

**REAL School Gardens
(dba Out Teach)**

Independent Auditor's Report and Financial Statements

June 30, 2018 and 2017



REAL School Gardens
(dba Out Teach)
June 30, 2018 and 2017

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Independent Auditor's Report

Board of Directors
REAL School Gardens (dba Out Teach)
Washington, DC

We have audited the accompanying financial statements of REAL School Gardens (dba Out Teach), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from 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 auditor's 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 REAL School Gardens (dba Out Teach) as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The functional expenses listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Dallas, Texas
November 15, 2018

**REAL School Gardens
(dba Out Teach)
Statements of Financial Position
June 30, 2018 and 2017**

Assets

	2018	2017
Cash	\$ 510,663	\$ 223,573
Accounts receivable	58,054	122,828
Prepaid expenses and other current assets	33,247	17,957
Security deposits	7,100	7,100
Investments	1,021,235	1,456,696
Contributions receivable	466,702	879,732
Property and equipment, net of accumulated depreciation of 2018, \$329,329 and 2017, \$306,669	18,963	32,267
Total assets	\$ 2,115,964	\$ 2,740,153

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 54,184	\$ 60,299
Accrued expenses	96,368	51,570
Total liabilities	150,552	111,869

Net Assets

Unrestricted	972,412	1,302,168
Temporarily restricted	993,000	1,326,116
Total net assets	1,965,412	2,628,284
Total liabilities and net assets	\$ 2,115,964	\$ 2,740,153

**REAL School Gardens
(dba Out Teach)
Statements of Activities
Years Ended June 30, 2018 and 2017**

	2018		
	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Contributions	\$ 1,175,496	\$ 1,375,000	\$ 2,550,496
Interest income	20,056	-	20,056
Program fees and other income	351,340	-	351,340
Net assets released from restrictions	1,708,116	(1,708,116)	-
	<u>3,255,008</u>	<u>(333,116)</u>	<u>2,921,892</u>
Expenses			
Program services	2,757,903	-	2,757,903
Fundraising	505,256	-	505,256
Management and general	321,604	-	321,604
	<u>3,584,764</u>	<u>-</u>	<u>3,584,764</u>
Change in Net Assets	(329,756)	(333,116)	(662,872)
Net Assets, Beginning of Year	<u>1,302,168</u>	<u>1,326,116</u>	<u>2,628,284</u>
Net Assets, End of Year	<u>\$ 972,412</u>	<u>\$ 993,000</u>	<u>\$ 1,965,412</u>

	2017		
	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Contributions	\$ 869,405	\$ 865,000	\$ 1,734,405
Interest income	8,734	-	8,734
Program fees and other income	403,511	-	403,511
Net assets released from restrictions	1,627,385	(1,627,385)	-
	<u>2,909,035</u>	<u>(762,385)</u>	<u>2,146,650</u>
Expenses			
Program services	2,277,574	-	2,277,574
Fundraising	542,547	-	542,547
Management and general	199,671	-	199,671
	<u>3,019,792</u>	<u>-</u>	<u>3,019,792</u>
Change in Net Assets	(110,757)	(762,385)	(873,142)
Net Assets, Beginning of Year	<u>1,412,925</u>	<u>2,088,501</u>	<u>3,501,426</u>
Net Assets, End of Year	<u>\$ 1,302,168</u>	<u>\$ 1,326,116</u>	<u>\$ 2,628,284</u>

**REAL School Gardens
(dba Out Teach)
Statements of Cash Flows
Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Operating Activities		
Change in net assets	\$ (662,872)	\$ (873,142)
Item not requiring cash		
Depreciation	22,661	20,211
Net realized and unrealized gain on investments	(15,837)	(8,642)
Changes in		
Accounts receivable	64,774	(85,646)
Contributions receivable	413,030	1,305,862
Prepaid expenses and other current assets	(15,290)	(7,184)
Accounts payable and accrued expenses	38,683	6,181
	<u>(154,851)</u>	<u>357,640</u>
Investing Activities		
Purchases of investments	-	(396,348)
Proceeds from sale of investments	451,298	-
Purchases of property and equipment	(9,357)	(23,829)
	<u>441,941</u>	<u>(420,177)</u>
Increase (Decrease) in Cash	287,090	(62,537)
Cash, Beginning of Year	<u>223,573</u>	<u>286,110</u>
Cash, End of Year	<u>\$ 510,663</u>	<u>\$ 223,573</u>

**REAL School Gardens
(dba Out Teach)
Notes to Financial Statements
June 30, 2018 and 2017**

Note 1: Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

A general description of the programs at REAL School Gardens (dba Out Teach), (Organization) is as follows:

- **Teacher Professional Development** – State-accredited professional learning programs, instructional coaching, educational materials, and digital training and networking resources to help teachers use learning labs and outdoor classrooms as instructional tools to integrate experiential teaching methods and hands-on learning into a standards-based curriculum.
- **Outdoor Learning Lab Design and Construction** – Outdoor learning lab design and construction support, providing professional design and construction management and funding to create outdoor learning labs in low-income schools. Community-based volunteer events to help design and construct outdoor classrooms and unite parents and teachers around the success of the program.
- **Thought Leadership** – Publications and participation at events to promote thought leadership and to advocate for experiential learning outdoors. Web-based content and regular communications to inform educational communities about the impact of experiential learning in outdoor classrooms and learning gardens.

The Organization is headquartered in Washington, DC, has offices in Fort Worth, TX, Charlotte, NC, and Atlanta, GA, and serves elementary schools in Maryland, North Carolina, Texas, Virginia, Georgia and Washington, DC.

The Organization launched its growth capital campaign during the year ended June 30, 2016, successfully raising \$2,928,850 in funds to date to fund future site expansions across the United States.

For the year ended June 30, 2018, the Organization invested growth funds to rebrand and change the name of the Organization to Out Teach. Currently, Out Teach is a registered trade name. Out Teach also invested growth funds to launch an office in Atlanta, GA covering the Southeast Region of the United States. For the year ended June 30, 2017, the Organization invested growth funds to expand staffing, develop a digital teacher training platform, increase programming and open a new regional office in Charlotte, North Carolina.

On July 1, 2016, the Organization launched operations in the Carolinas Region, North Carolina and South Carolina, via an asset transfer transaction with Green Teachers Network.

**REAL School Gardens
(dba Out Teach)
Notes to Financial Statements
June 30, 2018 and 2017**

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

At June 30, 2018 and 2017, the Organization's cash accounts exceeded federally insured limits by approximately \$32,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Donations of property and equipment are recorded as support at their fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Website	3 years
Computer equipment and software	3 – 5 years
Furniture and fixtures	5 – 10 years
Leasehold improvements	15 years

Depreciation expense amounted to \$22,661 and \$20,211 for the years ended June 30, 2018 and 2017, respectively.

**REAL School Gardens
(dba Out Teach)
Notes to Financial Statements
June 30, 2018 and 2017**

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable.

If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2018 and 2017.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. (See Note 6)

Accounts Receivable

Accounts receivable are related to services provided to elementary schools where the Organization has agreed to implement a program at the schools that would include support for learning laboratory design, installation and professional development. Accounts receivable are stated at the amount billed to the elementary schools and are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 180 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as permanently or temporarily restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as a contribution revenue. (See Note 2)

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

**REAL School Gardens
(dba Out Teach)
Notes to Financial Statements
June 30, 2018 and 2017**

Contributed Services

Contributed services are recognized as revenue at their estimated fair value only when the services create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. For the years ended June 30, 2018 and 2017, \$136,267 and \$0 revenue was recognized from contributed legal services and information technology and sales consulting services.

In-kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the years ended June 30, 2018 and 2017, \$84,128 and \$123,168, respectively, was received in in-kind contributions.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Organization is no longer subject to U.S. federal examinations by tax authorities for years before 2015.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Certain costs have been allocated among the program, management and general and fund raising categories based on direct salaries, square footage analysis and other methods.

**REAL School Gardens
(dba Out Teach)
Notes to Financial Statements
June 30, 2018 and 2017**

Note 2: Contributions Receivable

Contributions receivable consisted of the following:

	June 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Due within one year	\$ 19,101	\$ 447,601	\$ -	\$ 466,702
Due within one to five years	-	-	-	-
Less allowance for uncollectible contributions	-	-	-	-
	\$ 19,101	\$ 447,601	\$ -	\$ 466,702

	June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Due within one year	\$ 419,931	\$ 459,801	\$ -	\$ 879,732
Due within one to five years	-	-	-	-
Less allowance for uncollectible contributions	-	-	-	-
	\$ 419,931	\$ 459,801	\$ -	\$ 879,732

Note 3: Investments and Investment Return

Investments at June 30 consisted of the following:

	2018	2017
U.S. Treasury Securities	\$ 1,021,235	\$ 1,456,696

**REAL School Gardens
(dba Out Teach)
Notes to Financial Statements
June 30, 2018 and 2017**

Total investment return is comprised of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 4,219	\$ 92
Net realized and unrealized gain on investments reported at fair value	<u>15,837</u>	<u>8,642</u>
	<u>\$ 20,056</u>	<u>\$ 8,734</u>

Note 4: Conditional Gifts

The Organization has received the following conditional promises to give at June 30 that are not recognized in the financial statements:

	<u>2018</u>	<u>2017</u>
Conditional promise to give upon obtaining equal matching contributions or other requirements	<u>\$ -</u>	<u>\$ 300,000</u>

Note 5: Property and Equipment

Property and equipment at June 30 consists of:

	<u>2018</u>	<u>2017</u>
Website/digital education platform	\$ 231,578	\$ 231,578
Computer equipment and software	69,928	60,572
Furniture and fixtures	<u>46,786</u>	<u>46,786</u>
	348,292	338,936
Less accumulated depreciation	<u>(329,329)</u>	<u>(306,669)</u>
	<u>\$ 18,963</u>	<u>\$ 32,267</u>

**REAL School Gardens
(dba Out Teach)
Notes to Financial Statements
June 30, 2018 and 2017**

Note 6: Net Assets

Temporarily restricted net assets were \$993,000 and \$1,326,116 at June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017, \$993,000 and \$1,006,116, respectively, were restricted by the donor for teacher professional development, outdoor learning lab design and construction, or thought leadership provided during the year. At June 30, 2018 and 2017, \$0 and \$320,000, respectively, were restricted due to the time the funds will be available. Net assets were released from donor restrictions by incurring expenses satisfying the time or purpose imposed restrictions.

Note 7: Operating Leases

The Organization leases its facilities and equipment under operating lease agreements. Future minimum lease commitments under the agreements are as follows:

2019	\$ 27,128
2020	9,420
2021	<u>9,420</u>
	<u>\$ 45,968</u>

Rent expense, excluding donated facilities, totaled \$119,409 and \$97,763 for the years ended June 30, 2018 and 2017, respectively.

Note 8: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets

**REAL School Gardens
(dba Out Teach)
Notes to Financial Statements
June 30, 2018 and 2017**

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018 and 2017:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2018				
U.S. Treasury Securities	\$ 1,021,235	\$ -	\$ 1,021,235	\$ -
June 30, 2017				
U.S. Treasury Securities	\$ 1,456,696	\$ -	\$ 1,456,696	\$ -

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2018.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows.

Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. REAL School Gardens has no Level 3 investments at June 30, 2018 and 2017.

**REAL School Gardens
(dba Out Teach)
Notes to Financial Statements
June 30, 2018 and 2017**

Note 9: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

During the year ended June 30, 2018, the Organization received contributions from one donor of \$300,000 or 14% of total revenues, gains and other support. During the year ended June 30, 2017, the Organization received contributions from one donor of approximately \$250,000 or 13% of total revenues, gains and other support.

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

Note 10: Subsequent Events

In September 2018, REAL School Gardens changed its name to Out Teach to better reflect its focus on equipping teachers to unlock student performance with the power of experiential learning. For more than a decade, the organization has worked toward a future in which all students have access to the kind of engaging and hands-on education that can change their lives, schools, and communities. Teacher development and support is the key to success in this mission, and it now works with schools across the country to support and coach teachers in low-income elementary schools with job-embedded professional learning and to build them engaging outdoor learning labs, helping them harness the power of experiential learning to improve student outcomes.

Subsequent events have been evaluated through November 15, 2018, which is the date the financial statements were available to be issued.

Supplementary Information

**REAL School Gardens
(dba Out Teach)
Functional Expenses
Year Ended June 30, 2018
(with Comparative Totals for 2017)**

	Program Services			Supporting Services			2018 Total Expenses	2017 Total Expenses	
	Thought Leadership	Teacher Professional Development	Learning Lab	Total Program Expenses	Fundraising	Management and General			Total Supporting Services
Garden materials and skilled labor	\$ 332	\$ 385,995	\$ 594	\$ 386,921	\$ 88	\$ 363	\$ 451	\$ 387,371	\$ 421,229
Education events	72,202	850	91	73,144	98	30	128	73,271	84,470
Salaries and wages	637,833	398,244	405,452	1,441,529	347,496	155,349	502,845	1,944,374	1,544,003
Benefits	102,656	64,115	65,255	232,026	55,927	25,004	80,931	312,957	264,866
Professional fees	138,225	84,975	36,314	259,514	39,656	83,402	123,058	382,572	271,922
Facilities and Equipment	45,057	45,312	24,044	114,413	20,876	14,774	35,651	150,064	136,840
Depreciation	6,804	6,843	3,631	17,277	3,152	2,231	5,384	22,661	20,211
Communications and publications	6,960	6,999	3,714	17,673	3,225	2,282	5,507	23,180	46,221
Office expenses	7,351	7,393	3,923	18,666	3,406	5,310	8,716	27,382	35,305
Insurance	2,916	2,933	1,556	7,405	1,351	956	2,308	9,713	10,017
Other general operating	39,610	39,835	21,137	100,581	18,353	12,988	31,341	131,922	61,131
Travel and transportation*	33,615	42,361	12,779	88,755	11,628	18,915	30,543	119,297	123,577
Total	\$ 1,093,560	\$ 1,085,854	\$ 578,489	\$ 2,757,903	\$ 505,256	\$ 321,604	\$ 826,861	\$ 3,584,764	\$ 3,019,792

* Includes in-kind donation of \$50,000 worth of Hilton Honor points.