhouse’s Board of Directors, and under Social Enterprise Greenhouse’s Section 501(c)(3) status. The purpose of the new entity was to spin the loan fund off into a separate legal entity.

The purpose of the SEG Loan Fund is to provide financial support to local businesses in the State of Rhode Island. SEG Loan Fund, LLC received an initial amount of \$125,000 from Rhode Island Commerce Corporation to provide micro-loans to small local businesses. Each individual micro-loan cannot exceed \$25,000. The SEG Loan Fund offers loans to support the growth of social enterprises based in Rhode Island. Preference is given to applicants that are graduates of the SEG Accelerator. Expert advising is available during the application process and throughout the duration of the loan.

Effective as of January 6, 2020, the First Amendment to the Loan Participation Agreement for Micro Loans was made to increase the total loan proceeds to \$175,000. Effective as of May 11, 2022, the Second Amendment to the Loan Participation Agreement for Micro Loans was made to increase the total loan proceeds to \$250,000.

Social Enterprise Greenhouse operates two other programs:

Venture Development - SEG’s comprehensive menu of programs and services are designed to meet entrepreneurs and small businesses where they are in terms of lifecycle and geographic location. Additionally, SEG tailors its programming to be culturally and linguistically responsive. SEG’s signature programs include an Ideator, Incubator, and Accelerator, which work as a pipeline for entrepreneurs to explore an idea, build a business, and grow their ventures. These programs are coupled with additional services such as access to capital through loan and micro grant funds, advising from expert volunteers, coworking space, peer support forums and more. SEG’s programs and services are available in both English and Spanish.

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2022)

NOTE 1 – ORGANIZATION (CONTINUED)

SEG Hub - The SEG Hub is Rhode Island’s first community and coworking space where social entrepreneurs, advisors and business professionals come together to network, collaborate and positively impact our community. Members have a range of membership options including hot desks, dedicated desks and offices, and there are a number of additional amenities included in memberships to the SEG Hub.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Social Enterprise Greenhouse and its wholly-owned subsidiary, SEG Loan Fund, LLC (collectively “SEG” or the “Organization”). All intercompany accounts and transactions are eliminated in consolidation.

BASIS OF PRESENTATION

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) which involve the application of accrual accounting. Under accrual accounting revenues are recognized when earned and expensed when the related liability for goods and services is incurred, regardless of the timing of the related cash flows. Accordingly, the accounts are reported in the following net asset categories:

Net Assets Without Donor Restrictions – represent amounts not restricted for identified purposes by donors or grantors. These funds are available to be used for the general purposes of the Organization and include resources designated by the Board of Directors for future capital improvements, renovations, or at its discretion, for other purposes.

Net Assets With Donor Restrictions – represent amounts whose use by the Organization have been limited by donors to a specific period or purpose or represent amounts that are subject to donor gift instruments requiring that the principal be invested in perpetuity and that only the income be used.

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

**(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2022)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

Revenues are 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 investments and other 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 restrictions on net assets, that is, the donor imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with SEG's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

ACCOUNTING PRONOUNCEMENTS ADOPTED

In June 2016, the FASB issued guidance (FASB ASC 326), Current Expected Credit Losses, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the company that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

**(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2022)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

Cash on hand, cash in checking accounts and in money market funds and short-term cash investments with original maturities when purchased of 90 days and are available for current purposes are considered cash and cash equivalents for the purpose of presentation of cash in the statements of cash flows.

CONTRACT AND GRANT REVENUE RECOGNITION

Contract and grant revenue is recognized when earned as SEG fulfills the terms accompanying the award of such funds. Revenue received but not earned is classified as a liability or as net assets with donor restrictions in the consolidated statements of financial position.

CONTRIBUTIONS

Unconditional contributions received are recorded as support, depending on the existence or nature or any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a 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 consolidated statements of activities and changes in net assets released from restrictions.

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

**(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2022)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROMISES TO GIVE

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenue in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment is stated at cost. Donated property and equipment is capitalized at its fair value at the date of donation. Depreciation is provided for by use of the straight-line method over the estimated useful lives of the assets, which range from 5 to 10 years. SEG capitalizes purchases or donations with a cost or fair value of \$2,500 or more with an estimated useful life of more than one year.

The carrying values of property and equipment are reviewed for impairment on an annual basis or more frequently if circumstances indicate a potential impairment exists or has occurred. There were no impairment losses recognized during the years ended December 31, 2023 and 2022.

FUNCTIONAL ALLOCATION OF EXPENSES

SEG allocates expenses between functional categories on a specific identification basis when practical and on a percentage allocation basis where specific identification is not practical based on management's judgement. Expenses directly attributable to specific functional areas are reported as expenses of those functional areas. All other expenses are allocated based on a combination of square footage and full-time equivalents. Rent and similar expenses associated with the SEG Hub Coworking space are allocated based on square footage and use of the space between Hub Coworking, Venture Dev. and General. Other relevant expenses are allocated based on the staff time dedicated to each program and activity and therefore each functional area. This includes systems licenses and other expenses shared across functional areas.

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

**(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2022)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADVERTISING EXPENSE

SEG purchases advertising through various local media to promote its programs and the related costs are expensed as incurred.

VOLUNTEER SERVICES

SEG receives program services from volunteers. During the years ended December 31, 2023 and 2022, SEG received approximately 458 hours from 95 volunteers and 871 hours from 133 volunteers who provided mentoring services to SEG's program clients, respectively. These services were not recognized in the 2023 and 2022 consolidated financial statements as the recognition criteria was not met.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with GAAP includes the use of estimates that affect the consolidated financial statements. Accordingly, actual results could differ from those estimates.

INCOME TAXES

SEG is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The accounting standard on accounting for uncertainty in income taxes addresses determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, SEG may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The measurement of unrecognized tax positions is adjusted when new information is available, or when an event occurs that requires a change. Interest and penalties associated with unrecognized tax positions are classified as interest expense and income tax expense, respectively, in the consolidated statements of activities. SEG did not identify any uncertain tax positions in 2023 or 2022.

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

**(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2022)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

Examples of tax positions include the tax-exempt status of SEG and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There are no unrecognized tax benefits identified or recorded as liabilities for the years ended December 31, 2023 and 2022.

SEG is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

RECLASSIFICATIONS

Certain reclassifications have been made to the Organization's 2022 financial statements to conform to the 2023 presentation. None of these reclassifications had any change to net assets.

REVENUE RECOGNITION

On January 1, 2019, SEG adopted new accounting guidance under Accounting Standards Codification Topic 606 (ASC 606), *Revenue from Contracts with Customers*. ASC 606 outlines a single comprehensive model for entities to utilize for revenues. The guidance is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for such goods or services.

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2022)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

ASC 606 outlines a five-step model in determining when to recognize revenue. The five-step model requires the Organization to (1) identify its contracts with customers, (2) identify its performance obligations under those contracts, (3) determine the transaction price of those contracts, (4) allocate the transaction price to its performance obligations under those contracts, and (5) recognize revenue when each performance obligation under those contracts is satisfied. Revenue is recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services.

SEG generates a majority of its revenue from both governmental and non-governmental grants, contributions, and program fees which include membership income, office space rent, workshops and advisory income.

CONTRIBUTIONS

On January 1, 2019, SEG adopted new accounting guidance under Accounting Standards Update 2020-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 958). Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2022)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS

Management has evaluated the financial statements for subsequent events through September 24, 2024, which represents the date the financial statements were available to be issued, and based on FASB ASC 855, *Subsequent Events*, SEG executed an option to extend the current facility lease for an additional year. See Note 7 for more information on impact to financials.

NOTE 3 – ACCOUNTS RECEIVABLE, NET AND DEFERRED REVENUE

Accounts receivable, net of credit loss of \$2,000 for December 31, 2023, 2022, and 2021 consisted of \$14,417, \$37,959, \$25,233 respectively.

Deferred revenue for December 31, 2023, 2022, and 2021 consisted of \$166,302, \$653,299, \$117,545 respectively.

NOTE 4 – LOANS RECEIVABLE

Loans receivable balances were \$172,917 and \$146,917 at December 31, 2023 and 2022, respectively.

At December 31, 2023 and 2022, per management's analysis of loans receivable, an allowance for credit losses was deemed not necessary.

Future expected annual principal payments are as follows:

Years Ending December 31,

2024	\$	50,000
2025		85,416
2026		<u>37,501</u>
	\$	<u><u>172,917</u></u>

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2022)

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

The following net assets are subject to donor-imposed restrictions, as specified by the contracts, which will be met either by actions of SEG and/or the passage of time. The net assets with donor restrictions were comprised of the following at December 31, 2023 and 2022:

	2023	2022
Venture Development	\$ 31,032	\$ 51,921
Technology Assessment and Implementation	40,997	113,480
SEG Loan Fund, LLC	<u>15,000</u>	<u>6,250</u>
Total	<u>\$ 87,029</u>	<u>\$ 171,651</u>

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following at December 31, 2023 and 2022:

	2023	2022
Office equipment	\$ 13,957	\$ 13,957
Furniture and fixtures	54,799	52,174
Leasehold improvements	<u>175,593</u>	<u>175,593</u>
	244,349	241,724
Less accumulated depreciation and amortization	<u>(155,580)</u>	<u>(134,093)</u>
Property and equipment, net	<u>\$ 88,769</u>	<u>\$ 107,631</u>

NOTE 7 – LEASES

In November 2023, SEG entered into an eighth amendment to the lease for office space located at 10 Davol Square, Providence, Rhode Island. The lease terminates on December 31, 2029, and the Organization has applied the guidance in accordance with ASC 842.

While all of the agreements provide for minimum lease payments, some include payments adjusted for inflation or pro rata share of property operating expenses. Variable payments are not determinable at the lease commencement and are not included in the measurement of the lease assets and liabilities. The lease agreements do not include any material residual value guarantees or restrictive covenants.

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2022)

NOTE 7 – LEASES (CONTINUED)

In August 2023, SEG entered into a financing agreement for a copier with a payment of equal monthly installments of \$237. The lease term is for 60 months which began in October 2023 and will continue until October 2028. The Organization has applied the guidance in accordance with ASC 842.

The following summarizes the line items in the balance sheet which include amounts for operating leases as of December 31, 2023:

Operating right-of-use asset	\$	513,049
Finance right-of-use asset		<u>12,228</u>
Total leased right-of-use assets	\$	<u><u>525,277</u></u>
Current		
Operating lease liabilities	\$	92,676
Financing lease liabilities		2,574
Noncurrent		
Operating lease liabilities		427,767
Financing lease liabilities		<u>9,654</u>
Total lease liabilities	\$	<u><u>532,671</u></u>

The following summarizes the cash flow information related to financing and operating leases for the year ended December 31, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows for operating leases	\$	6,373
Financing cash flows for financing leases		--

Right-of use assets obtained in exchange for new lease liabilities:

Operating leases	\$	594,370
Financing leases		12,872

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2022)

NOTE 7 – LEASES (CONTINUED)

Weighted average lease term and discount rate as of December 31, 2023 were as follows:

Operating lease:

Weighted average remaining lease term	6 years
Weighted average discount rate	4.23%

Financing lease:

Weighted average remaining lease term	5 years
Weighted average discount rate	4.39%

The maturities of operating lease liability as of December 31, 2023, were as follows:

For the Year Ending December 31,

	<u>Operating lease</u>	<u>Finance lease</u>
2024	\$ 92,676	\$ 2,574
2025	94,992	2,844
2026	97,367	2,844
2027	99,801	2,844
Thereafter	<u>207,151</u>	<u>2,269</u>
Total lease payments	591,987	13,375
Less: Imputed Interest	<u>(71,543)</u>	<u>(1,147)</u>
Total lease liability	<u>\$ 520,444</u>	<u>\$ 12,228</u>

NOTE 8 – LOANS PAYABLE

ECONOMIC INJURY DISASTER LOAN PAYABLE

On July 23, 2020, SEG entered into a Loan Authorization and Agreement from the U.S. Small Business Administration (“SBA”) under its Economic Injury Disaster Loan (the “EIDL Loan”) assistance program in light of the impact of COVID-19 pandemic on SEG.

Pursuant to the EIDL Loan, the principal amount was \$125,000, with proceeds to be used for working capital purposes. Interest accrued at the rate of 2.75% per annum. The EIDL loan was paid off in full in April 2022. Interest expense for the EIDL loan for the years ended December 31, 2023 and 2022 was \$0 and \$5,751, respectively.

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2022)

NOTE 9 – RISKS AND UNCERTAINTIES

CASH IN EXCESS OF INSURED LIMITS

The standard insurance amount at all Federal Deposit Insurance Corporation (FDIC) insured institutions is \$250,000 per depositor, per insured bank for each account ownership category. As of December 31, 2023 and 2022, there were \$419,334 and \$864,397 in deposits in excess of federally insured amounts, respectively.

Cash and securities products provided by brokerage houses are not insured by FDIC. Cash and securities held by members of Securities Investor Protection Corporation (SIPC) are protected up to a ceiling of \$500,000, with a limit of \$250,000 for cash. At December 31, 2023 and 2022, there were no accounts with amounts in excess of this limit.

SEG has not experienced any losses in its cash and fiscal sponsorship accounts and management believes it is not exposed to any significant credit risk on deposits.

CONCENTRATION OF FUNDING

During the year ended December 31, 2023, SEG received 10% or more of its revenue from the following sources:

Source	Income Received	% of Total SEG Income
Congressional Earmarks Initiative	\$ 512,565	20%
Rhode Island Department of Labor and Training	\$ 472,990	19%
SBA Community Navigator Pilot Program	\$ 418,968	17%

During the year ended December 31, 2022, SEG received 10% or more of its revenue from the following source:

Source	Income Received	% of Total SEG Income
Rhode Island Department of Labor and Training	\$ 474,385	24%
United Way of Rhode Island	\$ 190,528	10%
U.S Small Business Administration	\$ 436,301	22%

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2022)

NOTE 10 – RELATED PARTY TRANSACTIONS

Social Enterprise Greenhouse may obtain grants to be used for the purpose of providing low interest loans to entities with social components. These grants are held in a separate account under the SEG Loan Fund, LLC, and qualifying loans will be disbursed from this account. \$100,000 was deposited into this account during fiscal 2016, of which the entire balance has been disbursed. Effective January 6, 2020, there was a first amendment to the loan participation program, which increased the amount to \$175,000. The funding held by SEG Loan Fund, LLC was provided by the Rhode Island Commerce Corporation, which shares a mutual board member. Effective May 2022, there was a second amendment to the loan participation program, which increased the amount of loan proceeds by \$75,000, for the total loan proceeds of \$250,000.

NOTE 11 – AVAILABLE RESOURCES AND LIQUIDITY

SEG receives a variety of revenues such as membership program fees, dues, contributions, sponsorships, etc. from various members of the Board of Directors and other related parties. In 2023 and 2022, SEG received approximately \$18,320 and \$82,000 from such parties, respectively.

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	2023	2022
Financial assets at year end:		
Cash and Cash Equivalents	\$ 553,647	\$ 1,031,199
Grant receivable	352,817	316,923
Accounts receivable, net credit loss of \$2,000	14,417	37,959
Subtotal	<u>920,881</u>	<u>1,386,081</u>
Less: amounts restricted by contract or donor		
Donor restricted	<u>(87,029)</u>	<u>(171,651)</u>
Subtotal	<u>(87,029)</u>	<u>(171,651)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 833,852</u>	<u>\$ 1,214,430</u>

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

**(WITH PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2022)**

NOTE 11 – AVAILABLE RESOURCES AND LIQUIDITY (CONTINUED)

The Organization is substantially supported by grants and contributions, some of which are restricted. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization ensures that it maintains sufficient resources to meet those responsibilities to its donor.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Social Enterprise Greenhouse and Subsidiary

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Social Enterprise Greenhouse and Subsidiary (the "Organization") (a Rhode Island nonprofit corporation), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, and changes in net assets, functional expenses and cash flows for the year ended December 31, 2023, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2024.

Report Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Social Enterprise Greenhouse and Subsidiary's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Social Enterprise Greenhouse and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Social Enterprise Greenhouse and Subsidiary's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report Compliance and Other Matters

As part of obtaining reasonable assurance about whether Social Enterprise Greenhouse and Subsidiary's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Providence, RI
September 24, 2024

**Independent Auditors' Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors
Social Enterprise Greenhouse and Subsidiary

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Social Enterprise Greenhouse and Subsidiary's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Social Enterprise Greenhouse and Subsidiary "Organization's" major federal programs for the year ended December 31, 2023. Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Organization's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Marcum LLP

Providence, RI
September 24, 2024

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2023

<i>Federal Grantor</i> Pass-Through Grantor <u>Program or Cluster Title</u>	Federal Assistance <u>Listing Number</u>	Pass-Through Entity Identifying <u>Number</u>	Provided to <u>Subrecipients</u>	Total Federal <u>Expenditures</u>
<i>U.S. Department of Treasury:</i>				
<i>Passed through the RI Department of Labor and Training:</i>				
Coronavirus State and Local Fiscal Recovery Program	21.027		--	467,564
Total U.S. Department of Treasury			<u>\$ --</u>	<u>\$ 467,564</u>
<i>U.S. Small Business Administration:</i>				
Congressional Earmarks Initiative	59.059		--	512,566
Community Navigator Pilot Program	59.077		--	406,468
Total U.S. Small Business Administration			<u>\$ --</u>	<u>\$ 919,034</u>
Total Schedule of Expenditures of Federal Awards			<u>\$ --</u>	<u>\$ 1,386,598</u>

See notes to the schedule of expenditures of federal awards.

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Social Enterprise Greenhouse and Subsidiary under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Social Enterprise Greenhouse and Subsidiary, it is not intended to and does not present the financial position, changes in net assets or cash flows of Social Enterprise Greenhouse and Subsidiary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principle contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

Social Enterprise Greenhouse and Subsidiary has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	<i>Unmodified Opinion</i>	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	_____ X No
Significant deficiency(ies) identified?	_____ Yes	_____ X None reported
Noncompliance material to financial statements noted?	_____ Yes	_____ X No

Federal Awards

Internal control over major federal awards programs:		
Material weakness(es) identified?	_____ Yes	_____ X No
Significant deficiency(ies) identified?	_____ Yes	_____ X None reported
Type of auditors' report issued on compliance for major federal awards programs:	<i>Unmodified Opinion</i>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ Yes	_____ X No

Major Programs:

<u>Name of Federal Programs or Cluster</u>	<u>Assistance Listing Number</u>
Total U.S. Department of Treasury Coronavirus State and Local Fiscal Recovery Program	21.027
U.S. Small Business Administration: Congressional Earmarks Initiative	59.059
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	_____ Yes _____ X No

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

Current Year Findings:

None reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year Findings:

None reported

SOCIAL ENTERPRISE GREENHOUSE AND SUBSIDIARY

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

Prior Year Findings:

None reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Prior Year Findings:

None reported