



REAL SCHOOL GARDENS D/B/A OUT TEACH

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

REAL SCHOOL GARDENS D/B/A OUT TEACH

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JUNE 30, 2019 AND 2018**

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Independent Auditors' Report

To the Board of Directors
REAL School Gardens d/b/a Out Teach
Washington, D.C.

We have audited the accompanying financial statements of REAL School Gardens d/b/a Out Teach, which comprise the statement of financial position as of June 30, 2019, 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 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 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 auditors consider 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 Out Teach as of June 30, 2019, 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.

To the Board of Directors
REAL School Gardens d/b/a Out Teach

Emphasis of Matter

As discussed in Note 2 of the financial statements, Out Teach adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of Out Teach as of June 30, 2018, were audited by other auditors whose report dated November 15, 2018, expressed an unmodified opinion on those statements.

Councilor, Buchanan + Mitchell, P.C.

Certified Public Accountants

Bethesda, Maryland
November 13, 2019

REAL SCHOOL GARDENS D/B/A OUT TEACH

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Assets		
Cash	\$ 633,500	\$ 738,021
Contributions, Grants, and Accounts Receivable	888,368	524,756
Prepaid Expenses and Other Assets	28,727	40,347
Investments	299,626	793,877
Property and Equipment, Net	<u>8,672</u>	<u>18,963</u>
Total Assets	<u>\$ 1,858,893</u>	<u>\$ 2,115,964</u>
Liabilities and Net Assets		
Liabilities		
Accounts Payable	\$ 66,751	\$ 54,184
Accrued Expenses	<u>110,948</u>	<u>96,368</u>
Total Current Liabilities	177,699	150,552
Net Assets		
Without Donor Restrictions	249,245	972,412
With Donor Restrictions	<u>1,431,949</u>	<u>993,000</u>
Total Net Assets	<u>1,681,194</u>	<u>1,965,412</u>
Total Liabilities and Net Assets	<u>\$ 1,858,893</u>	<u>\$ 2,115,964</u>

See accompanying Notes to Financial Statements.

REAL SCHOOL GARDENS D/B/A OUT TEACH

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenues			
Contributions and Grants	\$ 1,635,180	\$ 1,301,949	\$ 2,937,129
Program Fees and Other Revenues	653,699	-	653,699
In-Kind Contributions	128,642	-	128,642
Investment Income	18,093	-	18,093
Net Assets Released From Restrictions	<u>863,000</u>	<u>(863,000)</u>	<u>-</u>
 Total Revenues	 3,298,614	 438,949	 3,737,563
Expenses			
Program Services			
Educator Training	1,070,493	-	1,070,493
School Gardens	1,248,018	-	1,248,018
Community Engagement	<u>773,849</u>	<u>-</u>	<u>773,849</u>
 Total Program Services	 3,092,360	 -	 3,092,360
Supporting Services			
Management and General	358,154	-	358,154
Fundraising	<u>571,267</u>	<u>-</u>	<u>571,267</u>
 Total Supporting Services	 <u>929,421</u>	 <u>-</u>	 <u>929,421</u>
 Total Expenses	 <u>4,021,781</u>	 <u>-</u>	 <u>4,021,781</u>
 Change in Net Assets	 (723,167)	 438,949	 (284,218)
 Net Assets, Beginning of Year	 <u>972,412</u>	 <u>993,000</u>	 <u>1,965,412</u>
 Net Assets, End of Year	 <u><u>\$ 249,245</u></u>	 <u><u>\$ 1,431,949</u></u>	 <u><u>\$ 1,681,194</u></u>

See accompanying Notes to Financial Statements.

REAL SCHOOL GARDENS D/B/A OUT TEACH

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenues			
Contributions and Grants	\$ 1,175,496	\$ 1,375,000	\$ 2,550,496
Program Fees and Other Revenues	351,340	-	351,340
Investment Income	20,056	-	20,056
Net Assets Released From Restrictions	<u>1,708,116</u>	<u>(1,708,116)</u>	<u>-</u>
 Total Revenues	 3,255,008	 (333,116)	 2,921,892
Expenses			
Program Services	2,757,904	-	2,757,904
Supporting Services			
Management and General	321,604	-	321,604
Fundraising	<u>505,256</u>	<u>-</u>	<u>505,256</u>
 Total Supporting Services	 <u>826,860</u>	 <u>-</u>	 <u>826,860</u>
 Total Expenses	 <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><u>\$ 972,412</u></u>	 <u><u>\$ 993,000</u></u>	 <u><u>\$ 1,965,412</u></u>

See accompanying Notes to Financial Statements.

REAL SCHOOL GARDENS D/B/A OUT TEACH

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services				Supporting Services		Total Expenses
	Educator Training	Outdoor Classrooms	Community Engagement	Total Program Services	Management and General	Fundraising	
Salaries	\$ 590,878	\$ 511,557	\$ 481,945	\$ 1,584,380	\$ 173,681	\$ 340,257	\$ 2,098,318
Outdoor Classroom Materials and Skilled Labor	-	504,285	-	504,285	-	-	504,285
Benefits	83,598	72,375	68,186	224,159	24,573	48,140	296,872
Education Events	51,404	-	-	51,404	-	-	51,404
Professional Fees	202,392	45,997	107,679	356,068	97,657	119,183	572,908
Facilities and Equipment	39,642	43,051	32,334	115,027	11,652	22,828	149,507
Depreciation	7,310	6,329	5,962	19,601	2,149	4,209	25,959
Marketing and Communications	9,038	6,244	22,471	37,753	5,624	4,642	48,019
Office Expenses	5,586	8,439	1,244	15,269	21,998	700	37,967
Insurance	7,025	6,082	5,730	18,837	2,065	4,045	24,947
Other General Operating Expenses	13,574	13,443	12,571	39,588	12,107	10,502	62,197
Travel and Transportation	60,046	30,216	35,727	125,989	6,648	16,761	149,398
Total Expenses	\$ 1,070,493	\$ 1,248,018	\$ 773,849	\$ 3,092,360	\$ 358,154	\$ 571,267	\$ 4,021,781

See accompanying Notes to Financial Statements.

REAL SCHOOL GARDENS D/B/A OUT TEACH
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (284,218)	\$ (662,872)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities		
Depreciation	25,959	22,661
Net Realized and Unrealized Gain on Investments	-	(15,837)
(Increase) Decrease in Contributions, Grants, and Accounts Receivable	(363,612)	477,804
Decrease (Increase) in Prepaid Expenses and Other Assets	11,620	(15,290)
Increase (Decrease) in Accounts Payable	12,567	38,683
Increase (Decrease) in Accounts Expenses	14,580	-
	<u>(583,104)</u>	<u>(154,851)</u>
Cash Flows from Investing Activities		
Proceeds from Sales of Investments	988,069	451,298
Purchases of Investments	(493,818)	-
Purchases of Property and Equipment	(15,668)	(9,357)
	<u>478,583</u>	<u>441,941</u>
Net Cash Provided by Investing Activities		
	<u>478,583</u>	<u>441,941</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(104,521)	287,090
Cash and Cash Equivalents, Beginning of Year	738,021	450,931
Cash and Cash Equivalents, End of Year	<u><u>\$ 633,500</u></u>	<u><u>\$ 738,021</u></u>

See accompanying Notes to Financial Statements.

REAL SCHOOL GARDENS D/B/A OUT TEACH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

REAL School Gardens d/b/a Out Teach was organized and incorporated on September 19, 2006, in Texas. Out Teach's vision is that all students, no matter their resources, have access to an engaging hands-on education that transforms their lives.

Working toward this vision, Out Teach empowers teachers in low-income elementary schools to use the outdoors for experiential Science lessons, opening pathways to STEM careers and providing children with the 21st Century Skills they need to succeed both academically and professionally.

How Out Teach Works

- *Professional Learning & Support for Teachers:* Out Teach provides group trainings, job-embedded coaching, professional learning communities, and online resources to help teachers lead engaging hands-on Science lessons outdoors and embed Science into Math and Language Arts.
- *Outdoor Learning Tools:* Out Teach partners with companies to build and enhance Outdoor Learning Labs on school campuses, each one full of features designed to boost hands-on cross-curricular instruction.
- *Promoting Broader Change:* Out Teach conducts extensive research, presents at national conferences, and works with the media to raise awareness around the importance of early science instruction and the efficacy of hands-on learning outdoors.

Out Teach is headquartered in Washington, D.C., has offices in Fort Worth, Texas, Charlotte, North Carolina, and Atlanta, Georgia, and serves elementary schools in Florida, Georgia, Maryland, North Carolina, Texas, Virginia, and Washington, D.C.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expense when the obligation is incurred.

Financial Statement Presentation

Out Teach has presented its financial statements in accordance with *U.S. Generally Accepted Accounting Principles*. Under those principles, Out Teach is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* - resources that are available for general operations and resources designated by Out Teach's board of directors for approved expenditures.
- *Net Assets With Donor Restrictions* - resources that are subject to donor-imposed restrictions; temporary or permanent. Temporary restrictions are those that expire either by passage of time or fulfillment of purpose by actions of Out Teach. Permanent restrictions are those that neither expire by passage of time nor fulfillment of purpose.

REAL SCHOOL GARDENS D/B/A OUT TEACH

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

Out Teach is exempt under Section 501(c)(3) of the Internal Revenue Code (the Code) from the payment of taxes on income other than unrelated business income. In addition, Out Teach has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Out Teach's IRS Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the taxing authorities, generally for three years after filing.

Cash

Cash includes cash on hand and other highly liquid instruments purchased with initial maturities of less than three months.

Contributions, Grants, and Accounts Receivable

Contributions and grants receivable consist primarily of promises to give from individuals, corporations, and organizations still owed at year end. Management reviews the collectability of the accounts on a regular basis.

Accounts receivable consist primarily of related services provided to elementary schools where Out Teach 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.

An allowance for doubtful accounts has been provided for potentially uncollectible amounts. Management estimates the allowance for doubtful accounts based on historical experience, updated for current economic conditions, and aging of receivables based on due dates. If actual collection experience changes, revisions to the allowance may be necessary. Amounts are charged off against the allowance in the period in which they are deemed uncollectible.

Investments

Investments are carried at fair value. The valuation of investments is based on quotations obtained from national securities exchanges. Changes in the fair value are included in investment income in the accompanying statement of activities.

REAL SCHOOL GARDENS D/B/A OUT TEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful life of the asset. The estimated useful lives of property and equipment varies between 3 and 15 years. Out Teach capitalizes all furniture and equipment purchases over \$2,000. 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 donation for a specific purpose.

Revenue Recognition

Out Teach recognizes teacher training and other programmatic revenue as revenue when the training and program occurs.

Contributions and Grants

Out Teach reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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.

In-Kind Contributions

In addition to receiving cash contributions, Out Teach receives in-kind contributions from various donors. It is the policy of Out Teach to record the estimated fair value of certain in-kind contributions as an expense in its financial statements, and similarly an increase in support and revenue by a like amount. For the year ended June 30, 2019, Out Teach received \$128,642 in in-kind goods and facilities.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, occupancy, insurance, and general expenses. Expenses that are directly associated with a particular program or supporting service are charged directly to that functional area. Certain other expenses have been allocated among the program and supporting services benefited, based on estimates of time devoted to those services by the employees.

REAL SCHOOL GARDENS D/B/A OUT TEACH

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

2. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

For the year ended December 31, 2018, Out Teach adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification and provides information about liquidity and availability of resources. The changes required by the update have been applied retrospectively to all periods presented. A key change under ASU 2016-14 is the terminology of net asset classes used in these financial statements. Amounts previously reported as temporarily and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions. Additionally, ASU 2016-14 requires a presentation of expenses on a functional basis.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Out Teach's cash flows have seasonal variations due to the timing of revenue projects. Out Teach manages its liquidity to meet general expenditures, liabilities, and other obligations as they come due. Excess cash flows not needed for day-to-day operations are invested in Treasury Bills.

As of December 31, 2018, the following financial assets and liquidity sources were available for general operating expenditure in the year ending December 31, 2019:

Financial Assets

Cash and Cash Equivalents	\$ 633,500
Contributions, Grants, and Accounts Receivable	888,368
Investments Available for Operating Purposes	299,626
Total Financial Assets Available within One Year	<u>\$ 1,821,494</u>

4. CONCENTRATION OF CREDIT RISK

Out Teach maintains cash balances at financial institutions, which at times during the year, exceeded the Federal Deposit Insurance Corporation (FDIC) limit. Management believes the risk in these situations to be minimal.

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following, and are included in contributions, grants, and accounts receivable in the statements of financial position as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Due Within One Year	\$ 170,290	\$ 466,702
Due Within One to Five Years	25,000	-
	<u>195,290</u>	<u>466,702</u>
Less Allowance for Uncollectible Contributions	-	-
Contributions Receivable, Net	<u>\$ 195,290</u>	<u>\$ 466,702</u>

REAL SCHOOL GARDENS D/B/A OUT TEACH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

6. FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities);

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities and split interest agreements).

Investments measured at fair value consisted of the following as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury Securities	\$ -	\$ 299,626	\$ -	\$ 299,626
Total Investments	\$ -	\$ 299,626	\$ -	\$ 299,626

Investments measured at fair value consisted of the following as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury Securities	\$ -	\$ 793,877	\$ -	\$ 793,877
Total Investments	\$ -	\$ 793,877	\$ -	\$ 793,877

Investment returns consist of interest and dividend income of \$18,093 and \$20,056 for the years ended June 30, 2019 and 2018, respectively.

7. PROPERTY AND EQUIPMENT

Out Teach held the following property and equipment as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Website/Digital Education Platform	\$ 236,053	\$ 231,578
Computer Equipment and Software	81,121	69,928
Furniture and Fixtures	46,786	46,786
	<u>363,960</u>	<u>348,292</u>
Less Accumulated Depreciation and Amortization	<u>(355,288)</u>	<u>(329,329)</u>
Property and Equipment, Net	\$ 8,672	\$ 18,963

REAL SCHOOL GARDENS D/B/A OUT TEACH

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were \$1,431,949 and \$993,000 as of June 30, 2019 and 2018, respectively. These net assets were restricted by the donor for teacher professional development, outdoor learning lab design and construction, or thought leadership provided during the year. Net assets of \$863,000 and \$1,708,116 were released from donor restrictions by incurring expenses satisfying the purpose restriction imposed during the years ended June 30, 2019 and 2018, respectively.

9. COMMITMENTS AND CONTINGENCIES

Operating Lease

Out Teach leases facilities and equipment under operating lease agreements. Future minimum lease commitments under the agreements are as follows:

For the Years Ending June 30,

2020	\$ 113,943
2021	35,392
2022	<u>10,330</u>
Total	<u>\$ 159,665</u>

Rent expense was \$98,003 and \$119,409 for the years ended June 30, 2019 and 2018, respectively.

10. RETIREMENT PLAN

Out Teach has a defined contribution retirement plan (the Plan) covering all employees who have completed one month of service. The Plan includes an annual discretionary employer contribution. Participants vest 100% immediately. Out Teach had no contributions into the Plan during the years ended June 30, 2019 or 2018.

11. SUBSEQUENT EVENTS

Out Teach has evaluated subsequent events through November 13, 2019, the date on which the financial statements were available to be issued.