Growing Hope, Inc.

Financial Statements

December 31, 2016
(With Summarized Comparative Information for 2015)

Table of Contents

YEO & YEO
CPAs & BUSINESS CONSULTANTS

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, 2016, 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, 2016, 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, 2015, financial statements, and our report dated August 12, 2016 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, 2015 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 31, 2017

Growing Hope, Inc.
Statement of Financial Position
December 31, 2016
(With Summarized Comparative Information for 2015)

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	$ 77,753	$ 58,636
Accounts receivable	93,950	33,765
Promises to give current portion, net	15,273	37,152
Inventory	6,087	-
Total current assets	193,063	129,553
Property and equipment, net	682,563	579,492
Total assets	$ 875,626	$ 709,045
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 13,439	$ 5,288
Accrued payroll	35,006	36,330
Line of credit	20,000	25,000
Current portion of note payable	8,321	7,219
Deferred revenue	-	14,101
Fiscal agent funds held for others	8,978	11,310
Total current liabilities	85,744	99,248
Long term portion of note payable	136,012	145,009
Total liabilities	221,756	244,257
Net assets		
Unrestricted net assets (deficit) - operations	(62,183)	(23,884)
Unrestricted net assets - net investment in property and equipment	538,230	427,264
Temporarily restricted net assets	177,823	61,408
Total net assets	653,870	464,788
Total liabilities and net assets	$ 875,626	$ 709,045

See Accompanying Notes to the Financial Statements

Growing Hope, Inc.
Statement of Activities
For the Year Ended December 31, 2016
(With Summarized Comparative Information for 2015)

	Unrestricted	Temporarily Restricted	**2016**	2015
Revenues				
Program service contracts	$ 19,430	$ -	**$ 19,430**	$ 19,635
Special events	29,100	-	**29,100**	37,150
Program related fees and sales	42,670	-	**42,670**	66,133
Membership dues	2,277	-	**2,277**	2,694
Rental income	165	-	**165**	1,907
Interest income	24	-	**24**	27
Miscellaneous revenues	14,765	-	**14,765**	4,260
Total revenue	108,431	-	**108,431**	131,806
Support				
Capital campaign donations	31,468	50,000	**81,468**	213,132
Contributions	154,682	-	**154,682**	89,789
Grants	303,559	177,823	**481,382**	317,765
Contributions in-kind	59,207	-	**59,207**	61,361
Net assets released from restrictions	111,408	(111,408)	**-**	-
Total support	660,324	116,415	**776,739**	682,047
Total revenue and support	768,755	116,415	**885,170**	813,853
Expenses				
Program	479,270	-	**479,270**	522,910
Administrative	84,267	-	**84,267**	86,773
Fundraising	132,551	-	**132,551**	72,067
Total expenses	696,088	-	**696,088**	681,750
Change in net assets	72,667	116,415	**189,082**	132,103
Net assets at beginning of year	403,380	61,408	**464,788**	332,685
Net assets at end of year	$ 476,047	$ 177,823	**$ 653,870**	$ 464,788

See Accompanying Notes to the Financial Statements

Growing Hope, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2016
(With Summarized Comparative Information for 2015)

	Program	Administrative	Fundraising	**Total 2016**	Total 2015
Salaries and wages	$ 280,082	$ 53,277	$ 69,005	**$ 402,364**	$ 362,396
Employee benefits	30,853	1,824	7,723	**40,400**	32,311
Payroll taxes	24,965	4,141	6,743	**35,849**	34,898
Contract services	4,554	104	170	**4,828**	16,016
Professional services	9,031	8,597	11,351	**28,979**	24,624
Program expenses	24,930	-	-	**24,930**	30,456
Supplies	11,284	1,769	4,627	**17,680**	19,729
Occupancy	41,512	6,570	15,751	**63,833**	59,846
Travel and conferences	4,788	82	2,645	**7,515**	6,952
Bank fees	3,894	577	1,818	**6,289**	4,355
Special events	154	-	339	**493**	130
Site development	-	-	-	**-**	17,273
Depreciation	33,980	5,636	9,178	**48,794**	31,232
Taxes	6,141	1,004	2,273	**9,418**	6,690
In-kind supplies	1,461	242	394	**2,097**	14,278
Sub-contractors	-	-	-	**-**	16,421
Miscellaneous	1,641	444	534	**2,619**	4,143
Total expenses	$ 479,270	$ 84,267	$ 132,551	**$ 696,088**	$ 681,750

Growing Hope, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2016
(With Summarized Comparative Information for 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	**$ 189,082**	$ 132,103
Items not requiring cash		
Depreciation	**48,794**	31,232
Capitalized in-kind donations	**(57,109)**	(47,083)
Changes in operating assets and liabilities		
Accounts receivable	**(60,185)**	28,403
Promises to give	**21,879**	(23,356)
Inventory	**(6,087)**	-
Accounts payable	**8,151**	(32,165)
Accrued payroll	**(1,324)**	(2,366)
Deferred revenue	**(14,101)**	(974)
Fiscal agent funds	**(2,332)**	6,835
Net cash provided by operating activities	**126,768**	92,629
Cash flows from investing activities		
Purchase of property and equipment	**(94,756)**	(65,660)
Cash flows from financing activities		
Line of credit net activity	**(5,000)**	-
Payments on note payable	**(7,895)**	(8,057)
Net cash used by financing activities	**(12,895)**	(8,057)
Change in cash and cash equivalents	**19,117**	18,912
Cash and cash equivalents - beginning of year	**58,636**	39,724
Cash and cash equivalents - end of year	**$ 77,753**	$ 58,636
Supplemental disclosures		
Cash paid for interest	**$ 11,351**	$ 11,529

See Accompanying Notes to the Financial Statements

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, YpsiPlanti 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.

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, 2015, in the accompanying financial statements are included to provide a basis for comparison with 2016 and present summarized totals only. Accordingly, the 2015 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, 2015, 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, 2016, 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.

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, 2016 and 2015.

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, 2016 and 2015, the value of contributed services meeting the requirements for recognition in the financial statements was $52,959 and $30,164, respectively. The majority of contributed services were related to the Marketplace renovation project.

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 31, 2017, 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, 2016 and 2015, respectively:

	2016	2015
Pledges receivable	$ 15,723	$ 37,602
Less: allowance for doubtful accounts	(450)	(450)
Total	$ 15,273	$ 37,152

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

Note 4 - Property and Equipment

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

	2016	2015
Land	$ 225,000	$ 225,000
Building	564,873	413,008
Computer equipment	19,828	27,251
Vehicles	26,853	26,853
	836,554	692,112
Less accumulated depreciation	(153,991)	(112,620)
Total	$ 682,563	$ 579,492

Depreciation for 2016 and 2015 amounted to $48,794 and $31,232, respectively.

Note 5 - Line of Credit

The Organization has a $50,000 line of credit available with a variable interest rate which expires June 5, 2017. The line is secured by substantially all assets of the Organization. As of December 31, 2016 and 2015, the Organization owed $20,000 and $25,000 on the line, respectively.

Note 6 - Note Payable

Note payable to Growing the Future LLC is secured by the Organization's land and building. Monthly payments of $1,370 at 5.75% interest beginning May 1, 2014. As of December 31, 2016 and 2015, the note payable was $144,333 and $152,228, respectively.

As of December 31, 2016, the future minimum principal payments are:

Year Ended December 31,	
2017	$ 8,321
2018	8,812
2019	127,200
Total	$ 144,333

Note 7 - Operating Leases

The Organization also leases two adjacent buildings for $1,000 and $700 per month under operating leases that will both expire July 31, 2017. Rent expense totaled $20,400 and $17,600, in 2016 and 2015, respectively.

As of December 31, 2016, 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,	
2017	$ 9,800

Note 8 - Net Assets

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

	2016	2015
Capital campaign	$ -	$ 61,408
Programs	177,823	-
	$ 177,823	$ 61,408

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

	2016	2015
Capital campaign	$ 111,408	$ 77,792

Note 9 - Contributions In-kind

The Organization received donated goods and services during the year ended December 31, 2016 and 2015:

	2016	2015
Professional services	$ 52,959	$ 30,164
Donated materials	6,248	31,197
Total	$ 59,207	$ 61,361

In the year ending December 31, 2016 and 2015 $57,110 and $47,083 of the in-kind items were capitalized in relation to the marketplace project and $2,097 and $14,278 were included in in-kind supplies in the statement of functional expenses, respectively.

Note 10 - Subsequent Events

Subsequent to year end, the Organization signed a new lease agreement for its Adams Street location, which extended the expiration date of the lease from April 30, 2017 to July 31, 2017. The amount of future lease payments are included in Note 7 as the amounts are known.