

Growing Hope, Inc.
Annual Financial Statements
and
Auditors' Report
December 31, 2012

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Independent Auditors' Report

Board of Directors
Growing Hope, Inc.
Ypsilanti, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Growing Hope, Inc. (the "Organization") which comprise the statement of financial position as of December 31, 2012 and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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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, 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

Other auditors audited Growing Hope Inc.'s December 31, 2011, financial statements, and they expressed an unmodified audit opinion on those audited financial statements in their report dated August 23, 2012. In their opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Yeo & Yeo, P.C.

Ann Arbor, Michigan
August 9, 2013

Growing Hope, Inc.
Statement of Financial Position
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 29,652	\$ 96,094
Accounts receivable	41,826	11,333
Promises to give, net, current portion	2,707	12,983
Investments	-	917
Total current assets	<u>74,185</u>	<u>121,327</u>
Property and equipment, net	<u>530,612</u>	<u>529,061</u>
Other assets		
Deposits	-	315
Promises to give, net	7,815	13,000
Total other assets	<u>7,815</u>	<u>13,315</u>
Total assets	<u>\$ 612,612</u>	<u>\$ 663,703</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 17,530	\$ 61,512
Line of credit	-	20,750
Notes payable	165,000	165,000
Deferred revenue	-	25,000
Refundable advances	-	4,900
Total current liabilities	<u>182,530</u>	<u>277,162</u>
Unrestricted net assets	<u>421,981</u>	115,119
Temporarily restricted net assets	<u>8,101</u>	<u>271,422</u>
Total net assets	<u>430,082</u>	<u>386,541</u>
Total liabilities and net assets	<u>\$ 612,612</u>	<u>\$ 663,703</u>

Growing Hope, Inc.
Statement of Activities
For the Year Ended December 31, 2012 (with Comparative Totals for 2011)

			Total	
	Unrestricted	Temporarily Restricted	2012	2011
Revenues				
Program service contracts	\$ 58,878	\$ -	\$ 58,878	\$ 60,413
Special events	28,631	-	28,631	39,975
Program related fees and sales	48,199	-	48,199	47,067
Membership dues	2,835	-	2,835	3,404
Rental income	2,140	-	2,140	1,866
Interest	7	-	7	18
Investment loss	(89)	-	(89)	(173)
Miscellaneous revenues	466	-	466	1,582
	<u>141,067</u>	<u>-</u>	<u>141,067</u>	<u>154,152</u>
Support				
Capital campaign donors	-	113,025	113,025	150,771
Contributions	66,540	-	66,540	57,323
Grants	78,501	11,000	89,501	124,899
Contributions in kind	7,757	-	7,757	46,671
Net assets released from restrictions	387,346	(387,346)	-	-
Total support	<u>540,144</u>	<u>(263,321)</u>	<u>276,823</u>	<u>379,664</u>
Total revenue and support	<u>681,211</u>	<u>(263,321)</u>	<u>417,890</u>	<u>533,816</u>
Expenses				
Program	293,272	-	293,272	297,896
Supporting				
Administrative	46,834	-	46,834	55,834
Fundraising	34,243	-	34,243	80,312
Total expenses	<u>374,349</u>	<u>-</u>	<u>374,349</u>	<u>434,042</u>
Change in net assets	306,862	(263,321)	43,541	99,774
Net assets at beginning of year	<u>115,119</u>	<u>271,422</u>	<u>386,541</u>	<u>286,767</u>
Net assets at end of year	<u>\$ 421,981</u>	<u>\$ 8,101</u>	<u>\$ 430,082</u>	<u>\$ 386,541</u>

Growing Hope, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2012 (with Comparative Totals for 2011)

	Program	Administrative	Fundraising	Total 2012	Total 2011
Expenses					
Salaries and wages	\$ 152,842	\$ 21,252	\$ 9,047	\$ 183,141	\$ 165,907
Employee benefits	9,802	2,079	2,079	13,960	9,677
Payroll taxes	10,670	2,287	2,287	15,244	13,409
Contract services	20,832	8,699	1,671	31,202	75,286
In-kind services	-	-	-	-	3,295
Payroll services	502	107	107	716	749
Contract expenses	21,928	-	790	22,718	38,393
Merchandise	-	-	-	-	16,123
Books and publications	1,277	9	9	1,295	465
Postage and Shipping	1,255	110	2,017	3,382	2,281
Supplies	16,204	916	1,912	19,032	31,574
Telephone	2,660	398	398	3,456	4,563
Occupancy	10,334	2,141	2,141	14,616	19,437
Printing and copying	6,160	1,231	1,785	9,176	7,914
Equipment rental & maint	155	15	15	185	2,312
IT & computer software	41	572	7	620	2,414
Confrences, meetings	2,351	216	137	2,704	1,678
Travel and mileage	4,024	60	198	4,282	3,412
Bank fees	-	256	35	291	757
Interest	1,081	246	231	1,558	738
Dues and licenses	1,490	90	290	1,870	6,284
Advertising	155	-	-	155	275
Insurance	3,986	666	666	5,318	4,328
Workers's compensation	880	189	189	1,258	637
Special events	9	-	2,962	2,971	9,347
Site development	7,492	1,605	1,605	10,702	9,309
Depreciation	13,699	2,936	2,936	19,571	2,642
Bad debt	3,302	707	707	4,716	-
Miscellaneous	141	47	22	210	836
Total expenses	\$ 293,272	\$ 46,834	\$ 34,243	\$ 374,349	\$ 434,042

Growing Hope, Inc.
Statement of Cash Flows
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ 43,541	\$ 99,774
Items not requiring cash		
Depreciation	19,571	2,642
Net loss on investments	119	183
Changes in operating assets and liabilities		
Accounts receivable	(30,493)	(2,535)
Promises to give	15,461	(22,383)
Deposits	315	-
Accounts payable	(43,982)	48,492
Deferred revenue	(25,000)	25,000
Refundable advances	(4,900)	4,900
Net cash provided (used) by operating activities	<u>(25,368)</u>	<u>156,073</u>
Cash flows from investing activities		
Purchase of property and equipment	(21,122)	(174,023)
Purchase of investments	(1,212)	(1,100)
Proceeds from sale of investments	2,010	-
Net cash used by investing activities	<u>(20,324)</u>	<u>(175,123)</u>
Cash flows from financing activities		
Line of credit net activity	<u>(20,750)</u>	<u>20,750</u>
Net change in cash and cash equivalents	(66,442)	1,700
Cash and cash equivalents - beginning of year	<u>96,094</u>	<u>94,394</u>
Cash and cash equivalents - end of year	<u><u>\$ 29,652</u></u>	<u><u>\$ 96,094</u></u>
Supplemental disclosures		
Cash paid for interest	<u>\$ 1,558</u>	<u>\$ 10,637</u>
Donated investments	<u>\$ 1,212</u>	<u>\$ 1,090</u>

Growing Hope, Inc.
Notes to Financial Statements
Year Ended December 31, 2012

Note 1 - Organization

Growing Hope, Inc. (the "Organization"), incorporated on May 22, 2003, is a non-profit 501(c)(3) organization whose mission is to improve lives and communities through gardening and healthy food access. Located in Ypsilanti, Michigan, the Organization 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 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 hoop house 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 serves as central office for Growing Hope. The center provides 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 Organization's support program; ensure an adequate working environment; provide coordination and articulation of Organization'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 Growing Hope, Inc.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principals generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. According, net assets of the Organization and changes therein are classified and reported 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 may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to

Growing Hope, Inc.
Notes to Financial Statements
Year Ended December 31, 2012

unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Tax Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code is subject to federal income tax. The Organization has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The Organization files informational returns in the U.S. federal jurisdiction. Generally, the statute of limitations on federal returns expires after three years.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Financial Information

The amounts shown for the year ended December 31, 2011, in the accompanying financial statements are included to provide a basis for comparison with 2012 and present summarized totals only. Accordingly, the 2011 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. For the purpose of the statement of cash flows, cash and cash equivalents does not include restricted cash because it is not available for operations.

Investments

Investments are stated at fair values based upon quoted market prices using prevailing financial market information as of December 31, 2012. Realized gains and losses represent the difference between the proceeds received and the cost of investments sold. Unrealized gains and losses represent the change in the market value of the investments during the year.

Concentrations and Credit Risks

The Organization has cash accounts at various local banks. Accounts at these financial institutions are insured by the FDIC up to \$250,000. At December 31, 2012, no cash account balances were in excess of the FDIC coverage limit.

Promises to Give

Pledges receivable are presented at their estimated collectable amount net of a present value discount. Management has determined that contributions receivable are substantially collectable and as such, no provision has been made for doubtful accounts.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The allowance is based on experience, third party contracts, and other circumstances, which may affect the ability of it's customers to meet their obligations. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Management has determined that contributions receivable are substantially collectable and as such, no provision has been made for doubtful accounts.

Property and Equipment

Acquisitions or donations of property and equipment costing or valued over \$500, and with an estimated useful life of more than one year, are capitalized at cost or estimated market value at date

Growing Hope, Inc.
Notes to Financial Statements
Year Ended December 31, 2012

of donation. Depreciation of fixed assets is recorded on a straight-line basis or an accelerated basis over estimated useful lives ranging from five to forty years.

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.

Contributed Services

The Organization 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 specialize skills, are provided by persons possessing those skills, and would need to be purchased if they were not donated. During the years ended December 31, 2012 and 2011, the value of contributed services meeting the requirements for recognition in the financial statements was \$5,298 and \$32,581, respectively.

Membership Fees

Membership fees are recognized in the applicable membership period. Joiner fees are recorded as revenue in the period the fees are due.

Revenue Recognition

Revenue is recorded net of sales returns, and sales tax. Expenses are reported net of returns and discounts.

Advertising costs

Advertising costs are charged to operations when incurred. The advertising expense for the years ended December 31, 2012 and 2011 was \$155 and \$277, respectively.

Subsequent Events

Management has evaluated subsequent events through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

Note 3 - Promises to give

Promises to give consist of the following at December 31, 2012 and 2011, respectively:

	<u>2012</u>	<u>2011</u>
Pledges receivable	\$ 11,110	\$ 25,983
Less: discount for present value	(588)	-
Total	<u>\$ 10,522</u>	<u>\$ 25,983</u>

The contributions receivable are due as follows as of December 31, 2012:

Less than one year	\$ 2,707
One to five years	<u>7,815</u>
Total pledges receivable	<u>\$ 10,522</u>

Note 4 - Investments

The Organization's investments are carried at fair value. Investments were \$0 and \$917 at December 31, 2012 and 2011, respectively.

Growing Hope, Inc.
Notes to Financial Statements
Year Ended December 31, 2012

Changes in investments during the years ended December 31, 2012 and 2011, respectively, are as follows:

	<u>2012</u>	<u>2011</u>
Investments, beginning of year	\$ 917	\$ -
Contributions	1,212	1,090
Sales	(2,010)	-
Interest and dividends	-	3
Investment fees	(30)	-
Net realized gains (losses)	(89)	7
Net unrealized losses	-	(183)
Investments, end of year	<u>\$ -</u>	<u>\$ 917</u>

Note 5 - Fair Value Measurements

Fair Value Measurements establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Basis of Fair Value Measurement

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following tables present by level, within the fair value hierarchy, the Organization's assets at fair value, as of December 31, 2012 and 2011, respectively. Assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
December 31, 2012		
Investments	<u>\$ -</u>	<u>\$ -</u>
December 31, 2011		
Investments	<u>\$ 917</u>	<u>\$ 917</u>

Note 6 - Property and Equipment

Major classes of assets and related accumulated depreciation thereon are summarized as follows:

	<u>2012</u>	<u>2011</u>
Land	\$ 225,000	\$ 225,000
Building	300,795	25,678
Computer equipment	23,464	11,026
Vehicles	6,744	6,744
Construction in progress	-	266,433
	<u>556,003</u>	<u>534,881</u>
Less accumulated depreciation	<u>(25,391)</u>	<u>(5,820)</u>
Total	<u>\$ 530,612</u>	<u>\$ 529,061</u>

Growing Hope, Inc.
Notes to Financial Statements
Year Ended December 31, 2012

Depreciation for 2012 and 2011 amounted to \$19,571 and \$2,642, respectively.

Note 7 - Line of Credit

The Organization has a \$25,000 line of credit available with a variable interest rate. The line is secured by substantially all assets of the Organization. As of December 31, 2012 and 2011, the Organization owed \$0 and \$20,750, respectively.

Note 8 - Notes Payable

Note payable to Growing the Future LLC is secured by Organization's land and building. Monthly payments of \$825 cover interest only at 6% with a balloon payment due in August 2013. As of December 31, 2012 and 2011, note payable was \$165,000.

Note 9 - Operating Leases

The Organization leases office equipment for \$247 per month under an operating lease agreement that will expire on May 24, 2016. Rent expense totaled \$2,970 and \$10,434, in 2012 and 2011, respectively.

As of December 31, 2012, minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year for each of the next remaining years and in the aggregate are:

Year Ended December 31,	
2013	\$ 2,970
2014	2,970
2015	2,970
2016	1,238
Total	<u>\$ 10,148</u>

Note 10 - Net Assets

Temporarily restricted net assets are available for the following purposes as of December 31:

	2012	2011
Growing Hope Center	\$ -	\$ 271,422
Education	8,101	-
	<u>\$ 8,101</u>	<u>\$ 271,422</u>

Net assets were released from restrictions as follows during the years ended December 31:

	2012	2011
Growing Hope Center	\$ 384,447	\$ 63,725
Education	2,899	-
	<u>\$ 387,346</u>	<u>\$ 63,725</u>

Note 11 - Contributions in kind

The Organization received donated goods and services during the year ended December 31, 2012 and 2011 as follows:

	2012	2011
Construction services	\$ 5,298	\$ 29,286
Auditing services	-	3,295
Donated materials	2,459	14,090
Total	<u>\$ 7,757</u>	<u>\$ 46,671</u>

Growing Hope, Inc.
Notes to Financial Statements
Year Ended December 31, 2012

Note 12 - Related Party Transactions

The Organization receives support from various members of their Board. Revenue from related parties was \$4,878 and \$9,385 for the years ended December 31, 2012 and 2011, respectively.

Note 13 - Growing Hope Center Construction and Capital Campaign

In December, 2007, Growing Hope, Inc. 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 Organization completed the renovations and obtained a Certificate of Occupancy by the end of March 2012. The Growing Hope Center now operates 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 houses the organization's offices, indoor and outdoor education space, storage, and demonstration urban farm. An additional \$165,000 is needed to pay off the loan for the land, which balloons in August 2013.