

Growing Hope, Inc.
Audited Financial Statements
December 31, 2011 and 2010

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 statements of financial position of Growing Hope, Inc. (a nonprofit corporation) as of December 31, 2011 and 2010, 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, 2011 and 2010, 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 23, 2012

Growing Hope, Inc.
Statements of Financial Position
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current assets		
Cash	\$ 96,094	\$ 94,394
Accounts receivable	11,333	8,798
Pledges receivable-capital campaign (Note 12)	12,983	3,600
Deposits	315	315
Investments (Note 4)	917	-
Total current assets	121,642	107,107
Fixed assets		
Land	225,000	225,000
Building - Growing Hope Center	25,678	25,678
Computer equipment	11,026	2,415
Vehicles	6,744	-
Accumulated depreciation	(5,820)	(3,178)
Net fixed assets	262,628	249,915
Other Assets		
Construction in progress - Growing Hope Center	266,433	107,765
Pledges receivable (Note 12)	13,000	-
Total other assets	279,433	107,765
Total assets	<u>\$ 663,703</u>	<u>\$ 464,787</u>
Liabilities and net assets		
Current liabilities		
Accrued expenses	\$ 61,512	\$ 13,020
Line of credit (Note 5)	20,750	-
Notes payable (Note 6)	165,000	165,000
Deferred revenue	25,000	-
Refundable advance	4,900	-
Total current liabilities	277,162	178,020
Net assets		
Temporarily restricted	271,422	141,000
Unrestricted	115,119	145,767
Total net assets	386,541	286,767
Total liabilities and net assets	<u>\$ 663,703</u>	<u>\$ 464,787</u>

See accompanying notes and independent auditors' report.

Growing Hope, Inc.
Statements of Activities
For the Years Ended December 31, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support						
Contributions	\$ 40,536	\$ -	\$ 40,536	\$ 36,771	\$ -	\$ 36,771
Business sponsorships	16,787	-	16,787	13,007	-	13,007
Grants	124,899	-	124,899	750	-	750
Contributions in-kind	3,295	43,376	46,671	-	71,275	71,275
Capital campaign (Note 11)	-	150,771	150,771	-	106,404	106,404
Total support	185,517	194,147	379,664	50,528	177,679	228,207
Revenues						
Program service contracts	60,413	-	60,413	108,988	-	108,988
Special events (Note 10)	39,975	-	39,975	21,769	-	21,769
Program related fees	47,067	-	47,067	21,655	-	21,655
Membership dues	3,404	-	3,404	2,448	-	2,448
Rental income	1,866	-	1,866	-	-	-
Interest	18	-	18	8	-	8
Investment income	(173)	-	(173)	-	-	-
Miscellaneous	1,582	-	1,582	310	-	310
Total revenues	154,152	-	154,152	155,178	-	155,178
Total support and revenues	339,669	194,147	533,816	205,706	177,679	383,385
Expenses						
Program services						
Gardens programs	52,130	-	52,130	32,936	-	32,936
Farmers' market & social enterprise	77,766	-	77,766	21,273	-	21,273
Youth & schools	52,130	-	52,130	70,426	-	70,426
Community outreach & involvement	52,145	-	52,145	16,620	-	16,620
Growing Hope Center	-	63,725	63,725	-	36,679	36,679
Support services						-
Management and general	55,834	-	55,834	23,123	-	23,123
Fundraising	80,312	-	80,312	37,604	-	37,604
Total expenses	370,317	63,725	434,042	201,982	36,679	238,661
Increase in net assets	(30,648)	130,422	99,774	3,724	141,000	144,724
Net assets at beginning of year	145,767	141,000	286,767	142,043	-	142,043
Net assets at end of year	\$ 115,119	\$ 271,422	\$ 386,541	\$ 145,767	\$ 141,000	\$ 286,767

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, 2011

	Program Services					Support Services			
	Gardens Programs	Farmers' Mkt & Social Enterprise	Youth & Schools	Community Outreach & Involvement	Growing Hope Center	Total Program	Mgmt & General	Fund-Raising	Total Expenses
Salaries and wages	\$ 23,227	\$ 23,227	\$ 23,227	\$ 23,227	\$ 23,227	\$ 116,135	\$ 24,886	\$ 24,886	\$ 165,907
Employee benefits	1,355	1,355	1,355	1,355	1,355	6,775	1,451	1,451	9,677
Payroll taxes	1,877	1,877	1,877	1,877	1,877	9,385	2,012	2,012	13,409
Contract services	9,523	9,523	9,523	9,523	9,523	47,615	6,908	20,763	75,286
In-kind services	-	-	-	-	-	-	3,295	-	3,295
Payroll service	105	105	105	105	105	525	112	112	749
Contract expenses	5,375	5,375	5,375	5,375	5,375	26,875	5,759	5,759	38,393
Merchandise	-	9,970	-	-	-	9,970	-	6,153	16,123
Books and publications	65	65	65	65	65	325	70	70	465
Postage and shipping	319	319	319	319	319	1,595	343	343	2,281
Supplies	3,157	17,366	3,157	3,157	1,579	28,416	1,579	1,579	31,574
Telephone	639	639	639	639	639	3,195	684	684	4,563
Occupancy	2,721	2,721	2,721	2,721	2,721	13,605	2,916	2,916	19,437
Printing and copying	1,108	1,108	1,108	1,108	1,108	5,540	1,187	1,187	7,914
Equipment rental and maint	416	416	416	416	416	2,080	116	116	2,312
IT & computer software	338	338	338	338	338	1,690	362	362	2,414
Conferences, meetings	302	302	302	302	84	1,292	84	302	1,678
Travel	614	614	614	614	171	2,627	614	171	3,412
Bank fees	121	121	121	121	121	605	76	76	757
Interest (non-mortgage)	118	118	118	118	118	590	74	74	738
Dues and licenses	-	1,457	-	-	3,883	5,340	194	750	6,284
Advertising	55	55	55	55	55	275	-	-	275
Insurance	606	606	606	606	606	3,030	649	649	4,328
Workers' compensation	89	89	89	89	89	445	96	96	637
Special events direct costs	-	-	-	-	-	-	-	9,347	9,347
Site development	-	-	-	-	9,309	9,309	-	-	9,309
Miscellaneous	-	-	-	15	-	15	367	454	836
Total expenditures	52,130	77,766	52,130	52,145	63,083	297,254	53,834	80,312	431,400
Depreciation	-	-	-	-	642	642	2,000	-	2,642
Total operating expenses	\$ 52,130	\$ 77,766	\$ 52,130	\$ 52,145	\$ 63,725	\$ 297,896	\$ 55,834	\$ 80,312	\$ 434,042
Percent of total expenses	12.01%	17.92%	12.01%	12.01%	14.68%	68.63%	12.86%	18.51%	100.00%

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

	Program Services					Support Services			
	Gardens Programs	Farmers' Mkt & Social Enterprise	Youth & Schools	Community Outreach & Involvement	Growing Hope Center	Total Program	Mgmt & General	Fund-raising	Total Expenses
Salaries and wages	\$ 15,862	\$ 5,550	\$ 55,287	\$ 5,550	\$ 5,550	\$ 87,799	\$ 7,710	\$ 18,718	\$ 114,227
Employee benefits	669	669	1,482	669	669	4,158	559	1,118	5,835
Payroll taxes	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	19,515	3,903	3,903	27,321
Payroll service	40	40	40	40	40	200	143	286	629
Contract expenses	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	238	31	88	357
Postage and shipping	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	2,217	306	611	3,134
Occupancy	1,169	1,169	1,169	1,169	13,105	17,781	835	1,669	20,285
Printing and copying	1,152	737	737	737	737	4,100	1,520	1,224	6,844
Equipment rental and maint	15	15	15	15	15	75	15	1,200	1,290
IT & computer software	91	91	91	91	91	455	91	91	637
Conferences, meetings	385	224	301	1,123	224	2,257	-	-	2,257
Travel	92	21	102	-	-	215	-	-	215
Bank fees	-	-	-	-	-	-	510	-	510
Interest (non-mortgage)	38	38	38	38	38	190	39	39	268
Dues and licenses	-	-	-	-	3,115	3,115	1,377	1,246	5,738
Advertising	222	-	-	-	-	222	-	-	222
Insurance	460	460	460	460	460	2,300	328	657	3,285
Workers' compensation	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
Miscellaneous	13	13	13	13	13	65	2,737	458	3,260
Total expenditures	32,936	21,273	70,426	16,620	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	\$ 177,934	\$ 23,123	\$ 37,604	\$ 238,661
Percent of total expenses	13.80%	8.91%	29.51%	6.96%	15.37%	74.55%	9.69%	15.76%	100.00%

See accompanying notes and independent auditors' report.

Growing Hope, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 99,774	\$ 144,724
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities:		
Changes in operating assets and liabilities:		
Depreciation	2,642	1,125
Unrealized (gains) losses on investments	183	-
(Increase) decrease in:		
Accounts receivable	(2,535)	(3,722)
Pledges receivable - capital campaign	(9,383)	900
Prepaid expenses	-	360
Employee reimbursements	-	85
Pledges receivable	(13,000)	-
Increase (decrease) in:		
Accounts payable	48,492	12,348
Refundable advance	4,900	-
Deferred revenue	25,000	-
Net cash provided (used) by operating activities	156,073	155,820
Cash flows from investing activities		
Construction in progress	(158,668)	(107,765)
Purchases of equipment & vehicles	(15,355)	-
Purchases of investments	(1,100)	-
Sales of investments	-	-
Net cash provided (used) by investing activities	(175,123)	(107,765)
Cash flows from financing activities		
Proceeds from loans	20,750	-
Principal payments on loans	-	(5,000)
Net cash provided (used) by financing activities	20,750	(5,000)
Net increase (decrease) in cash and equivalents	1,700	43,055
Cash and cash equivalents at beginning of year	94,394	51,339
Cash and cash equivalents at end of year	<u>\$ 96,094</u>	<u>\$ 94,394</u>
Supplemental disclosures:		
Cash paid for interest	<u>\$ 10,637</u>	<u>\$ 10,995</u>
Investments acquired through contributions	<u>\$ 1,090</u>	<u>\$ -</u>

See accompanying notes and independent auditors' report.

Growing Hope, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

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

The following is a description of GHI's programs.

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

Farmers' 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, 2011 and 2010

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 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.

Investments

Investments in marketable securities are reported at fair value in accordance with FASB ASC 820. Realized and unrealized gains and losses are reported in the statement of activities. Investment income is accrued when earned.

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.

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.

Refundable advances

Transfers of assets to GHI that are accompanied by the resource provider's conditional promise to give, or are otherwise revocable or repayable, are recorded as refundable advances until the transferred assets are beyond the control of the resource provider.

Growing Hope, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 2 - Significant Accounting Policies (continued)

Deferred revenue

Revenue payments received for subsequent fiscal years are deferred at December 31 and recognized as revenue in the applicable year.

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.

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.

Donations of materials and equipment

Donations of materials and equipment are recorded at fair market value at the time of receipt. 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.

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 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.

Growing Hope, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 2 - Significant Accounting Policies (continued)

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.

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 23, 2012, 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 30% and 26% of its total grant revenue from Eastern Michigan University and Michigan Economic Development Corporation, respectively, during the year ended December 31, 2011.

GHI received approximately 86% of its contract revenue from the Michigan Fitness Foundation during the year ended December 31, 2011, and approximately 80% of its contract revenue from the Michigan Nutrition Network during the year ended December 31, 2010.

Approximately 62% and 83% of accounts receivable balances at December 31, 2011 and 2010 were due from the Michigan Nutrition Network.

Note 4 - Investments

Investments at December 31, 2011 and 2010 are summarized as follows:

	2011	2010
Cash and cash equivalents	\$ 52	\$ -
Equities and Options	637	-
Mutual Funds, ETFs and Closed-End Funds	228	-
Total	<u>\$ 917</u>	<u>\$ -</u>

Investment returns consist of the following at December 31, 2011 and 2010:

Investment income	3	\$ -
Realized gains (losses)	7	-
Unrealized gains (losses)	(183)	-
Total	<u>\$ (173)</u>	<u>\$ -</u>

Note 5 - Line of Credit

GHI has a \$25,000 line of credit from Key Bank with an interest rate at prime rate plus 3%, (4.75% at 12/31/11). The line is secured by a mortgage on the Growing Hope Center. The balance owing on the line was \$20,750 and \$0 at December 31, 2011 and 2010, respectively.

See independent auditors' report.

Growing Hope, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 6 - Notes Payable

Notes payable consisted of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Note payable to 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.	\$ 165,000	\$ 165,000
Total notes payable	<u>\$ 165,000</u>	<u>\$ 165,000</u>

Maturities of long-term debt are as follows:

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

Interest expense totaled \$10,053 and \$9,900 in 2011 and 2010, respectively.

Note 7 - Leases

GHI leases office space on a month-to-month basis for \$625 per month. It also leases office equipment for \$247 per month under an operating lease agreement that will expire on May 24, 2016. Rent expense totaled \$10,464 and \$10,032 in 2011 and 2010, respectively. Future minimum lease payments are as follows:

Year ended December 31,	
2012	\$ 2,970
2013	2,970
2014	2,970
2015	2,970
2016	1,238
After	<u>-</u>
Total lease payments	<u>\$ 13,118</u>

Note 8 - In-Kind Donations

GHI received donated auditing services in the amount of \$3,295 during the year ended December 31, 2011. In addition, GHI received donated professional services in the amount of \$29,286 and \$51,000 relating to the construction of the Growing Hope Center during the years ended December 31, 2011 and 2010, respectively. GHI also received \$14,090 and \$20,275 in donated materials for the Growing Hope Center during the years ended December 31, 2011 and 2010.

A substantial number of volunteers contribute their time to the operation of GHI's activities. The value of these services is not reflected in the financial statements since it does not create or enhance non-financial assets nor does this time require special skills.

See independent auditors' report.

Growing Hope, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 9 - Fair Value

GHI has adopted the provisions of FASB ASC 820, Fair Value Measurements. Fair value measurements are categorized into one of three levels based on the lowest level of significant input used: Level 1 (unadjusted quoted prices in active markets); Level 2 (observable market inputs available at the measurement date, other than quoted prices included in Level 1); and Level 3 (unobservable inputs that cannot be corroborated by observable market data). The following tables present financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2011 and 2010:

	2011			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 52	\$ 52	\$ -	\$ -
Mutual funds	228	228	-	-
Corporate stocks	637	637	-	-
	<u>\$ 917</u>	<u>\$ 917</u>	<u>\$ -</u>	<u>\$ -</u>

Investments are reported at fair value on a recurring basis determined by reference to quoted market prices and other relevant information generated by market transactions. Transfer of assets into and out of levels are recognized as of the date an event or change in circumstances causes the transfer. There were no transfers between levels during the year ended December 31, 2011.

Note 10 - Special Events

GHI conducted several fundraising events during the years ended December 31, 2011 and 2010, generating receipts and direct expenses as detailed in the following schedules:

	2011		
	<u>Receipts</u>	<u>Direct Expenses</u>	<u>Net Proceeds</u>
Silent auction/charitable gaming	\$ 1,392	\$ 185	\$ 1,207
Hope's Harvest	17,679	3,246	14,433
Wine tastings	1,203	339	864
Staff events	9,116	4,049	5,067
Special events	10,585	1,528	9,057
Total	<u>\$ 39,975</u>	<u>\$ 9,347</u>	<u>\$ 30,628</u>

	2010		
	<u>Receipts</u>	<u>Direct Expenses</u>	<u>Net Proceeds</u>
Silent auction/charitable gaming	\$ 4,423	\$ -	\$ 4,423
Hope's Harvest	9,190	2,020	7,170
Wine tastings	2,005		2,005
Staff events	5,673	939	4,734
Special events	478		478
Total	<u>\$ 21,769</u>	<u>\$ 2,959</u>	<u>\$ 18,810</u>

See independent auditors' report.

Growing Hope, Inc.
Notes to the Financial Statements
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Note 11 - Growing Hope Center Construction and 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 a demonstration farm (including retiring the debt on the property and funding campaign/fundraising expenses) is \$1 million. As of December 31, 2011, GHI has raised over \$700,000 from individuals, foundations, organizational and government grants, and in-kind contributions. An additional \$165,000 is needed to pay off the loan for the land, which balloons in December 2012. GHI expects the renovations will be complete by the end of March, 2012, and to obtain a Certificate of Occupancy in April, 2012.

Note 12 - Pledges Receivable

Unconditional promises to give outstanding at December 31, 2011 and 2010 from the Capital Campaign are as follows:

	2011	2010
Pledges receivable	\$ 25,983	\$ 3,600
Current portion	12,983	3,600
Long-term portion	<u>\$ 13,000</u>	<u>\$ -</u>
Year ended December 31,		
2012	\$ 12,983	
2013	7,000	
2014	2,000	
2015	2,000	
2016	<u>2,000</u>	
	<u>\$ 25,983</u>	

GHI believes the total receivable of \$25,983 is fully collectible, therefore, no allowance has been recorded for uncollectible amounts. In addition, no discount for present value has been recorded, as GHI believes the total receivable amount approximates fair value and any discount for present value would be immaterial.

Note 13 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31, 2011 and 2010:

	2011	2010
Growing Hope Center	<u>\$ 271,422</u>	<u>\$ 141,000</u>

See independent auditors' report.

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Note 14 - Tax Status

GHI has been determined to be exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the organization's tax-exempt purposes may be subject to taxation as unrelated business income. Provisions are made for income taxes based on taxable income, if any, arising from such activities. In addition, GHI qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and is classified as an organization other than a private foundation under Section 509(a)(2).

GHI follows the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. GHI has analyzed tax positions taken for filings with the Internal Revenue Service and the State jurisdiction where it operates. GHI believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on GHI's financial condition, results of operations, or cash flows. Accordingly, GHI has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2011 and 2010.

GHI may be subject to random audits by taxing jurisdictions, however, there are currently no audits in progress for any prior tax periods. GHI files information returns in the U.S. federal jurisdiction. The statute of limitations is generally three years for federal returns. GHI files annual information updates with the State of Michigan in order to maintain corporate status. GHI was up-to-date with these federal and state filings as of December 31, 2011.