

Growing Hope, Inc.
Audited Financial Statements
December 31, 2009

Growing Hope, Inc.

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Independent Auditors' Report

To The Board of Directors
Growing Hope, Inc.
Ypsilanti, Michigan

We have audited the accompanying statement of financial position of Growing Hope, Inc. (a nonprofit corporation) as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Growing Hope, Inc. as of December 31, 2009, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Curtis, Bailey, Exelby + Sposito, P.C.
CURTIS, BAILEY, EXELBY & SPOSITO, P.C.

July 15, 2010

Growing Hope, Inc.
Statement of Financial Position
December 31, 2009

Assets			
Current assets			
Cash	\$	51,339	
Accounts receivable		3,688	
Grants receivable		1,388	
Notes receivable		360	
Pledges receivable-capital campaign (Note 7)		4,500	
Employee reimbursements		85	
Deposits		315	
	Total current assets		\$ 61,675
Fixed assets			
Land		225,000	
Building - Growing Hope Center		25,678	
Computer equipment		2,415	
Accumulated depreciation		(2,053)	
	Net fixed assets		251,040
	Total assets		<u>\$ 312,715</u>
Liabilities and net assets			
Current liabilities			
Accrued interest		672	
Notes payable (Note 5)		170,000	
	Total current liabilities		170,672
Net assets			
Unrestricted		142,043	
	Total net assets		142,043
	Total liabilities and net assets		<u>\$ 312,715</u>

See accompanying notes and independent auditors' report.

Growing Hope, Inc.
Statement of Activities
For the Year Ended December 31, 2009

Support:		
Contributions	\$ 37,146	
Business sponsorships	8,871	
Contributions in-kind	63,563	
Capital campaign (Note 7)	<u>20,750</u>	
Total support		\$ 130,330
Revenues:		
Contracts	141,284	
Grants	28,789	
Special events (Note 6)	22,967	
Program related sales	27,204	
Interest	1	
Miscellaneous	<u>4</u>	
Total revenues		<u>220,249</u>
Total support and revenues		350,579
Expenses:		
Program services:		
Garden programs	37,767	
Farmers' market & social enterprise	39,628	
Youth & schools	78,972	
Community outreach & involvement	10,964	
Growing Hope Center	86,527	
Support services:		
Management and general	14,235	
Fundraising	<u>30,874</u>	
Total expenses		<u>298,967</u>
Increase in unrestricted net assets		51,612
Net assets at beginning of year		<u>90,431</u>
Net assets at end of year		<u><u>\$ 142,043</u></u>

See accompanying notes and independent auditors' report.

Growing Hope, Inc.
Statement of Functional Expenses for Program and Support Services
For the Year Ended December 31, 2009

	Program Services					Support Services			
	Gardens Program	Farmer's Mkt & Social Enterprise	Youth & Schools	Community Outreach & Involvement	Growing Hope Center	Total Program	Mgmt & General	Fund-raising	Total Expenses
Salaries and wages	\$ 15,222	\$ 5,326	\$ 49,079	\$ 5,326	\$ 5,326	\$ 80,279	\$ 7,399	\$ 17,963	\$ 105,641
Employee benefits	1,014	1,014	2,248	1,014	1,014	6,304	848	1,696	8,848
Payroll taxes	1,291	1,291	1,291	1,291	1,291	6,455	922	1,844	9,221
Contract services	-	14,930	-	-	-	14,930	90	-	15,020
In-kind services	-	-	-	-	63,563	63,563	-	-	63,563
Payroll service	19	19	19	19	19	95	69	138	302
Contract expenses	225	-	11,891	-	-	12,116	90	-	12,206
Merchandise	-	-	350	-	-	350	-	216	566
Books and publications	432	282	282	282	282	1,560	202	576	2,338
Postage and shipping	44	44	44	44	44	220	31	63	314
Supplies	16,326	13,435	10,968	194	121	41,044	360	173	41,577
Telephone	333	333	333	393	333	1,725	238	476	2,439
Occupancy	1,175	1,175	1,175	1,175	13,178	17,878	839	1,679	20,396
Printing and copying	941	1,416	762	762	762	4,643	1,129	1,287	7,059
Equipment rental and maint	122	-	-	-	20	142	-	165	307
Conferences, meetings	60	35	47	175	35	352	-	-	352
Travel	174	39	194	-	-	407	-	-	407
Bank fees	-	-	-	-	-	-	836	-	836
Dues and licenses	-	-	-	-	250	250	111	100	461
Advertising	100	-	-	-	-	100	-	-	100
Insurance	185	185	185	185	185	925	132	264	1,321
Workers' compensation	96	96	96	96	96	480	69	137	686
Special events direct costs	-	-	-	-	-	-	-	3,819	3,819
Miscellaneous	8	8	8	8	8	40	6	278	324
Total expenditures	37,767	39,628	78,972	10,964	86,527	253,858	13,371	30,874	298,103
Depreciation	-	-	-	-	-	-	864	-	864
Total operating expenses	\$ 37,767	\$ 39,628	\$ 78,972	\$ 10,964	\$ 86,527	\$ 253,858	\$ 14,235	\$ 30,874	\$ 298,967
Percent of total expenses	12.63%	13.25%	26.41%	3.67%	28.94%	84.91%	4.76%	10.32%	100.00%

Growing Hope, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2009

Cash flows from operating activities		
Increase (decrease) in net assets	\$ 51,612	
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities:		
Changes in operating assets and liabilities:		
Depreciation	864	
(Increase) decrease in:		
Accounts receivable	(3,688)	
Grants receivable	(1,388)	
Pledges receivable - capital campaign	(4,500)	
Prepaid expenses	62	
Employee reimbursements	(86)	
Increase (decrease) in:		
Accounts payable	(1,789)	
Net cash used by operating activities		\$ 41,087
Cash flows from investing activities		
Purchases of equipment	(1,568)	
Net cash used by investing activities		(1,568)
Cash flows from financing activities		
Note payable payments	(6,184)	
Net cash used by financing activities		(6,184)
Net decrease in cash and equivalents		33,335
Cash and cash equivalents at beginning of year		18,004
Cash and cash equivalents at end of year		<u>\$ 51,339</u>
Supplemental disclosures:		
Cash paid for interest	<u>\$ 9,900</u>	

See accompanying notes and independent auditors' report.

Growing Hope, Inc.
Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 1 - Significant Accounting Policies

The following is a summary of significant accounting policies followed in the preparation of these financial statements. The policies conform to generally accepted accounting principles applicable to voluntary health and welfare organizations and have been consistently applied.

Nature of operations

Growing Hope, Inc. (GHI) is a nonprofit corporation whose mission is to improve lives and communities through gardening and healthy food access. Located in Ypsilanti, Michigan, GHI serves individuals and communities in the Washtenaw County area of Michigan and derives its income primarily from grants, contributions, and fund raising.

Description of programs

Gardens Program - Supports homes, school, and community gardens in Washtenaw County by providing start-up training, education, and resources that help people grow their own food.

Farmer's Market & Social Enterprises - Farmers Market aims to increase access to fresh and healthy food while supporting the local economy and developing downtown Ypsilanti. Social Enterprises includes a demonstration urban market garden and hoophouse at the Growing Hope Center, raised bed kits, and the sale of plants and other garden products.

Youth & Schools - Involves classroom, after-school, and summer experiences for young people ages 3-21. Partner gardens and greenhouses at Ypsilanti's Head Start, East, and West Middle Schools involve nutrition-focused, after-school clubs and classroom lessons.

Community Outreach & Involvement - Touches thousands each year across Washtenaw County and Michigan through participation at numerous community events and fairs; through leadership in the Ypsilanti Pride Day, Ypsilanti Heath Coalition, the Michigan School & Community Garden Network, statewide School Garden Nutrition committee, and others; and through other community outreach efforts.

Growing Hope Center - Purchased in 2007, the center will serve as central office for Growing Hope. When complete, the center will provide a year-round demonstration and training site for urban farming, sustainable gardening and a green building.

Management and General - Includes the functions necessary to maintain GHI's support program; ensure an adequate working environment; provide coordination and articulation of GHI's program strategy through the office of the executive director; secure proper administrative functioning of the board of directors, maintain competent legal services for the program administration of the organization; and manage the financial and budgetary responsibilities of GHI.

Fundraising - Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and businesses.

Growing Hope, Inc.
Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 1 - Significant Accounting Policies (continued)

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other accruals.

Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958. Under those provisions, net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of GHI pursuant to those stipulations or that expire by the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by GHI. Generally, the donors of such assets permit GHI to use all all or part of the income earned on the assets.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses

The costs of providing the various programs have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain management and general costs have been allocated among the program and supporting services benefited.

Tax status

GHI is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. GHI qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Cash equivalents

All short-term investments with original maturities of three months or less are considered cash equivalents.

Accounts receivable and allowance for doubtful accounts

Receivables are accounted for on the accrual basis and become past due after 30 days. No allowance for uncollectable accounts has been provided as GHI typically collects all outstanding amounts. Trade receivables are written off if all efforts at collection have failed and management determines that collection is unlikely. Receivables older than 90 days totaled \$0 at December 31, 2009.

Donations of fixed assets

Donations of fixed assets (long-lived assets) that do not have donor imposed stipulations about how long the property must be used are recorded as unrestricted contributions in the year received.

Growing Hope, Inc.
Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 1 - Significant Accounting Policies (continued)

Advertising costs

Advertising costs intended to solicit revenue in an exchange transaction are generally recorded as management and general expenses in the period incurred.

Fixed assets

Fixed asset purchases costing \$500 or more are capitalized. Donated fixed asset items of \$500 or more are capitalized and recorded at fair market value at the time of receipt. Expenditures for major repairs and betterments that extend the useful lives of fixed assets are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of fixed assets sold or retired is removed from the related asset and accumulated depreciation accounts and any resulting gain or loss is recorded in the year of disposal. Depreciation is calculated utilizing the straight line method over the estimated useful lives of the assets, calculated at five years for equipment and forty years for the building.

Contributed services

GHI records the fair value of contributed services in the financial statements if the services either (a) create or enhance a nonfinancial asset or (b) require specialized skills; are provided by persons possessing those skills; and would need to be purchased if they were not donated as required by FASB ASC 958. The value of contributed services recorded in these financial statements represent volunteer hours donated by information technology and accounting professionals.

Promises to give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give are recognized at the estimated net present value, net of an allowance for uncollectible amounts.

Restricted and unrestricted revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets 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. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Note 2 - Credit Risks

Cash consists of petty cash, one interest-bearing and one non-interest bearing checking accounts. At December 31, 2009, the cash book balance of \$51,339 represented bank balances of \$56,552, less outstanding checks and other reconciling items. Of the \$56,552 balance, \$56,552 was covered by depository insurance and \$0 was uninsured.

Growing Hope, Inc.
Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 3 - Concentrations of Support

GHI received approximately 95% of its total grants from Food Gatherers, Inc. for the year ended December 31, 2009. Grant revenues account for 10% of total revenues received in 2009.

GHI received approximately 54%, 32%, and 13% of its total contract revenues from the Michigan Nutrition Network, Washtenaw County, and University of Michigan, respectively, for the fiscal year ended December 31, 2009. Contract revenues account for 49% of total revenues received in 2009.

The accounts receivable balance at December 31, 2009, consists of various business sponsorships provided by Washtenaw County businesses.

Note 4 - Operating Leases

GHI leases office space on a month-to-month basis for \$625 per month. It also leases office equipment for \$211 per month under an operating lease agreement that will expire on January 12, 2012. Rent expense totaled \$10,657 in 2009. Future minimum lease payments are as follows:

Year ended December 31,	
2010	\$ 2,532
2011	2,532
2012	<u>211</u>
Total lease payments	<u>\$ 5,275</u>

Note 5 - Notes Payable

Notes payable consisted of the following at December 31, 2009:

Note payable to GHI's management from a board member, non-interest bearing note, due July 2012	\$ 5,000
Note payable to GHI's management from Growing the Future, LLC. Monthly payments of \$825 cover interest only at 6% with a balloon payment due December 2012, secured by GHI's land and building.	<u>165,000</u>
Total notes payable	<u>\$170,000</u>

Maturities of long-term debt are as follows:

Year ended December 31,	
2010	\$ -
2011	-
2012	<u>170,000</u>
Total principal payments	<u>\$170,000</u>

Growing Hope, Inc.
Notes to the Financial Statements
For the Year Ended December 31, 2009

Note 6 - Special Events

GHI conducted several fund raising events during the year ended December 31, 2009 generating receipts and direct expenses as detailed in the following schedule:

	<u>Receipts</u>	<u>Direct Expenses</u>	<u>Net Proceeds</u>
Silent auction/charitable gaming	\$ 7,557	\$ -	\$ 7,557
Hope's Harvest	11,321	3,525	7,796
Wine tastings	852	50	802
Staff events	2,962	244	2,718
House parties	275	-	275
Total	\$ 22,967	\$ 3,819	\$ 19,148

Note 7 - Capital Campaign

In December, 2007, GHI took a major step forward in demonstrating its commitment to growing a positive and healthy future in Southeast Michigan when it purchased a 1.4 acre property on Michigan Avenue for the Growing Hope Center. The Growing Hope Center will operate year round, making its programs and services more accessible and to serve as an anchor of revitalization by providing indoor and outdoor gathering and learning spaces. The property will house the organization's offices, indoor and outdoor education space, storage, and demonstration urban farm. The estimated cost to complete the acquisition and renovation of the existing structure and building of a demonstration farm (including retiring the debt on the property, and funding campaign/fundraising expenses) is \$1 million dollars. The project is broken down into four phases; the first phase was completed and included predevelopment, planning, and demolition, and included significant in-kind professional service contributions. As of December 31, 2009, Growing Hope has raised from individuals, foundations, organizational and government grants, and in-kind contributions over \$300,000. Another \$300,000 is needed to complete the renovations and site development necessary to obtain a Certificate of Occupancy for both the building and property. The recorded receivable balance of \$4,500 represent individual and organization pledges outstanding as of December 31, 2009.