

Growing Hope, Inc.

Financial Statements

December 31, 2014

**(With Summarized Comparative
Information for 2013)**

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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, 2014, 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, 2014, 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, 2013, financial statements, and our report dated May 29, 2014 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, 2013 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 29, 2015

Growing Hope, Inc.
Statement of Financial Position
December, 31 2014
(With Summarized Comparative Information for 2013)

	<u>2014</u>	<u>2013</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 39,724	\$ 54,457
Accounts receivable	62,168	32,554
Promises to give current portion, net	<u>11,129</u>	<u>7,439</u>
Total current assets	113,021	94,450
Property and equipment, net	497,981	520,296
Other assets		
Promises to give, net	<u>2,667</u>	<u>6,217</u>
Total assets	<u>\$ 613,669</u>	<u>\$ 620,963</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 37,453	\$ 8,188
Accrued payroll	38,696	30,668
Line of credit	25,000	25,000
Current portion of note payable	7,419	-
Deferred revenue	15,075	15,300
Fiscal agent funds held for others	<u>4,475</u>	<u>5,473</u>
Total current liabilities	128,118	84,629
Long term portion of note payable	<u>152,866</u>	165,000
Total liabilities	<u>280,984</u>	<u>249,629</u>
Net assets		
Unrestricted net assets (deficit)	(5,011)	16,038
Net investment in property and equipment	<u>337,696</u>	<u>355,296</u>
Total net assets	<u>332,685</u>	<u>371,334</u>
Total liabilities and net assets	<u>\$ 613,669</u>	<u>\$ 620,963</u>

See Accompanying Notes to the Financial Statements

Growing Hope, Inc.
Statement of Activities
For the Year Ended December 31, 2014
(With Summarized Comparative Information for 2013)

	<u>2014</u>	<u>2013</u>
Revenues		
Program service contracts	\$ 26,313	\$ 16,554
Special events	35,582	21,895
Program related fees and sales	77,732	128,520
Membership dues	943	2,142
Rental income	2,443	4,288
Interest income	506	5
Miscellaneous revenues	<u>1,932</u>	<u>39</u>
Total revenue	<u>145,451</u>	<u>173,443</u>
Support		
Capital campaign donations	-	1,020
Contributions	99,229	91,088
Grants	347,020	214,310
Contributions in kind	<u>13,285</u>	<u>11,542</u>
Total support	<u>459,534</u>	<u>317,960</u>
 Total revenue and support	 <u>604,985</u>	 <u>491,403</u>
Expenses		
Program	529,251	474,515
Supporting		
Administrative	62,124	53,166
Fundraising	<u>52,259</u>	<u>22,470</u>
Total expenses	<u>643,634</u>	<u>550,151</u>
 Change in net assets	 (38,649)	 (58,748)
 Net assets at beginning of year	 <u>371,334</u>	 <u>430,082</u>
 Net assets at end of year	 <u><u>\$ 332,685</u></u>	 <u><u>\$ 371,334</u></u>

See Accompanying Notes to the Financial Statements

Growing Hope, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2014
(With Summarized Comparative Information for 2013)

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total 2014</u>	<u>Total 2013</u>
Expenses					
Salaries and wages	\$ 305,936	\$ 34,473	\$ 30,146	\$ 370,555	\$ 297,462
Employee benefits	27,978	3,298	2,951	34,227	23,290
Payroll taxes	31,719	3,738	3,345	38,802	26,559
Contract services	20,753	2,343	2,096	25,192	23,996
Professional services	16,474	7,971	70	24,515	35,231
Program expenses	24,937	-	-	24,937	27,931
Supplies	13,392	1,727	1,541	16,660	30,819
Occupancy	33,027	3,665	3,850	40,542	32,892
Travel and conferences	9,107	129	69	9,305	8,807
Bank fees	4,679	316	69	5,064	5,657
Special events	29	-	4,645	4,674	2,323
Site development	-	-	-	-	1,834
Depreciation	24,859	2,891	1,156	28,906	27,091
Bad debt	-	-	-	-	2,617
Taxes	4,058	6	408	4,472	1,481
In-kind supplies	10,860	1,280	1,145	13,285	-
Miscellaneous	<u>1,443</u>	<u>287</u>	<u>768</u>	<u>2,498</u>	<u>2,161</u>
 Total expenses	 <u>\$ 529,251</u>	 <u>\$ 62,124</u>	 <u>\$ 52,259</u>	 <u>\$ 643,634</u>	 <u>\$ 550,151</u>

See Accompanying Notes to the Financial Statements

Growing Hope, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2014
(With Summarized Comparative Information for 2013)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ (38,649)	\$ (58,748)
Items not requiring cash		
Depreciation	28,906	27,091
Changes in operating assets and liabilities		
Accounts receivable	(29,614)	9,272
Promises to give	(140)	(3,134)
Accounts payable	29,265	(6,860)
Accrued payroll	8,028	30,668
Deferred revenue	(225)	15,300
Fiscal agent funds	(998)	2,991
Net cash provided (used) by operating activities	<u>(3,427)</u>	<u>16,580</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(6,591)</u>	<u>(16,775)</u>
Cash flows from financing activities		
Line of credit net activity	-	25,000
Payments on note payable	<u>(4,715)</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>(4,715)</u>	<u>25,000</u>
Net change in cash and cash equivalents	(14,733)	24,805
Cash and cash equivalents - beginning of year	<u>54,457</u>	<u>29,652</u>
Cash and cash equivalents - end of year	<u><u>\$ 39,724</u></u>	<u><u>\$ 54,457</u></u>
Supplemental disclosures		
Cash paid for interest	<u><u>\$ 2,547</u></u>	<u><u>\$ 685</u></u>

See Accompanying Notes to the Financial Statements

Growing Hope, Inc.
Notes to the Financial Statements
Year Ended December 31, 2014
(With Summarized Comparative Information for 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 help people improve lives and communities through gardening and healthy food access. Located in Ypsilanti, Michigan, the Organization serves individuals and communities in the Southeast Michigan and derives its income primarily from grants, contributions, and fundraising.

Description of Programs

Growing Gardens - Supports home, school, and community gardens in southeast Michigan by providing start-up training, education, and resources that help people grow their own food. Demonstration and training urban farm and gardens at the Growing Hope Center is a destination for youth and adults to learn.

Farmers Market - Farmers Market and farm stands in Ypsilanti and Wayne County aim to increase access to fresh and healthy food while supporting the local economy, growing small businesses, and fostering community development.

Economic Development - Activities include an urban production farm, YpsiPlant Garden Supply retail products and services, healthy food access initiatives with corner stores, and training and business support for food system entrepreneurs.

Youth & Schools - Involves classroom, after-school, and summer experiences for young people ages 3-18, focusing on nutrition-based garden education with low-income young people. Teen employment program focuses on developing mentors to younger youth. Healthy schools policy and school garden support create healthier environments.

Community Outreach & Involvement - Coordinates thousands of volunteers each year. Reaches thousands each year across Washtenaw County and Michigan through participation at numerous community events and fairs; through leadership in numerous coalitions including the Ypsilanti Health Coalition, Ypsilanti PRIDE Day, Ypsi Heritage Festival, Earth Day Festivals, Washtenaw Food Policy Council, Michigan Good Food Charter.

Management and General - Includes the functions necessary to maintain Organization's support program; ensure an adequate working environment; provide coordination and articulation of the 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, businesses, and institutions.

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.

Growing Hope, Inc.
Notes to the Financial Statements
Year Ended December 31, 2014
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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.

Permanently Restricted Net Assets – Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor.

The Organization only had unrestricted net assets for the years ended December 31, 2014 and 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, 2013, in the accompanying financial statements are included to provide a basis for comparison with 2014 and present summarized totals only. Accordingly, the 2013 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, 2013, 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, 2014, 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 of \$450 for both the years ended 2014 and 2013.

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

Growing Hope, Inc.
Notes to the Financial Statements
Year Ended December 31, 2014
(With Summarized Comparative Information for 2013)

of its 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 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 specialized 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, 2014 and 2013, the value of contributed services meeting the requirements for recognition in the financial statements was \$0 and \$4,350, respectively.

Membership Dues

Membership dues 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.

Subsequent Events

Management has evaluated subsequent events through May 29, 2015, 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, 2014 and 2013, respectively:

	<u>2014</u>	<u>2013</u>
Pledges receivable	\$ 14,246	\$ 14,106
Less: allowance for doubtful accounts	<u>(450)</u>	<u>(450)</u>
Total	<u>\$ 13,796</u>	<u>\$ 13,656</u>

The pledges receivable are due as follows as of December 31, 2014:

Less than one year	\$ 11,129
One to five years	<u>2,667</u>
Total pledges receivable	<u>\$ 13,796</u>

Growing Hope, Inc.
Notes to the Financial Statements
Year Ended December 31, 2014
(With Summarized Comparative Information for 2013)

Note 4 - Property and Equipment

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

	<u>2014</u>	<u>2013</u>
Land	\$ 225,000	\$ 225,000
Building	300,795	300,795
Computer equipment	26,721	23,464
Vehicles	<u>26,853</u>	<u>23,519</u>
	579,369	572,778
Less accumulated depreciation	<u>(81,388)</u>	<u>(52,482)</u>
Total	<u>\$ 497,981</u>	<u>\$ 520,296</u>

Depreciation for 2014 and 2013 amounted to \$28,906 and \$27,091, respectively.

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, 2014 and 2013, the Organization owed \$25,000 and \$25,000, respectively.

Note 6 - Note Payable

Note payable to Growing the Future LLC is secured by Organization's land and building. Monthly payments of \$1,370 at 5.75% interest beginning May 1, 2014. As of December 31, 2014 and 2013, note payable was \$160,285 and \$165,000, respectively.

As of December 31, 2014, the future minimum principal payments are:

<u>Year Ended December 31,</u>	
2015	\$ 7,419
2016	7,857
2017	8,321
2018	8,812
2019	<u>127,876</u>
Total	<u>\$ 160,285</u>

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. The Organization also leases a building for \$1,000 per month under an operating lease that will expire April 30, 2017. Rent expense totaled \$10,970 and \$2,970, in 2014 and 2013, respectively.

As of December 31, 2014, 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:

<u>Year Ended December 31,</u>	
2015	\$ 17,940
2016	14,475
2017	<u>4,000</u>
Total	<u>\$ 36,415</u>

Growing Hope, Inc.
Notes to the Financial Statements
Year Ended December 31, 2014
(With Summarized Comparative Information for 2013)

Note 8 - Net Assets

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

	<u>2014</u>	<u>2013</u>
CNCS Supervisor	<u>\$ -</u>	<u>\$ 8,101</u>

Note 9 - Contributions In-kind

The Organization received donated goods and services during the year ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Professional services	<u>\$ -</u>	<u>\$ 4,350</u>
Donated materials	<u>13,285</u>	<u>7,192</u>
Total	<u>\$ 13,285</u>	<u>\$ 11,542</u>