

Growing Hope, Inc.

Financial Statements

December 31, 2017

**(With Summarized Comparative
Information for 2016)**



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 the Financial Statements	7



800.968.0010 | yeoandyeo.com

Independent Auditors' Report

Management and the Board of Directors
Growing Hope, Inc.
Ypsilanti, MI

We have audited the accompanying financial statements of Growing Hope, Inc. which comprise the statement of financial position as of December 31, 2017, 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, 2017, 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, 2016, financial statements, and our report dated May 31, 2017 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, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Yeo & Yeo, P.C.

Ann Arbor, MI
July 25, 2018

Growing Hope, Inc.
Statement of Financial Position
December 31, 2017
(With Summarized Comparative Information for 2016)

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 32,279	\$ 77,753
Accounts receivable	64,387	93,950
Promises to give current portion, net	15,638	15,273
Inventory	4,724	6,087
Total current assets	117,028	193,063
Property and equipment, net	1,093,829	682,563
Total assets	\$ 1,210,857	\$ 875,626
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 106,100	\$ 13,439
Accrued payroll	51,684	35,006
Line of credit	54,420	20,000
Current portion of notes payable	14,521	8,321
Deferred revenue	395	-
Fiscal agent funds held for others	14,628	8,978
Total current liabilities	241,748	85,744
Long term portion of note payable	355,528	136,012
Total liabilities	597,276	221,756
Net assets		
Unrestricted net assets (deficit) - operations	(226,589)	(62,183)
Unrestricted net assets - net investment in property and equipment	723,780	538,230
Temporarily restricted net assets	116,390	177,823
Total net assets	613,581	653,870
Total liabilities and net assets	\$ 1,210,857	\$ 875,626

See Accompanying Notes to the Financial Statements

Growing Hope, Inc.
Statement of Activities
For the Year Ended December 31, 2017
(With Summarized Comparative Information for 2016)

	Unrestricted	Temporarily Restricted	2017	2016
Revenues				
Program service contracts	\$ 3,050	\$ -	\$ 3,050	\$ 19,430
Special events	34,863	-	34,863	29,100
Program related fees and sales	57,015	-	57,015	42,670
Membership dues	-	-	-	2,277
Rental income	-	-	-	165
Interest income	32	-	32	24
Miscellaneous revenues	2,317	-	2,317	14,765
Total revenue	<u>97,277</u>	<u>-</u>	<u>97,277</u>	<u>108,431</u>
Support				
Capital campaign donations	52,941	-	52,941	81,468
Contributions	198,320	-	198,320	154,682
Grants	259,328	190,000	449,328	481,382
Contributions in-kind	39,197	-	39,197	59,207
Net assets released from restrictions	251,433	(251,433)	-	-
Total support	<u>801,219</u>	<u>(61,433)</u>	<u>739,786</u>	<u>776,739</u>
Total revenue and support	<u>898,496</u>	<u>(61,433)</u>	<u>837,063</u>	<u>885,170</u>
Expenses				
Program	549,622	-	549,622	479,270
Administrative	149,109	-	149,109	84,267
Fundraising	178,621	-	178,621	132,551
Total expenses	<u>877,352</u>	<u>-</u>	<u>877,352</u>	<u>696,088</u>
Change in net assets	21,144	(61,433)	(40,289)	189,082
Net assets at beginning of year	<u>476,047</u>	<u>177,823</u>	<u>653,870</u>	<u>464,788</u>
Net assets at end of year	<u>\$ 497,191</u>	<u>\$ 116,390</u>	<u>\$ 613,581</u>	<u>\$ 653,870</u>

See Accompanying Notes to the Financial Statements

Growing Hope, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2017
(With Summarized Comparative Information for 2016)

	Program	Administrative	Fundraising	Total 2017	Total 2016
Salaries and wages	\$ 310,544	\$ 110,919	\$ 123,173	\$ 544,636	\$ 402,364
Employee benefits	20,296	1,061	9,045	30,402	40,400
Payroll taxes	31,350	7,123	9,147	47,620	35,849
Contract services	7,886	194	250	8,330	4,828
Professional services	24	8,678	150	8,852	28,979
Program expenses	34,612	-	-	34,612	24,930
Supplies	12,634	2,456	12,073	27,163	17,680
Occupancy	39,363	8,301	10,622	58,286	63,833
Equipment rental & maint	1,175	25	33	1,233	-
Travel and conferences	4,783	101	80	4,964	7,515
Bank fees	3,211	929	1,155	5,295	6,289
Special events	-	-	-	-	493
Depreciation	28,355	6,442	8,272	43,069	48,794
Taxes	7,362	1,673	2,148	11,183	9,418
In-kind supplies	1,667	379	487	2,533	2,097
Sub-contractors	40,000	-	-	40,000	-
Site development	1,058	12	15	1,085	-
Miscellaneous	5,302	816	1,971	8,089	2,619
Total expenses	\$ 549,622	\$ 149,109	\$ 178,621	\$ 877,352	\$ 696,088

See Accompanying Notes to the Financial Statements

Growing Hope, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2017
(With Summarized Comparative Information for 2016)

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ (40,289)	\$ 189,082
Items not requiring cash		
Depreciation	43,069	48,794
Capitalized in-kind donations	(38,061)	(57,109)
Changes in operating assets and liabilities		
Accounts receivable	29,563	(60,185)
Promises to give	(365)	21,879
Inventory	1,363	(6,087)
Accounts payable	92,661	8,151
Accrued payroll	16,678	(1,324)
Deferred revenue	395	(14,101)
Fiscal agent funds	5,650	(2,332)
Net cash provided by operating activities	110,664	126,768
Cash flows from investing activities		
Purchase of property and equipment	(416,274)	(94,756)
Cash flows from financing activities		
Line of credit net activity	34,420	(5,000)
Proceeds from note payable	234,037	-
Payments on note payable	(8,321)	(7,895)
Net cash provided (used) by financing activities	260,136	(12,895)
Change in cash and cash equivalents	(45,474)	19,117
Cash and cash equivalents - beginning of year	77,753	58,636
Cash and cash equivalents - end of year	\$ 32,279	\$ 77,753
Supplemental disclosures		
Cash paid for interest	\$ 13,054	\$ 11,351

See Accompanying Notes to the Financial Statements

Growing Hope, Inc.
Notes to the Financial Statements
Year Ended December 31, 2017
(With Summarized Comparative Information for 2016)

Note 1 - Organization

Growing Hope, Inc. (the "Organization"), incorporated on May 23, 2003, is a non-profit 501(c)(3) organization whose mission is to help people improve lives and communities through gardening and increasing access to healthy food. Located in Ypsilanti, Michigan, the Organization serves individuals and communities in Michigan (mostly in the Washtenaw County) and derives its income primarily from grants, contributions, fundraising, and earned revenue.

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 Markets and farm stands in Ypsilanti aim to increase access to fresh and healthy food while supporting the local economy, growing small businesses, and fostering community development. Growing Hope supports the farmer's market sector through marketing, consulting, and evaluation services across Michigan.

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 through participation at numerous community events and fairs; through leadership and participation in numerous networks and coalitions both in Washtenaw County and throughout Michigan. Educates and advocates for healthy local food at local to national levels.

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, 2017
(With Summarized Comparative Information for 2016)

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 has no permanently restricted net assets.

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.

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, 2016, in the accompanying financial statements are included to provide a basis for comparison with 2017 and present summarized totals only. Accordingly, the 2016 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, 2016, 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, 2017, no cash account balances were in excess of the FDIC coverage limit.

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.

Growing Hope, Inc.
Notes to the Financial Statements
Year Ended December 31, 2017
(With Summarized Comparative Information for 2016)

Promises to Give

Pledges receivable are presented at their estimated collectable amount. Management regularly reviews the collection history of its pledges receivable balance and set an allowance for doubtful accounts of \$450 for both the years ended December 31, 2017 and 2016.

Inventory

Inventory items are stated at the lower of cost or market. The inventory items are available for sale in the YpsiPlanti Shop.

Property and Equipment

Acquisitions or donations of property and equipment costing or valued over \$1,000, 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 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, 2017 and 2016, the value of contributed services meeting the requirements for recognition in the financial statements was \$36,664 and \$52,959, respectively. The majority of contributed services were related to the Marketplace renovation project.

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 July 25, 2018, 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, 2017 and 2016, respectively:

	2017	2016
Pledges receivable	\$ 16,088	\$ 15,723
Less: allowance for doubtful accounts	(450)	(450)
Total	\$ 15,638	\$ 15,273

The pledges receivable are all expected to be collected in the next fiscal year.

Growing Hope, Inc.
Notes to the Financial Statements
Year Ended December 31, 2017
(With Summarized Comparative Information for 2016)

Note 4 - Property and Equipment

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

	<u>2017</u>	<u>2016</u>
Land	\$ 225,000	\$ 225,000
Building	980,336	564,873
Computer equipment	20,637	19,828
Vehicles	64,914	26,853
	<u>1,290,887</u>	<u>836,554</u>
Less accumulated depreciation	<u>(197,058)</u>	<u>(153,991)</u>
Total	<u>\$ 1,093,829</u>	<u>\$ 682,563</u>

Depreciation for 2017 and 2016 amounted to \$43,069 and \$48,794, respectively.

Note 5 - Line of Credit

The Organization has a \$50,000 and \$80,000 line of credit available both with a variable interest rate which expire June 5, 2018 and August 15, 2018, respectively. The lines are secured by substantially all assets of the Organization. As of December 31, 2017 and 2016, the Organization owed \$20,000 and \$20,000 on the initial line of credit and \$34,420 and \$0 on the secondary line of credit, respectively.

Note 6 - Notes Payable

Notes payable to Growing the Future LLC and IFF are both secured by the Organization's land and buildings. Monthly payments of \$1,370 at 5.75% interest began on May 1, 2014 for Growing the Future LLC and monthly payments of \$1,645 at 5.75% interest beginning January 1, 2018 are assumed for IFF. The note for IFF is interest only at 5.75% per annum until it is converted by either complete disbursement of the approved \$366,340 in funds or construction completion. As of December 31, 2017 only \$234,037 of the funds were disbursed and construction was still in progress, thus the loan was not converted. As of December 31, 2017 and 2016, notes payable were \$370,049 and \$144,333, respectively.

As of December 31, 2017, the future minimum principal payments are:

<u>Year Ended December 31,</u>	
2018	\$ 14,521
2019	134,719
2020	7,171
2021	7,632
2022	8,084
Thereafter	<u>197,922</u>
Total	<u>\$ 370,049</u>

Growing Hope, Inc.
Notes to the Financial Statements
Year Ended December 31, 2017
(With Summarized Comparative Information for 2016)

Note 7 - Operating Leases

The Organization leased two adjacent buildings for \$1,000 and \$700 per month under operating leases that both expired April 30, 2017 due to the purchase of both properties by the organization. Rent expense totaled \$6,800 and \$20,400 in 2017 and 2016, respectively.

The Organization also leases a copier under an operating lease agreement for \$343 per month. Future lease payments consist of the following:

Year Ended December 31,		
2018	\$	4,110
2019		4,110
2020		4,110
2021		4,110
2022		1,370
Total	\$	<u>17,810</u>

Note 8 - Net Assets

Certain net assets are temporarily restricted for the following purpose restrictions:

	2017	2016
Programs	\$ 116,390	\$ 177,823

Net assets were released during the year for the following purposes:

	2017	2016
Capital campaign	\$ -	\$ 111,408
Programs	251,433	-
	<u>\$ 251,433</u>	<u>\$ 111,408</u>

Note 9 - Contributions In-kind

The Organization received donated goods and services during the year ended December 31, 2017 and 2016:

	2017	2016
Professional services	\$ 36,664	\$ 52,959
Donated materials	2,533	6,248
Total	<u>\$ 39,197</u>	<u>\$ 59,207</u>

In the year ending December 31, 2017 and 2016, \$36,664 and \$57,110 of the in-kind items were capitalized in relation to the marketplace project and \$2,533 and \$2,097 were included in in-kind supplies in the statement of functional expenses, respectively.

Note 10 - Going Concern

The Organization has reported a significant deficit in the change of net assets from operations in the last several years, and the organization is in a deficit position from operations.

The Organization has hired a new development director and management and the Board has focused on fundraising as an expanded revenue source. The operations are lean, so significant expense savings are not feasible.

The financial statements were prepared on a going concern basis. The going concern basis assumes that the Organization will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.