

REAL School Gardens

Auditor's Report and Financial Statements

June 30, 2014 and 2013



REAL School Gardens
June 30, 2014 and 2013

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Independent Auditor's Report

Board of Directors
REAL School Gardens
Fort Worth, Texas

We have audited the accompanying financial statements of REAL School Gardens, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses 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 as of June 30, 2014 and 2013, 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.

BKD, LLP

October 3, 2014

REAL School Gardens
Statements of Financial Position
June 30, 2014 and 2013

Assets

	2014	2013
Cash and cash equivalents	\$ 379,012	\$ 813,476
Accounts receivable	50,300	2,000
Contributions receivable	431,312	223,217
Prepaid expenses and other current assets	6,669	6,645
Security deposits	2,900	1,650
Property and equipment, net of accumulated depreciation of 2014, \$250,140 and 2013, \$227,022	36,830	54,685
Total assets	\$ 907,023	\$ 1,101,673

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 11,123	\$ 19,934
Accrued expenses	28,016	22,797
Total liabilities	39,139	42,731

Net Assets

Unrestricted	355,199	820,704
Temporarily restricted	512,685	238,238
Total net assets	867,884	1,058,942
Total liabilities and net assets	\$ 907,023	\$ 1,101,673

REAL School Gardens
Statements of Activities
Years Ended June 30, 2014 and 2013

	2014		
	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Contributions	\$ 165,763	\$ 1,010,990	\$ 1,176,753
Interest income	2,030	-	2,030
Other income	159,486	-	159,486
Net assets released from restrictions	736,543	(736,543)	-
Total revenues, gains and other support	<u>1,063,822</u>	<u>274,447</u>	<u>1,338,269</u>
Expenses			
Program services	1,148,648	-	1,148,648
Fund raising	268,890	-	268,890
Management and general	111,789	-	111,789
Total expenses	<u>1,529,327</u>	<u>-</u>	<u>1,529,327</u>
Change in Net Assets	(465,505)	274,447	(191,058)
Net Assets, Beginning of Year	<u>820,704</u>	<u>238,238</u>	<u>1,058,942</u>
Net Assets, End of Year	<u>\$ 355,199</u>	<u>\$ 512,685</u>	<u>\$ 867,884</u>

REAL School Gardens
Statements of Activities (Continued)
Years Ended June 30, 2014 and 2013

	2013		
	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Contributions	\$ 499,988	\$ 862,185	\$ 1,362,173
Interest income	2,286	-	2,286
Other income	43,135	-	43,135
Net assets released from restrictions	1,013,947	(1,013,947)	-
	<u>1,559,356</u>	<u>(151,762)</u>	<u>1,407,594</u>
Total revenues, gains and other support			
Expenses			
Program services	1,073,100	-	1,073,100
Fund raising	204,467	-	204,467
Management and general	111,722	-	111,722
	<u>1,389,289</u>	<u>-</u>	<u>1,389,289</u>
Total expenses			
Change in Net Assets	170,067	(151,762)	18,305
Net Assets, Beginning of Year	<u>650,637</u>	<u>390,000</u>	<u>1,040,637</u>
Net Assets, End of Year	<u>\$ 820,704</u>	<u>\$ 238,238</u>	<u>\$ 1,058,942</u>

REAL School Gardens

Statements of Functional Expenses

Years Ended June 30, 2014 and 2013

	Program Services				Supporting Services			2014		2013	
	Community Engagement	Educator Training	School Gardens	Total Program Expenses	Fundraising	Management and General	Total Supporting Services	Total Expenses	Total Expenses	Total Expenses	
Garden materials and skilled labor	\$ -	\$ 1,437	\$ 149,065	\$ 150,502	\$ -	\$ -	\$ -	\$ 150,502	\$ -	\$ 167,058	
Education events	-	58,751	1,296	60,047	-	-	-	60,047	-	48,314	
Salaries and wages	161,943	240,232	183,496	585,671	180,664	80,677	261,341	847,012	847,012	687,368	
Benefits	23,935	37,835	31,086	92,856	27,366	12,494	39,860	132,716	132,716	134,588	
Professional fees	40,717	26,118	13,866	80,701	22,951	2,976	25,927	106,628	106,628	124,817	
Occupancy	14,900	19,754	13,022	47,676	10,923	6,174	17,097	64,773	64,773	104,669	
Depreciation	3,422	6,640	6,390	16,452	5,620	1,046	6,666	23,118	23,118	27,360	
Utilities	56	672	391	1,119	147	67	214	1,333	1,333	3,427	
Communications	1,320	3,981	3,515	8,816	975	1,688	2,663	11,479	11,479	9,127	
Printing and publications	24,715	2,025	580	27,320	2,223	289	2,512	29,832	29,832	10,746	
Office expenses	6,352	5,081	9,029	20,462	3,766	3,413	7,179	27,641	27,641	21,616	
Insurance	620	913	716	2,249	870	526	1,396	3,645	3,645	5,939	
Other general operating	14,901	3,522	7,667	26,090	7,199	691	7,890	33,980	33,980	17,649	
Travel and transportation	10,264	11,384	7,039	28,687	6,186	1,748	7,934	36,621	36,621	26,611	
Total	\$ 303,145	\$ 418,345	\$ 427,158	\$ 1,148,648	\$ 268,890	\$ 111,789	\$ 380,679	\$ 1,529,327	\$ 1,529,327	\$ 1,389,289	

REAL School Gardens
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Activities		
Change in net assets	\$ (191,058)	\$ 18,305
Items not requiring cash		
Depreciation	23,118	27,360
Changes in		
Accounts receivable	(48,300)	19,205
Contributions receivable	(208,095)	77,283
Inventory	-	349
Prepaid expenses and other current assets	(24)	(1,844)
Security deposits	(1,250)	4,778
Accounts payable and accrued expenses	(3,592)	10,975
	<u>(429,201)</u>	<u>156,411</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Sale (purchases) of property and equipment	<u>(5,263)</u>	<u>284</u>
Net cash provided by (used in) investing activities	<u>(5,263)</u>	<u>284</u>
(Decrease) Increase in Cash Equivalents	(434,464)	156,695
Cash and Cash Equivalents, Beginning of Year	<u>813,476</u>	<u>656,781</u>
Cash and Cash Equivalents, End of Year	<u>\$ 379,012</u>	<u>\$ 813,476</u>

REAL School Gardens

Notes to Financial Statements

June 30, 2014 and 2013

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

Nature of Activities

A general description of the programs at REAL School Gardens (RSG) is as follows:

- **School Garden Installation and Support** – School garden design and installation support, including the materials and skilled labor necessary to establish elementary school learning gardens within high-poverty, urban neighborhoods.
- **Educator Training and Resources** – State-accredited training, seminars, educational materials and web-based resources to assist teachers to integrate standards-based curriculum and develop hands-on, experiential teaching methods, which transform a school garden into an outdoor classroom.
- **Community Engagement** – Events, web-based content and capacity building designed to foster a cooperative spirit among teachers, school principals, parents, local businesses and community partners and to help sustain elementary school gardens.

RSG presently maintains headquarters in Fort Worth, Texas, serves over 100 elementary schools in the greater Dallas/Fort Worth region, and launched its services in the Greater Washington, DC area this year.

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 and Cash Equivalents

RSG considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2014 and 2013, cash equivalents consisted primarily of money market accounts.

At June 30, 2014, RSG's cash accounts did not exceed federally insured limits.

REAL School Gardens
Notes to Financial Statements
June 30, 2014 and 2013

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, RSG reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. RSG 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 \$23,118 and \$27,360 for the years ended June 30, 2014 and 2013, respectively.

Long-lived Asset Impairment

RSG 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, 2014 and 2013.

Temporarily Restricted Net Assets

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

REAL School Gardens
Notes to Financial Statements
June 30, 2014 and 2013

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 temporarily or permanently 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.

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.

Contributed Services

Contributions of 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. No such contributions were recognized during 2014 and 2013.

In-kind Contributions

In addition to receiving cash contributions, RSG receives in-kind contributions from various donors. It is the policy of RSG 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, 2014 and 2013, \$23,504 and \$18,182, respectively, was received in in-kind contributions.

REAL School Gardens
Notes to Financial Statements
June 30, 2014 and 2013

Income Taxes

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

RSG files tax returns in the U.S. federal jurisdiction. With a few exceptions, RSG is no longer subject to U.S. federal examinations by tax authorities for years before 2011.

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.

Prior Year Comparative Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with RSG's financial statements for the year ended June 30, 2013, from which the summarized information is derived.

Note 2: Contributions Receivable

Contributions receivable consisted of the following:

	June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Due within one year	\$ -	\$ 408,812	\$ -	\$ 408,812
Due within one to five years	-	22,500	-	22,500
Less allowance for uncollectible contributions	-	-	-	-
	<u>\$ -</u>	<u>\$ 431,312</u>	<u>\$ -</u>	<u>\$ 431,312</u>
	June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Due within one year	\$ -	\$ 223,217	\$ -	\$ 223,217
Less allowance for uncollectible contributions	-	-	-	-
	<u>\$ -</u>	<u>\$ 223,217</u>	<u>\$ -</u>	<u>\$ 223,217</u>

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Notes to Financial Statements
June 30, 2014 and 2013

Note 3: Conditional Gifts

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

	2014	2013
Conditional promise to give upon obtaining equal matching contributions or other requirements	\$ 325,000	\$ 350,000

Note 4: Property and Equipment

Property and equipment at June 30 consists of:

	2014	2013
Website	\$ 200,895	\$ 200,895
Computer equipment and software	41,291	37,343
Furniture and fixtures	38,738	37,943
Office equipment	6,046	5,526
	286,970	281,707
Less accumulated depreciation	(250,140)	(227,022)
	\$ 36,830	\$ 54,685

Note 5: Restrictions on Net Assets

Temporarily restricted net assets were \$512,685 and \$238,238 at June 30, 2014 and 2013, respectively, and were restricted by the donor for community engagement, educator training and school garden program activities. Net assets were released from donor restrictions by incurring expenses satisfying the time imposed restrictions.

REAL School Gardens
Notes to Financial Statements
June 30, 2014 and 2013

Note 6: Operating Leases

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

2015	\$ 20,997
2016	3,300
2017	3,300
2018	<u>275</u>
	<u>\$ 27,872</u>

Rent expense totaled \$37,167 and \$63,372 for the years ended June 30, 2014 and 2013, respectively.

Note 7: 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, 2014, RSG received contributions from three donors of approximately \$463,984 or 35% of total revenues, gains and other support. During the year ended June 30, 2013, RSG received contributions from two donors of approximately \$476,923 or 35% total revenue, gains and other support.

Note 8: Subsequent Events

Subsequent events have been evaluated through October 3, 2014, which is the date the financial statements were available to be issued.