

REAL School Gardens

Auditor's Report and Financial Statements

June 30, 2013 and 2012



REAL School Gardens
June 30, 2013 and 2012

Contents

Independent Auditor's Report..... 1

Financial Statements

Statements of Financial Position 2
Statements of Activities..... 3
Statements of Functional Expenses 5
Statements of Cash Flows 6
Notes to Financial Statements 7

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, 2013 and 2012, 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, 2013 and 2012, 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 10, 2013

REAL School Gardens
Statements of Financial Position
June 30, 2013 and 2012

Assets

	2013	2012
Cash and cash equivalents	\$ 813,476	\$ 656,781
Accounts receivable	2,000	21,205
Contributions receivable	223,217	300,500
Inventory	-	349
Prepaid expenses and other current assets	6,645	4,801
Security deposits	1,650	6,428
Property and equipment, net of accumulated depreciation of 2013, \$227,022 and 2012, \$223,063	54,685	82,329
Total assets	\$ 1,101,673	\$ 1,072,393

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 19,934	\$ 4,196
Accrued expenses	22,797	27,560
Total liabilities	42,731	31,756

Net Assets

Unrestricted	820,704	650,637
Temporarily restricted	238,238	390,000
Total net assets	1,058,942	1,040,637
Total liabilities and net assets	\$ 1,101,673	\$ 1,072,393

REAL School Gardens
Statements of Activities
Years Ended June 30, 2013 and 2012

	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 Activities (Continued)
Years Ended June 30, 2013 and 2012

	2012		
	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Contributions	\$ 1,195,492	\$ 497,400	\$ 1,692,892
Rental income	500	-	500
Interest income	2,436	-	2,436
Other income	71,155	-	71,155
Net assets released from restrictions	186,900	(186,900)	-
	<u>1,456,483</u>	<u>310,500</u>	<u>1,766,983</u>
Total revenues, gains and other support			
Expenses			
Program services	943,413	-	943,413
Fund raising	173,602	-	173,602
Management and general	137,394	-	137,394
	<u>1,254,409</u>	<u>-</u>	<u>1,254,409</u>
Total expenses			
Change in Net Assets	202,074	310,500	512,574
Net Assets, Beginning of Year	<u>448,563</u>	<u>79,500</u>	<u>528,063</u>
Net Assets, End of Year	<u><u>\$ 650,637</u></u>	<u><u>\$ 390,000</u></u>	<u><u>\$ 1,040,637</u></u>

REAL School Gardens
Statements of Functional Expenses
Years Ended June 30, 2013 and 2012

	Program Services				Supporting Services			2013 Total Expenses	2012 Total Expenses
	Community Engagement	Educator Training	School Gardens	Total Program Expenses	Fundraising	Management and General	Total Supporting Services		
Garden materials and skilled labor	\$ -	\$ 1,188	\$ 165,870	\$ 167,058	\$ -	\$ -	\$ -	\$ 167,058	\$ 155,809
Education events	3,797	40,947	3,570	48,314	-	-	-	48,314	45,944
Salaries and wages	122,395	224,476	154,686	501,557	139,738	46,073	185,811	687,368	592,144
Benefits	25,066	37,095	28,781	90,942	27,632	16,014	43,646	134,588	121,994
Professional fees	36,532	36,528	24,636	97,696	6,366	20,755	27,121	124,817	92,353
Occupancy	20,440	41,904	20,530	82,874	10,386	11,409	21,795	104,669	105,079
Depreciation	1,471	14,709	5,883	22,063	3,677	1,620	5,297	27,360	29,136
Utilities	487	1,695	753	2,935	246	246	492	3,427	6,331
Communications	925	2,200	1,100	4,225	2,464	2,438	4,902	9,127	9,364
Printing and publications	4,498	1,988	1,002	7,488	3,146	112	3,258	10,746	16,670
Office expenses	3,839	9,682	1,333	14,854	1,793	4,969	6,762	21,616	27,231
Insurance	193	1,159	580	1,932	-	4,007	4,007	5,939	3,825
Other general operating	4,702	3,009	2,226	9,937	4,858	2,854	7,712	17,649	9,548
Travel and transportation	8,223	8,045	4,957	21,225	4,161	1,225	5,386	26,611	38,981
Total	\$ 232,568	\$ 424,625	\$ 415,907	\$ 1,073,100	\$ 204,467	\$ 111,722	\$ 316,189	\$ 1,389,289	\$ 1,254,409

REAL School Gardens
Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Operating Activities		
Change in net assets	\$ 18,305	\$ 512,574
Items not requiring cash		
Depreciation	27,360	29,136
Changes in		
Accounts receivable	19,205	(13,968)
Contributions receivable	77,283	(124,611)
Inventory	349	982
Prepaid expenses and other current assets	(1,844)	6,057
Security deposits	4,778	(1,650)
Accounts payable and accrued expenses	10,975	4,595
	<u>156,411</u>	<u>413,115</u>
Investing Activities		
Sale (purchases) of property and equipment	<u>284</u>	<u>(19,596)</u>
	<u>284</u>	<u>(19,596)</u>
Increase in Cash Equivalents	156,695	393,519
Cash and Cash Equivalents, Beginning of Year	<u>656,781</u>	<u>263,262</u>
Cash and Cash Equivalents, End of Year	<u>\$ 813,476</u>	<u>\$ 656,781</u>

REAL School Gardens
Notes to Financial Statements
June 30, 2013 and 2012

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, and serves schools in the greater Dallas/Fort Worth region, with plans for further expansion.

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, 2013 and 2012, cash equivalents consisted primarily of money market accounts.

At June 30, 2013, RSG's cash accounts exceeded federally insured limits by approximately \$181,000.

REAL School Gardens
Notes to Financial Statements
June 30, 2013 and 2012

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:

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

Depreciation expense amounted to \$27,360 and \$29,136 for the years ended June 30, 2013 and 2012, 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, 2013 and 2012.

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, 2013 and 2012

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 statement 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 2013 or 2012.

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, 2013 and 2012, \$18,182 and \$21,071, respectively, was received in in-kind contributions.

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 2009.

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

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, 2012, from which the summarized information is derived.

Note 2: Contributions Receivable

Contributions receivable consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2013				
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>

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2012				
Due within one-year	\$ -	\$ 300,500	\$ -	\$ 300,500
Less allowance for uncollectible contributions	-	-	-	-
	<u>\$ -</u>	<u>\$ 300,500</u>	<u>\$ -</u>	<u>\$ 300,500</u>

REAL School Gardens
Notes to Financial Statements
June 30, 2013 and 2012

Note 3: Conditional Gifts

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

	2013	2012
Conditional promise to give upon obtaining equal matching contributions or other requirements	\$ 350,000	\$ 150,000

Note 4: Property and Equipment

Property and equipment at June 30 consists of:

	2013	2012
Leasehold improvements	\$ -	\$ 1,895
Furniture and fixtures	37,943	72,310
Office equipment	5,526	5,526
Computer equipment and software	37,343	36,889
Website	200,895	188,772
	281,707	305,392
Less accumulated depreciation	(227,022)	(223,063)
	\$ 54,685	\$ 82,329

Note 5: Restrictions on Net Assets

Temporarily restricted net assets are \$238,238 and \$390,000 at June 30, 2013 and 2012, respectively, and have been 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, 2013 and 2012

Note 6: Lease Commitment

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

<u>Years Ending June 30,</u>	
2014	\$ 37,147
2015	20,997
2016	3,300
2017	3,300
2018	<u>275</u>
	<u>\$ 65,019</u>

Rent expense totaled \$63,372 and \$83,990 for the years ended June 30, 2013 and 2012, respectively.

Note 7: Concentrations of Risk

During the year ended June 30, 2013, RSG received contributions from two donors of approximately \$476,923 or 35% of total revenues, gains and other support. During the year ended June 30, 2012, RSG received contributions from three donors of approximately \$1,125,754 or 64% total revenue, gains and other support.

Note 8: Subsequent Events

Subsequent events have been evaluated through October 10, 2013, which is the date the financial statements were available to be issued.