

!

Growing Hope, Inc.
Annual Financial Statements
and
Independent Auditors' Report
December 31, 2013

!

!

Table of Contents

	Page
Independent Auditors' Report	1
Basic Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

!



455 E. Eisenhower Pkwy., Suite 102
Ann Arbor, MI 48108
(734) 769-1331
Fax (734) 996-3777

!

Independent Auditors' Report

Board of Directors
Growing Hope, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Growing Hope Inc. which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows 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.

!

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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Growing Hope Inc.'s December 31, 2012, financial statements, and our report dated August 9, 2013 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Yeo & Yeo, P.C.

Ann Arbor, MI
May 23, 2014

Growing Hope, Inc.
Statement of Financial Position
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 54,457	\$ 29,652
Accounts receivable	32,554	41,826
Promises to give, net, current portion	7,439	2,707
Total current assets	<u>94,450</u>	<u>74,185</u>
Property and equipment, net	520,296	530,612
Other assets		
Promises to give, net	<u>6,217</u>	<u>7,815</u>
Total assets	<u><u>\$ 620,963</u></u>	<u><u>\$ 612,612</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 8,188	\$ 15,048
Accrued payroll	30,668	-
Line of credit	25,000	-
Notes payable	165,000	165,000
Deferred revenue	15,300	-
Fiscal agent funds	5,473	2,482
Total current liabilities	<u>249,629</u>	<u>182,530</u>
Unrestricted net assets	371,334	421,981
Temporarily restricted net assets	<u>-</u>	<u>8,101</u>
Total net assets	<u>371,334</u>	<u>430,082</u>
Total liabilities and net assets	<u><u>\$ 620,963</u></u>	<u><u>\$ 612,612</u></u>

Growing Hope, Inc.
Statement of Activities
For the Year Ended December 31, 2013 (with Comparative Totals for 2012)

			Total	
	Unrestricted	Temporarily Restricted	2013	2012
Revenues				
Program service contracts	\$ 93,518	\$ -	\$ 93,518	\$ 58,878
Special events	21,895	-	21,895	28,631
Program related fees and sales	128,520	-	128,520	48,199
Membership dues	2,142	-	2,142	2,835
Rental income	4,288	-	4,288	2,140
Interest income	5	-	5	7
Investment loss	-	-	-	(89)
Miscellaneous revenues	39	-	39	466
Total revenue	250,407	-	250,407	141,067
Support				
Capital campaign donations	1,020	-	1,020	113,025
Contributions	91,088	-	91,088	66,540
Grants	137,346	-	137,346	89,501
Contributions in kind	11,542	-	11,542	7,757
Net assets released from restrictions	8,101	(8,101)	-	-
Total support	249,097	(8,101)	240,996	276,823
Total revenue and support	499,504	(8,101)	491,403	417,890
Expenses				
Program	474,515	-	474,515	293,272
Supporting				
Administrative	53,166	-	53,166	46,834
Fundraising	22,470	-	22,470	34,243
Total expenses	550,151	-	550,151	374,349
Change in net assets	(50,647)	(8,101)	(58,748)	43,541
Net assets at beginning of year	421,981	8,101	430,082	386,541
Net assets at end of year	\$ 371,334	\$ -	\$ 371,334	\$ 430,082

Growing Hope, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2013 (with Comparative Totals for 2012)

	Program	Administrative	Fundraising	Total 2013	Total 2012
Expenses					
Salaries and wages	\$ 261,108	\$ 29,547	\$ 6,807	\$ 297,462	\$ 183,141
Employee benefits	20,090	2,249	951	23,290	15,118
Payroll taxes	22,910	2,565	1,084	26,559	15,244
Contract services	23,996	-	-	23,996	2,279
Professional services	25,401	8,217	1,613	35,231	30,139
Program expenses	27,931	-	-	27,931	27,676
Supplies	23,764	2,369	4,686	30,819	22,877
Occupancy	26,126	3,670	3,096	32,892	28,625
Equipment rental & maint	-	-	-	-	1,497
Travel and conferences	8,182	437	188	8,807	6,062
Bank fees	4,646	520	491	5,657	1,887
Special events	494	170	1,659	2,323	2,971
Site development	1,582	177	75	1,834	10,702
Depreciation	23,368	2,617	1,106	27,091	19,571
Bad debt	2,257	253	107	2,617	4,716
Taxes	1,038	-	443	1,481	-
Miscellaneous	1,622	375	164	2,161	1,844
Total expenses	\$ 474,515	\$ 53,166	\$ 22,470	\$ 550,151	\$ 374,349

Growing Hope, Inc.
Statement of Cash Flows
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ (58,748)	\$ 43,541
Items not requiring cash		
Depreciation	27,091	19,571
Net loss on investments	-	119
Changes in operating assets and liabilities		
Accounts receivable	9,272	(30,493)
Promises to give	(3,134)	15,461
Deposits	-	315
Accounts payable	(6,860)	(41,500)
Accrued payroll	30,668	-
Deferred revenue	15,300	(25,000)
Fiscal agent funds	2,991	(2,482)
Refundable advances	-	(4,900)
Net cash provided (used) by operating activities	<u>16,580</u>	<u>(25,368)</u>
Cash flows from investing activities		
Purchase of property and equipment	(16,775)	(21,122)
Purchase of investments	-	(1,212)
Proceeds from sale of investments	-	2,010
Net cash used by investing activities	<u>(16,775)</u>	<u>(20,324)</u>
Cash flows from financing activities		
Line of credit net activity	<u>25,000</u>	<u>(20,750)</u>
Net change in cash and cash equivalents	24,805	(66,442)
Cash and cash equivalents - beginning of year	<u>29,652</u>	<u>96,094</u>
Cash and cash equivalents - end of year	<u><u>\$ 54,457</u></u>	<u><u>\$ 29,652</u></u>
Supplemental disclosures		
Cash paid for interest	<u>\$ 685</u>	<u>\$ 1,558</u>
Donated investments	<u>\$ -</u>	<u>\$ 1,212</u>

Growing Hope, Inc.
Notes to Financial Statements
Year Ended December 31, 2013

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

Growing Hope, Inc.
Notes to Financial Statements
Year Ended December 31, 2013

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, 2012, in the accompanying financial statements are included to provide a basis for comparison with 2013 and present summarized totals only. Accordingly, the 2012 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, 2012, 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.

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, 2013, 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 regularly reviews the collection history of its pledges receivable balance and sets an allowance 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 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

Growing Hope, Inc.
Notes to Financial Statements
Year Ended December 31, 2013

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, 2013 and 2012, the value of contributed services meeting the requirements for recognition in the financial statements was \$0 and \$5,298, 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, 2013 and 2012 was \$0 and \$0, respectively.

Subsequent Events

Management has evaluated subsequent events through May 23, 2014, 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, 2013 and 2012, respectively:

	2013	2012
Pledges receivable	\$ 14,106	\$ 11,560
Less: discount for present value	-	(588)
Less: allowance for doubtful accounts	(450)	(450)
Total	<u>\$ 13,656</u>	<u>\$ 10,522</u>

The pledges receivable are due as follows as of December 31, 2013:

Less than one year	\$ 7,439
One to five years	6,667
Total pledges receivable	<u>\$ 14,106</u>

Note 4 - Property and Equipment

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

	2013	2012
Land	\$ 225,000	\$ 225,000
Building	300,795	300,795
Computer equipment	23,464	23,464
Vehicles	23,519	6,744
	<u>572,778</u>	<u>556,003</u>
Less accumulated depreciation	(52,482)	(25,391)
Total	<u>\$ 520,296</u>	<u>\$ 530,612</u>

Depreciation for 2013 and 2012 amounted to \$27,091 and \$19,571, respectively.

Growing Hope, Inc.
Notes to Financial Statements
Year Ended December 31, 2013

Note 5 - 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, 2013 and 2012, the Organization owed \$25,000 and \$0, respectively.

Note 6 - 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%. The note was refinanced subsequent to year end on April 1, 2014. The new note includes monthly payments of \$1,370 at 5.75% interest beginning May 1, 2014. As of December 31, 2013 and 2012, note payable was \$165,000.

Note 7 - 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 2013 and 2012, respectively.

As of December 31, 2013, 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,	
2014	\$ 2,970
2015	2,970
2016	1,238
Total	<u>\$ 7,178</u>

Note 8 - Net Assets

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

	2013	2012
CNCS Supervisor	<u>\$ -</u>	<u>\$ 8,101</u>

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

	2013	2012
Growing Hope Center	\$ -	\$ 384,447
CNCS Supervisor	8,101	2,899
	<u>\$ 8,101</u>	<u>\$ 387,346</u>

Note 9 - Contributions in kind

The Organization received donated goods and services during the year ended December 31, 2013 and 2012 as follows:

	2013	2012
Construction services	\$ -	\$ 5,298
Donated materials	11,542	2,459
Total	<u>\$ 11,542</u>	<u>\$ 7,757</u>

Note 10 - Subsequent Events

As described in Note 6, the Organization refinanced the mortgage on April 1, 2014. New terms of the mortgage includes monthly payments of \$1,370 a month beginning May 1, 2014. The note is due March 31, 2019.