

Growing Hope, Inc.
Audited Financial Statements
December 31, 2010 and 2009

Growing Hope, Inc.

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CURTIS, BAILEY, EXELBY & SPOSITO, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

2320 WASHTENAW AVE
ANN ARBOR, MICHIGAN 48104
TEL 734.663.7492
FAX 734.663.0217

www.cbescpa.com

A.B. CURTIS, C.P.A. (1930-1943)

C.C. CURTIS, C.P.A. (1942-1973)

D.L. BAILEY, C.P.A. (1942-1973)

HENRY E. ALVAREZ, C.P.A.
THOMAS C KOZIARA, C.P.A.
PATRICIA A. KOEPKE, C.P.A.
LISA C. PAXSON, C.P.A.
STEVEN SULFARO, C.P.A.

JOHN G. SPOSITO, C.P.A.
WESLEY J. EXELBY, C.P.A.

Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Growing Hope, Inc. (a nonprofit corporation) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years 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 audits 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 audits provide 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, 2010 and 2009, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.


CURTIS, BAILEY, EXELBY & SPOSITO, P.C.

August 12, 2011

Growing Hope, Inc.
Statements of Financial Position
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Current assets		
Cash	\$ 94,394	\$ 51,339
Accounts receivable	8,798	5,076
Notes receivable	-	360
Pledges receivable-capital campaign (Note 7)	3,600	4,500
Employee reimbursements	-	85
Deposits	315	315
Total current assets	107,107	61,675
Fixed assets		
Land	225,000	225,000
Building - Growing Hope Center	25,678	25,678
Computer equipment	2,415	2,415
Accumulated depreciation	(3,178)	(2,053)
Net fixed assets	249,915	251,040
Other Assets		
Construction in progress - Growing Hope Center	107,765	-
Total assets	<u>\$ 464,787</u>	<u>\$ 312,715</u>
Liabilities and net assets		
Current liabilities		
Accrued Expenses	\$ 13,020	\$ 672
Notes payable (Note 5)	165,000	170,000
Total current liabilities	178,020	170,672
Net assets		
Temporarily restricted	141,000	-
Unrestricted	145,767	142,043
Total net assets	286,767	142,043
Total liabilities and net assets	<u>\$ 464,787</u>	<u>\$ 312,715</u>

See accompanying notes and independent auditors' report.

Growing Hope, Inc.
Statements of Activities
For the Years Ended December 31, 2010 and 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support:						
Contributions	\$ 36,771	\$ -	\$ 36,771	\$ 39,360	\$ -	\$ 37,146
Business sponsorships	13,007	-	13,007	8,871	-	8,871
Grants	250		250	28,789		28,789
Contributions in-kind	-	71,275	71,275	-	63,563	63,563
Capital campaign (Note 7)	-	106,404	106,404	-	20,750	20,750
Total support	50,028	177,679	227,707	130,330	84,313	159,119
Revenues:						
Program service contracts	109,488	-	109,488	141,284	-	141,284
Special events (Note 6)	21,769	-	21,769	22,967	-	22,967
Program related sales	21,655	-	21,655	27,204	-	27,204
Membership dues	2,448	-	2,448	-	-	-
Interest	8	-	8	1	-	1
Miscellaneous	310	-	310	4	-	4
Total revenues	155,678	-	155,678	220,249		191,460
Total support and revenues	205,706	177,679	383,385	350,579	84,313	350,579
Expenses:						
Program services:						
Garden programs	32,936	-	32,936	37,767	-	37,767
Farmers' market & social enterprise	21,273	-	21,273	39,628	-	39,628
Youth & schools	70,426	-	70,426	78,972	-	78,972
Community outreach & involvement	16,620	-	16,620	10,964	-	10,964
Growing Hope Center	-	36,679	36,679	2,214	84,313	86,527
Support services:						
Management and general	23,123	-	23,123	14,235	-	14,235
Fundraising	37,604	-	37,604	30,874		30,874
Total expenses	201,982	36,679	238,661	298,967	84,313	298,967
Increase in net assets	3,724	141,000	144,724	51,612	-	51,612
Net assets at beginning of year	142,043	-	142,043	90,431	-	90,431
Net assets at end of year	\$ 145,767	\$ 141,000	\$ 286,767	\$ 142,043	\$ -	\$ 142,043

See accompanying notes and independent auditors' report.

Growing Hope, Inc.
Statements of Functional Expenses for Program and Support Services
For the Year Ended December 31, 2010

	Program Services						Support Services			
	Gardens Program	Farmer's Mkt & Social Enterprise	Youth & Schools	Community		Growing Hope Center	Total Program	Mgmt & General	Fund-raising	Total Expenses
				Outreach & Involvement						
Salaries and wages	\$ 15,862	\$ 5,550	\$ 55,287	\$ 5,550	\$ 5,550	\$ 5,550	\$ 87,799	\$ 7,710	\$ 18,718	\$ 114,227
Employee benefits	669	669	1,482	669	669	669	4,158	559	1,118	5,835
Payroll taxes	1,257	1,257	1,257	1,257	1,257	1,257	6,285	898	1,796	8,979
Contract services	3,903	3,903	3,903	3,903	3,903	3,903	19,515	3,903	3,903	27,321
Payroll service	40	40	40	40	40	40	200	143	286	629
Contract expenses	609	609	609	609	609	609	3,045	609	609	4,263
Merchandise	-	628	-	-	-	-	628	-	388	1,016
Books and publications	66	43	43	43	43	43	238	31	88	357
Postage and shipping	254	254	254	254	254	254	1,270	181	363	1,814
Supplies	6,140	5,053	4,126	73	-	-	15,392	135	110	15,637
Telephone	428	428	428	505	428	428	2,217	306	611	3,134
Occupancy	1,169	1,169	1,169	1,169	13,105	13,105	17,781	835	1,669	20,285
Printing and copying	1,152	737	737	737	737	737	4,100	1,520	1,224	6,844
Equipment rental and maint	15	15	15	15	15	15	75	15	1,200	1,290
IT & computer software	91	91	91	91	91	91	455	91	91	637
Conferences, meetings	385	224	301	1,123	224	224	2,257	-	-	2,257
Travel	92	21	102	-	-	-	215	-	-	215
Bank fees	-	-	-	-	-	-	-	510	-	510
Interest	38	38	38	38	38	38	190	39	39	268
Dues and licenses	-	-	-	-	3,115	3,115	3,115	1,377	1,246	5,738
Advertising	222	-	-	-	-	-	222	-	-	222
Insurance	460	460	460	460	460	460	2,300	328	657	3,285
Workers' compensation	71	71	71	71	71	71	355	71	71	497
Special events direct costs	-	-	-	-	-	-	-	-	2,959	2,959
Site development	-	-	-	-	6,057	6,057	6,057	-	-	6,057
Miscellaneous	13	13	13	13	13	13	65	2,737	458	3,260
Total expenditures	32,936	21,273	70,426	16,620	36,679	36,679	177,934	21,998	37,604	237,536
Depreciation	-	-	-	-	-	-	-	1,125	-	1,125
Total operating expenses	\$ 32,936	\$ 21,273	\$ 70,426	\$ 16,620	\$ 36,679	\$ 36,679	\$ 177,934	\$ 23,123	\$ 37,604	\$ 238,661
Percent of total expenses	13.80%	8.91%	29.51%	6.96%	15.37%	15.37%	74.56%	9.69%	15.75%	100.00%

Growing Hope, Inc.
Statements 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
Salaries and wages	\$ 15,222	\$ 5,326	\$ 49,079	\$ 5,326	\$ 5,326	\$ 80,279	\$ 7,399	\$ 17,963
Employee benefits	1,014	1,014	2,248	1,014	1,014	6,304	848	1,696
Payroll taxes	1,291	1,291	1,291	1,291	1,291	6,455	922	1,844
Contract services	-	14,930	-	-	-	14,930	90	-
In-kind services	-	-	-	-	63,563	63,563	-	-
Payroll service	19	19	19	19	19	95	69	138
Contract expenses	225	-	11,891	-	-	12,116	90	-
Merchandise	-	-	350	-	-	350	-	216
Books and publications	432	282	282	282	282	1,560	202	576
Postage and shipping	44	44	44	44	44	220	31	63
Supplies	16,326	13,435	10,968	194	121	41,044	360	173
Telephone	333	333	333	393	333	1,725	238	476
Occupancy	1,175	1,175	1,175	1,175	13,178	17,878	839	1,679
Printing and copying	941	1,416	762	762	762	4,643	1,129	1,287
Equipment rental and maint	122	-	-	-	20	142	-	165
Conferences, meetings	60	35	47	175	35	352	-	-
Travel	174	39	194	-	-	407	-	-
Bank fees	-	-	-	-	-	-	836	-
Dues and licenses	-	-	-	-	-	-	111	100
Advertising	100	-	-	-	-	100	-	-
Insurance	185	185	185	185	185	925	132	264
Workers' compensation	96	96	96	96	96	480	69	137
Special events direct costs	-	-	-	-	-	-	-	3,819
Miscellaneous	8	8	8	8	8	40	6	278
Total expenditures	37,767	39,628	78,972	10,964	86,527	253,858	13,371	30,874
Depreciation	-	-	-	-	-	-	864	-
Total operating expenses	\$ 37,767	\$ 39,628	\$ 78,972	\$ 10,964	\$ 86,527	\$ 253,858	\$ 14,235	\$ 30,874
Percent of total expenses	12.63%	13.25%	26.41%	3.67%	28.94%	84.91%	4.76%	10.32%
								100.00%

See accompanying notes and independent auditors' report.

Growing Hope, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 144,724	\$ 51,612
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities:		
Changes in operating assets and liabilities:		
Depreciation	1,125	864
(Increase) decrease in:		
Accounts receivable	(3,722)	(5,076)
Pledges receivable - capital campaign	900	(4,500)
Prepaid expenses	360	62
Employee reimbursements	85	(86)
Increase (decrease) in:		
Accounts payable	<u>12,348</u>	<u>(1,789)</u>
Net cash provided (used) by operating activities	155,820	41,087
Cash flows from investing activities		
Construction in progress	(107,765)	
Purchases of equipment		<u>(1,568)</u>
Net cash provided (used) by investing activities	<u>(107,765)</u>	<u>(1,568)</u>
Cash flows from financing activities		
Note payable payments	<u>(5,000)</u>	<u>(6,184)</u>
Net cash provided (used) by financing activities	<u>(5,000)</u>	<u>(6,184)</u>
Net increase (decrease) in cash and equivalents	43,055	33,335
Cash and cash equivalents at beginning of year	<u>51,339</u>	<u>18,004</u>
Cash and cash equivalents at end of year	<u><u>\$ 94,394</u></u>	<u><u>\$ 51,339</u></u>
Supplemental disclosures:		
Cash paid for interest	<u><u>\$ 10,995</u></u>	<u><u>\$ 9,900</u></u>

See accompanying notes and independent auditors' report.

Growing Hope, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 1 - Description of Organization

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 fundraising.

Description of programs

Gardens Program - Supports home, 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.

Note 2 - 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 and have been consistently applied.

Growing Hope, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 2 - 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.

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, 2010 and 2009.

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.

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.

Revenue Recognition

Revenue consists primarily of grants and contributions from various sources. Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred.

Growing Hope, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 2 - Significant Accounting Policies (continued)

Contributions

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.

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.

Advertising costs

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

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.

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.

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). GHI may incur income taxes on income not related to its purpose. Provisions are made for income taxes based on taxable income, if any, arising from such activities. GHI files informational returns in the U.S. federal jurisdiction. The statute of limitations is generally three years for federal returns.

Growing Hope, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 2 - Significant Accounting Policies (continued)

Fair Value of Instruments

The carrying amount of cash and cash equivalents, accounts receivable, and accounts payable approximate fair value due to the short-term nature of such instruments.

Subsequent Events

Subsequent events have been evaluated through the report date of August 12, 2011, the date that the financial statements were available to be issued.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation of the current financial statements.

Note 3 - Concentrations and Credit Risk

GHI received approximately 80% of its total grant revenue from the Michigan Nutrition Network for the year ended December 31, 2010. GHI received approximately 45% and 26% of its grant revenue from the Michigan Nutrition Network and Washtenaw County, respectively, for the year ended December 31, 2009.

Approximately 83% of accounts receivable balance at December 31, 2010 was due to the Michigan Nutrition Network.

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 \$10,032 and \$10,657 in 2010 and 2009, respectively. Future minimum lease payments are as follows:

Year ended December 31,	
2011	\$ 2,532
2012	211
Total lease payments	<u>\$ 2,743</u>

Note 5 - Notes Payable

Notes payable consisted of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
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>	<u>165,000</u>
Total notes payable	<u>\$ 165,000</u>	<u>\$ 170,000</u>

See independent auditors' report.

Growing Hope, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

Note 5 - Notes Payable (continued)

Maturities of long-term debt are as follows:

Year ended December 31,	
2010	\$ -
2011	-
2012	165,000
Total principal payments	<u>\$ 165,000</u>

Note 6 - Special Events

GHI conducted several fund raising events during the year ended December 31, 2010 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	\$ 4,423	\$ -	\$ 4,423
Hope's Harvest	9,190	2,959	6,231
Wine tastings	2,005		2,005
Staff events	5,673		5,673
Special events	478		478
Total	<u>\$ 21,769</u>	<u>\$ 2,959</u>	<u>\$ 18,810</u>

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	<u>\$ 22,967</u>	<u>\$ 3,819</u>	<u>\$ 19,148</u>

See independent auditors' report.

Growing Hope, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

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, 2010, Growing Hope has raised from individuals, foundations, organizational and government grants, and in-kind contributions over \$500,000. Another \$200,000 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 balances of \$3,600 and \$4,500 represent individual and organization pledges outstanding as of December 31, 2010 and 2009, respectively.

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31, 2010 and 2009:

	2010	2009
Growing Hope Center	\$ 141,000	\$ -

Note 9 - Commitments

In November, 2010, GHI signed two contracts totaling approximately \$100,000 for electrical and site work on the Growing Hope Center. These contracts will be paid with funds raised in the Capital Campaign (see Note 7).

Note 10 - Subsequent Events

An AmeriCorps VISTA worker was injured in a Growing Hope Center construction accident in June, 2011. All medical and other related expenses are expected to be paid by the federal government's workers compensation and liability insurance policies.