

# **REAL School Gardens**

Independent Auditor's Report and Financial Statements

June 30, 2015 and 2014



**REAL School Gardens**  
**June 30, 2015 and 2014**

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## Independent Auditor's Report

Board of Directors  
REAL School Gardens  
Washington, DC

We have audited the accompanying financial statements of REAL School Gardens, which comprise the statements of financial position as of June 30, 2015 and 2014, 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 as of June 30, 2015 and 2014, 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 schedule of 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  
September 28, 2015

**REAL School Gardens**  
**Statements of Financial Position**  
**June 30, 2015 and 2014**

**Assets**

	<b>2015</b>	<b>2014</b>
Cash	\$ 814,395	\$ 379,012
Accounts receivable	72,754	50,300
Contributions receivable	412,014	431,312
Prepaid expenses and other current assets	9,245	6,669
Security deposits	2,900	2,900
Property and equipment, net of accumulated depreciation of 2015, \$270,118 and 2014, \$250,140	22,015	36,830
Total assets	\$ 1,333,323	\$ 907,023

**Liabilities and Net Assets**

**Liabilities**

Accounts payable	\$ 56,113	\$ 11,123
Accrued expenses	22,733	28,016
Total liabilities	78,846	39,139

**Net Assets**

Unrestricted	498,842	355,199
Temporarily restricted	755,635	512,685
Total net assets	1,254,477	867,884
Total liabilities and net assets	\$ 1,333,323	\$ 907,023

**REAL School Gardens**  
**Statement of Activities**  
**Years Ended June 30, 2015 and 2014**

	<b>2015</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 251,821	\$ 1,579,056	\$ 1,830,877
Interest income	837	-	837
Other income	154,619	-	154,619
Net assets released from restrictions	<u>1,336,106</u>	<u>(1,336,106)</u>	<u>-</u>
Total revenues, gains and other support	<u>1,743,383</u>	<u>242,950</u>	<u>1,986,333</u>
<b>Expenses</b>			
Program services	1,209,981	-	1,209,981
Fund raising	263,608	-	263,608
Management and general	<u>126,151</u>	<u>-</u>	<u>126,151</u>
Total expenses	<u>1,599,740</u>	<u>-</u>	<u>1,599,740</u>
<b>Change in Net Assets</b>	143,643	242,950	386,593
<b>Net Assets, Beginning of Year</b>	<u>355,199</u>	<u>512,685</u>	<u>867,884</u>
<b>Net Assets, End of Year</b>	<u>\$ 498,842</u>	<u>\$ 755,635</u>	<u>\$ 1,254,477</u>

See Notes to Financial Statements

	<b>2014</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>			
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)	-
	<u>1,063,822</u>	<u>274,447</u>	<u>1,338,269</u>
<b>Expenses</b>			
Program services	1,148,648	-	1,148,648
Fund raising	268,890	-	268,890
Management and general	111,789	-	111,789
	<u>1,529,327</u>	<u>-</u>	<u>1,529,327</u>
<b>Change in Net Assets</b>	(465,505)	274,447	(191,058)
<b>Net Assets, Beginning of Year</b>	<u>820,704</u>	<u>238,238</u>	<u>1,058,942</u>
<b>Net Assets, End of Year</b>	<u>\$ 355,199</u>	<u>\$ 512,685</u>	<u>\$ 867,884</u>

**REAL School Gardens**  
**Statements of Cash Flows**  
**Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Operating Activities</b>		
Change in net assets	\$ 386,593	\$ (191,058)
Item not requiring cash		
Depreciation	19,978	23,118
Changes in		
Accounts receivable	(22,454)	(48,300)
Contributions receivable	19,298	(208,095)
Prepaid expenses and other current assets	(2,576)	(24)
Security deposits	-	(1,250)
Accounts payable and accrued expenses	<u>39,707</u>	<u>(3,592)</u>
Net cash provided by (used in) operating activities	<u>440,546</u>	<u>(429,201)</u>
<b>Investing Activities</b>		
Purchases of property and equipment	<u>(5,163)</u>	<u>(5,263)</u>
Net cash used in investing activities	<u>(5,163)</u>	<u>(5,263)</u>
<b>Increase (Decrease) in Cash</b>	435,383	(434,464)
<b>Cash, Beginning of Year</b>	<u>379,012</u>	<u>813,476</u>
<b>Cash, End of Year</b>	<u>\$ 814,395</u>	<u>\$ 379,012</u>



# REAL School Gardens

## Notes to Financial Statements

### June 30, 2015 and 2014

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

##### *Nature of Activities*

A general description of the programs at REAL School Gardens 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.

REAL School Gardens presently maintains headquarters in Washington, DC and serves over 100 elementary schools in the greater Dallas/Fort Worth region and the Greater Washington, DC area.

##### *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, 2015, REAL School Gardens' cash accounts exceeded federally insured limits by approximately \$180,000.

**REAL School Gardens**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

***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, REAL School Gardens reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. REAL School Gardens 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 \$19,978 and \$23,118 for the years ended June 30, 2015 and 2014, respectively.

***Long-lived Asset Impairment***

REAL School Gardens 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, 2015 and 2014.

***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, 2015 and 2014**

***Accounts Receivable***

Accounts receivable are related to services provided to elementary schools within the Dallas/Fort Worth region and the Great Washington, DC area where REAL School Gardens has agreed to implement a program at the schools that would include support for garden 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.

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***

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, 2015 and 2014, revenue recognized from contributed legal and information technology consulting services was \$85,000 and \$0, respectively.

***In-kind Contributions***

In addition to receiving cash contributions, REAL School Gardens receives in-kind contributions from various donors. It is the policy of REAL School Gardens 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, 2015 and 2014, \$41,821 and \$23,504, respectively, was received in in-kind contributions.

**REAL School Gardens**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**Income Taxes**

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

REAL School Gardens files tax returns in the U.S. federal jurisdiction. With a few exceptions, REAL School Gardens is no longer subject to U.S. federal examinations by tax authorities for years before 2012.

**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.

**Note 2: Contributions Receivable**

Contributions receivable consisted of the following:

	<b>June 30, 2015</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Due within one year	\$ -	\$ 412,014	\$ -	\$ 412,014
Less allowance for uncollectible contributions	-	-	-	-
	<u>\$ -</u>	<u>\$ 412,014</u>	<u>\$ -</u>	<u>\$ 412,014</u>
	<b>June 30, 2014</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
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>

**REAL School Gardens**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**Note 3: Conditional Gifts**

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

	<b>2015</b>	<b>2014</b>
Conditional promise to give upon obtaining equal matching contributions or other requirements	\$ 150,000	\$ 325,000

**Note 4: Property and Equipment**

Property and equipment at June 30 consists of:

	<b>2015</b>	<b>2014</b>
Website	\$ 200,895	\$ 200,895
Computer equipment and software	44,452	41,291
Furniture and fixtures	38,738	38,738
Office equipment	8,048	6,046
	292,133	286,970
Less accumulated depreciation	(270,118)	(250,140)
	\$ 22,015	\$ 36,830

**Note 5: Net Assets**

Temporarily restricted net assets were \$755,635 and \$512,685 at June 30, 2015 and 2014, 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 or purpose imposed restrictions.

**REAL School Gardens**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**Note 6: Operating Leases**

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

2016	\$	46,275
2017		43,903
2018		<u>19,050</u>
	<u>\$</u>	<u>109,228</u>

Rent expense, excluding donated facilities, totaled \$39,583 and \$37,167 for the years ended June 30, 2015 and 2014, 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, 2015, REAL School Gardens received contributions from one donor of approximately \$225,000 or 11% of total revenues, gains and other support. During the year ended June 30, 2014, REAL School Gardens received contributions from two donors of approximately \$463,984 or 35% total revenue, gains and other support.

**Note 8: Subsequent Events**

Subsequent events have been evaluated through September 28, 2015, which is the date the financial statements were available to be issued.

## **Supplementary Information**

**REAL School Gardens**  
**Schedule of Functional Expenses**  
**Year Ended June 30, 2015**  
**(with Comparative Totals for 2014)**

	Program Services			Supporting Services					
	Community Engagement	Educator Training	School Gardens	Total Program Expenses	Fundraising	Management and General	Total Supporting Services	2015 Total Expenses	2014 Total Expenses
Garden materials and skilled labor	\$ 1,044	\$ 11,206	\$ 112,380	\$ 124,630	\$ -	\$ -	\$ -	\$ 124,630	\$ 150,502
Education events	92	53,779	2,342	56,213	-	-	-	56,213	60,047
Salaries and wages	128,808	237,791	170,741	537,340	171,147	60,855	232,002	769,342	847,012
Benefits	24,921	46,007	33,034	103,962	31,558	11,774	43,332	147,294	132,716
Professional fees	55,412	96,740	67,836	219,988	17,863	26,811	44,674	264,662	106,628
Occupancy	10,400	19,199	13,785	43,384	13,818	4,913	18,731	62,115	64,773
Depreciation	3,345	6,175	4,434	13,954	4,444	1,580	6,024	19,978	23,118
Utilities	199	368	264	831	265	94	359	1,190	1,333
Communications	34,004	1,503	3,559	39,066	1,352	959	2,311	41,377	11,479
Printing and publications	12,698	1,654	721	15,073	827	504	1,331	16,404	29,832
Office expenses	2,215	1,457	515	4,187	7,159	3,348	10,507	14,694	27,641
Insurance	840	1,552	1,114	3,506	486	397	883	4,389	3,645
Other general operating	7,141	11,659	8,372	27,172	9,525	5,799	15,324	42,496	33,980
Travel and transportation	5,940	8,922	5,813	20,675	5,164	9,117	14,281	34,956	36,621
<b>Total</b>	<b>\$ 287,059</b>	<b>\$ 498,012</b>	<b>\$ 424,910</b>	<b>\$ 1,209,981</b>	<b>\$ 263,608</b>	<b>\$ 126,151</b>	<b>\$ 389,759</b>	<b>\$ 1,599,740</b>	<b>\$ 1,529,327</b>