

THE EDIBLE SCHOOLYARD PROJECT

FINANCIAL STATEMENTS

Years Ended June 30, 2011 and 2010

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Independent Auditor's Report

Board of Directors
The Edible Schoolyard
Berkeley, California

I have audited the accompanying statements of financial position of The Edible Schoolyard Project as of June 30, 2011 and 2010 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Edible Schoolyard Project as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Ken Sun CPA

Hayward, California
October 5, 2011

THE EDIBLE SCHOOLYARD PROJECT
STATEMENTS OF FINANCIAL POSITION

	Years Ended June 30,	
	2011	2010
<u>ASSETS</u>		
Cash and cash equivalents	\$ 236,522	\$ 326,430
Accounts receivable	-	73,481
Investments	2,973,065	2,806,673
Inventory	20,628	38,981
Prepaid expenses	963	1,064
Property & equipment, net of accumulated depreciation of \$79,631	108,819	109,046
Total assets	\$ 3,339,997	\$ 3,355,675

<u>LIABILITIES & NET ASSETS</u>		
Accounts payable	\$ 71,837	14,552
Accrued liabilities	26,983	29,084
Deferred revenue	-	32,100
Total current liabilities	98,820	75,736
Net assets		
Unrestricted	3,241,177	3,192,273
Temporarily restricted	-	87,666
	3,241,177	3,279,939
Total Liabilities and net assets	\$ 3,339,997	\$ 3,355,675

See notes to financial statements.

THE EDIBLE SCHOOLYARD PROJECT

STATEMENTS OF ACTIVITIES

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Years Ended June 30,</u>	
			2011	2010
Public Support and revenue:				
Grants and contributions				
Individual donations	\$ 414,050		\$ 414,050	\$ 560,864
Foundation grants	90,444	46,000	136,444	475,400
Government grants	-		-	63,792
Corporate donations	134,812		134,812	58,283
Special events	256,622		256,622	53,411
Honorariums	25,000		25,000	25,000
In-kind donations	875		875	7,122
Other donations	-		-	100
Net assets released from restrictions	133,666	(133,666)	-	-
Total public support	<u>1,055,469</u>	<u>(87,666)</u>	<u>967,803</u>	<u>1,243,972</u>
Earned income				
Affiliate licensing fees	5,000		5,000	15,000
Miscellaneous income	6,133		6,133	13,442
Participation and tuition fees	86,500		86,500	16,035
Publication sales	17,275		17,275	30,008
Dividend and interest income	64,752		64,752	66,816
Other program revenue	20,928		20,928	24,173
			-	-
Total earned income	<u>200,588</u>	<u>-</u>	<u>200,588</u>	<u>165,474</u>
Total public support and revenue	<u>1,256,057</u>	<u>(87,666)</u>	<u>1,168,391</u>	<u>1,409,446</u>
Expenses:				
Program services	1,046,992		1,046,992	814,425
General and administrative	224,308		224,308	287,171
Fundraising	131,865		131,865	207,828
	<u>1,403,165</u>	<u>-</u>	<u>1,403,165</u>	<u>1,309,424</u>
Net change in net assets before unrealized gain on investments	(147,108)	(87,666)	(234,774)	100,022
Unrealized gain on investments	196,012		196,012	53,744
Increase in net assets	<u>48,904</u>	<u>(87,666)</u>	<u>(38,762)</u>	<u>153,766</u>
Net assets, beginning of year	<u>3,192,273</u>	<u>87,666</u>	<u>3,279,939</u>	<u>3,126,173</u>
Net assets, end of year	<u>\$ 3,241,177</u>	<u>\$ -</u>	<u>\$ 3,241,177</u>	<u>\$ 3,279,939</u>

See notes to financial statements.

THE EDIBLE SCHOOLYARD PROJECT
STATEMENTS OF FUNCTIONAL EXPENSES

	Program Services	General & Administrative	Fundraising	Total	
				2011	2010
Salaries	\$ 380,003	\$ 87,988	\$ 37,122	\$ 505,113	\$ 537,848
Employees benefits	67,680	23,602	2,270	93,552	91,705
Accounting	-	18,129	-	18,129	16,641
Bank charges	507	16,763	160	17,430	8,465
Conference & meetings	2,197	122	-	2,319	-
Consultants	8,705	-	-	8,705	-
Depreciation	7,808	2,648	2,598	13,054	9,817
Dues and subscriptions	7,073	1,259	1,539	9,871	1,320
Education - school yard	-	-	-	-	57,329
Equipment and furnishings	2,385	4,068	1,358	7,811	6,221
Equipment rental	315	-	-	315	-
Events	3,701	120	48,174	51,995	41,490
Food	18,691	33	-	18,724	-
Gifts	3,105	420	-	3,525	2,158
Grants and contracts to others	87,939	-	-	87,939	120,415
Indirect costs	-	-	-	-	645
Inkind expense	875	-	-	875	7,122
Insurance	-	2,958	-	2,958	2,232
Miscellaneous expense	-	137	-	137	549
Office supplies	4,245	658	1,224	6,127	7,189
Payroll taxes	30,301	14,015	-	44,316	44,323
Postage & delivery	2,868	473	2,515	5,856	5,019
Printing & reproduction	18,447	1,463	928	20,838	25,279
Professional services	287,473	37,889	24,932	350,294	272,600
Program supplies	23,249	-	-	23,249	-
Rent	29,486	6,653	6,528	42,667	26,964
Repairs and maintenance	7,796	43	-	7,839	418
Sales Tax	-	-	-	-	306
Staff development	3,420	499	-	3,919	988
Telephone	5,326	1,644	508	7,478	10,604
Travel	43,396	2,724	2,009	48,129	11,777
	<u>\$1,046,992</u>	<u>\$ 224,308</u>	<u>\$ 131,865</u>	<u>\$1,403,165</u>	<u>\$1,309,424</u>

See notes to financial statements

THE EDIBLE SCHOOLYARD PROJECT

STATEMENTS OF CASH FLOWS

	<u>Years Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ (38,762)	153,766
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation	13,054	9,817
(Increase) decrease in:		
Accounts receivable	73,481	15,458
Inventory	18,353	39,122
Prepaid expenses	101	15,330
Increase (decrease) in:		
Accounts payable	57,285	(26,050)
Accrued liabilities	(2,101)	(1,913)
Deferred revenue	(32,100)	16,100
	<u>89,311</u>	<u>221,630</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Acquisition of fixed assets	(12,827)	-
Net funds used to acquire investments	<u>(166,392)</u>	<u>(150,360)</u>
Net cash (used for) investing activities	<u>(179,219)</u>	<u>(150,360)</u>
Net increase (decrease) in cash and equivalents	(89,908)	71,270
Cash and cash equivalents at the beginning of year	326,430	255,160
Cash and cash equivalents at the end of year	<u>\$ 236,522</u>	<u>\$ 326,430</u>

See notes to financial statements.

THE EDIBLE SCHOOLYARD PROJECT
NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Edible Schoolyard Project (“the Organization”), formerly “Chez Panisse Foundation,” was organized and incorporated in 1996 as a nonprofit corporation under the laws of the State of California. The Organization changed its official name to The Edible Schoolyard Project in June 2011. The Organization envisions “the edible education” as part of the core curriculum of every school in the country. It also believes that the edible education has the power to transform the health and values of every child in America.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when the related obligation is incurred.

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash and money market funds. For purposes of the statement of cash flows, management considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Inventory

Inventory is carried at the lower of cost or market and consists mostly of printed materials.

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 amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

THE EDIBLE SCHOOLYARD PROJECT

NOTES TO FINANCIAL STATEMENTS (Continued)

Years Ended June 30, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Furniture and equipment

Furniture and equipment in the accompanying statement of financial position consists of furniture, computers, office equipment and leasehold improvement. The Organization records purchased furniture and equipment at cost, and donated property and equipment at estimated fair market value upon donation. Depreciation is computed using the straight line method over the estimated useful life of the assets, ranging from three to thirty-nine years.

Financial Statement Presentation

The organization adopted the provisions of *Statements of Financial Accounting Standards* (SFAS) 116, "Accounting for Contributions Received and Contributions Made" and SFAS 117 "Financial Statements of Not-for-Profit Organizations."

Certain support for the activities of the Organization may be restricted by the grantors to specific purposes or time. Such amounts are classified as temporarily restricted net assets in the accompanying statements until the specific purpose is accomplished or when the specified time elapses.

The Organization determines annually an allocation of certain costs between program services, general and administrative and fundraising based on estimated usage and benefits.

Deferred Revenue

Deferred revenue represents participation and tuition fees received in advance.

Support and Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and /or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a 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

THE EDIBLE SCHOOLYARD PROJECT

NOTES TO FINANCIAL STATEMENTS (Continued)

Years Ended June 30, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Purchased investments are initially stated at cost. Investments received by gift are recorded at market value at the date of contribution. In accordance with the Financial Accounting Standards in its SFAS No. 124 (as amended by SFAS No. 157), *Accounting for Investments Held by Not-for-Profit Organizations*, the recorded amounts of all investments are adjusted annually to reflect current market values. Realized and unrealized gains and losses are included in investment income on the statement of activities and changes in net assets.

The organization has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Organization could realize in a current market exchange. The use of different assumptions and / or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of June 30, 2011. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented due to uncertain economic conditions.

Income Taxes

The organization is exempt from federal and state income taxes under section 501(c) (3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California. In addition, the Organization has no federal or state unrelated business taxable income; accordingly, no provision has been made for income taxes in the accompanying financial statements.

NOTE 2 - SUPPORT AND REVENUE

The organization is funded through public and private grants, donations, and government contracts. In addition to public supports, the organization also generates revenue through the publication sales and garden and kitchen programs.

THE EDIBLE SCHOOLYARD PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)

Years Ended June 30, 2011 and 2010

NOTE 3 - INVESTMENTS

Investments are maintained in accounts at Wells Fargo Advisors and consist of the following at June 30, 2011 and 2010:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Cash sweep accounts	238,902	238,902	410,299	410,299
Fixed income securities	1,031,989	1,040,287	1,325,701	1,626,346
Stocks	315,510	343,549	166,091	155,136
Mutual funds	1,272,272	1,350,327	631,769	614,892
Total Investments	2,858,673	2,973,065	2,533,860	2,806,673

Amounts maintained in cash sweep accounts earn interest at rates which vary throughout the year (0.02% as of June 30, 2011). Certain investments classified as fixed income securities include certificates of deposit which accrue interest at rates ranging from 0.60% to 5.625% per annum.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2011 and 2010 consist of:

	<u>2011</u>	<u>2010</u>
Office and improvements	\$ 93,523	\$93,523
Equipment	64,715	51,888
Edible Schoolyard	<u>30,212</u>	<u>30,212</u>
	188,450	175,623
Less accumulated depreciation	<u>(79,631)</u>	<u>(66,577)</u>
Furniture and equipment, net	\$ <u>108,819</u>	\$ <u>109,046</u>

Depreciation expenses for the years ended June 30, 2011 and 2010 were \$13,054 and \$9,817 respectively.

THE EDIBLE SCHOOLYARD PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)

Years Ended June 30, 2011 and 2010

NOTE 5 – DEFERRED REVENUE

There was no deferred revenue at June 30, 2011 and there were \$32,100 unearned tuition fees at June 30, 2010. Such amount consists of funds received in advance of services which will be provided during the subsequent fiscal year. Such amount has been reflected as short-term liabilities and will be recorded as earned income on the statements of activities and changes in net assets when the services are provided.

NOTE 6 – INKIND INCOME AND EXPENSES

The Edible Schoolyard Project recognizes the fair value of donated services in accordance with SFAS 116. Such services include those that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations.

The organization recognized \$875 of revenue in in-kind income for the year ended June 30, 2011 and \$7,122 for the year ended June 30, 2010. Also, the corresponding \$875 and \$7,122 in-kind expenses were recorded in the accompanying financial statements at June 30, 2011 and 2010 respectively.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

For the year ended June 30, 2011, temporarily restricted net assets consist of the following funds that have time or purpose restrictions:

	Bal. at 7/1/10	Contributions	Release from Restrictions	Bal. at 6/30/11
Compton Foundation		15,000	15,000	-
Elena M Walker Charitable Lead Unitrust		5,000	5,000	-
Mellam Family Foundation		5,000	5,000	-
Martin Luther King Jr. High School PTA		13,000	13,000	-
The Educational Foundation of America	57,666		57,666	-
The Mark & Susan Torrance Foundation		8,000	8,000	-
Newman's Own Foundation	30,000		30,000	-
Total	87,666	46,000	133,666	-

THE EDIBLE SCHOOLYARD PROJECT
NOTES TO FINANCIAL STATEMENTS (Continued)

Years Ended June 30, 2011 and 2010

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The organization leases its corporate office premises in Berkeley under a three-year operating lease agreement expiring in December 2014. It is also responsible for its proportionate share of building, maintenance, and operating expenses. The lease requires a monthly rental payment of \$3,581 starting January 1, 2011. Rent expense amounted to \$42,167 for the year ended June 30, 2011 and \$26,964 for the year ended June 30, 2010. Minimum future lease payments for the next three years for all operating leases with terms of one year or more are as follows:

Years Ended June 30,	
2012	42,972
2013	42,972
2014	<u>42,972</u>
Total	<u>\$ 128,916</u>

NOTE 9 – RETIREMENT BENEFITS

The Edible Schoolyard Project offers employees the opportunity for participation in a salary reduction retirement plan qualified under Internal Revenue Code Section 403 (b). The plan is administered by TIAA-CREF Financial Services and is subject to conditions of certain regulatory statutes. Employer contributions to the Plan amounted to \$16,316 for the year ended June 30, 2011 and \$2,973 for the year ended June 30, 2010.

NOTE 10 – CONCENTRATION OF CREDIT RISK

The organization had cash of \$326,430 at June 30, 2010, consisting of funds on deposit at a noninterest-bearing checking account with Bank of America. The cash balances as of June 30, 2010 exceeded FDIC insurance limits by approximately \$76,430. The Edible Schoolyard Project attempts to limit its credit risk associated with cash balances by utilizing financial institutions that are well capitalized and highly rated.