THE EDIBLE SCHOOLYARD PROJECT

Financial Statements
with Independent Auditor's Report

Years Ended June 30, 2017 and 2016

THE EDIBLE SCHOOLYARD PROJECT

Years Ended June 30, 2017 and 2016

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BHLF LLP

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Edible Schoolyard Project

We have audited the accompanying financial statements of The Edible Schoolyard Project, a California nonprofit corporation (the Organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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 The Edible Schoolyard Project as of June 30, 2017 and 2016, 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.

BHLF LLP

Walnut Creek, California
January 23, 2018

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THE EDIBLE SCHOOLYARD PROJECT

Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	$ 90,351	$ 274,645
Pledges receivable, current portion	276,384	456,935
Investments	2,975,947	3,103,984
Inventory	-	6,086
Prepaid expenses	30,253	31,629
Total current assets	3,372,935	3,873,279
Pledges receivable, net of current portion	234,000	-
Office equipment and improvements	81,703	60,657
Total assets	$ 3,688,638	$ 3,933,936
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 92,883	$ 101,166
Deferred revenue	13,250	-
Accrued liabilities	66,749	50,273
Total current liabilities	172,882	151,439
NET ASSETS		
Unrestricted	3,231,256	3,427,497
Temporarily restricted	284,500	355,000
Total net assets	3,515,756	3,782,497
Total liabilities and net assets	$ 3,688,638	$ 3,933,936

See notes to financial statements.

THE EDIBLE SCHOOLYARD PROJECT

Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Grants and contributions			
Foundation grants	$ 464,762	$ 284,500	$ 749,262
Individual donations	321,962	-	321,962
Special events	263,889	-	263,889
Honorariums	105,000	-	105,000
Corporate donations	72,617	-	72,617
Net assets released from restrictions	355,000	(355,000)	-
Total grants and contributions	1,583,230	(70,500)	1,512,730
Other income			
Investment income	269,105	-	269,105
Participation and tuition fees	46,890	-	46,890
Program revenue	37,022	-	37,022
Other income	8,763	-	8,763
Total other income	361,780	-	361,780
Total revenues, gains and other support	1,945,010	(70,500)	1,874,510
EXPENSES			
Program services	1,559,609	-	1,559,609
Supporting services			
Management and general	262,054	-	262,054
Fundraising	319,588	-	319,588
Total expenses	2,141,251	-	2,141,251
Change in net assets	(196,241)	(70,500)	(266,741)
NET ASSETS			
Beginning of year	3,427,497	355,000	3,782,497
End of year	$ 3,231,256	$ 284,500	$ 3,515,756

See notes to financial statements.

THE EDIBLE SCHOOLYARD PROJECT

Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Grants and contributions			
Foundation grants	$ 642,012	$ 355,000	$ 997,012
Individual donations	341,098	-	341,098
Corporate donations	280,286	-	280,286
Special events	263,614	-	263,614
Government grants	45,050	-	45,050
Net assets released from restrictions	250,000	(250,000)	-
Total grants and contributions	1,822,060	105,000	1,927,060
Other income			
Participation and tuition fees	42,717	-	42,717
Program revenue	26,108	-	26,108
Other income	7,827	-	7,827
Investment loss	(2,522)	-	(2,522)
Total other income	74,130	-	74,130
Total revenues, gains and other support	1,896,190	105,000	2,001,190
EXPENSES			
Program services	1,325,037	-	1,325,037
Supporting services			
Management and general	258,393	-	258,393
Fundraising	475,835	-	475,835
Total expenses	2,059,265	-	2,059,265
Change in net assets	(163,075)	105,000	(58,075)
NET ASSETS			
Beginning of year	3,590,572	250,000	3,840,572
End of year	$ 3,427,497	$ 355,000	$ 3,782,497

See notes to financial statements.

THE EDIBLE SCHOOLYARD PROJECT

Statement of Functional Expenses
Year Ended June 30, 2017 and 2016

2017

	Program Services	Management and General	Fundraising	Total
Salaries and employee benefits	$ 1,005,849	$ 147,671	$ 226,383	$ 1,379,903
Professional services	159,109	56,634	17,456	233,199
Food	86,396	-	-	86,396
Payroll taxes	61,872	9,064	13,927	84,863
Travel	71,748	3,157	3,743	78,648
Office expenses	49,722	15,603	12,247	77,572
Rent	45,158	6,453	7,157	58,768
Events	-	-	34,055	34,055
Program supplies	31,358	-	-	31,358
Grants and contracts to others	16,350	-	-	16,350
Bank charges	2	15,577	6	15,585
Depreciation	10,613	1,800	2,194	14,607
Equipment rental and maintenance	9,440	-	1,085	10,525
Dues and publications	7,990	960	1,335	10,285
Equipment and furnishings	4,002	5,135	-	9,137
Total expenses	$ 1,559,609	$ 262,054	$ 319,588	$ 2,141,251

2016

	Program Services	Management and General	Fundraising	Total
Salaries and employee benefits	$ 852,994	$ 156,287	$ 260,052	$ 1,269,333
Professional services	190,102	46,580	120,132	356,814
Payroll taxes	57,919	9,297	17,455	84,671
Office expenses	34,083	19,762	21,488	75,333
Rent	38,573	6,210	11,450	56,233
Travel	39,078	2,392	7,628	49,098
Events	4,523	-	33,374	37,897
Program supplies	31,928	-	-	31,928
Food	31,323	-	-	31,323
Grants and contracts to others	18,320	-	-	18,320
Bank charges	-	14,771	13	14,784
Depreciation	8,008	1,560	2,876	12,444
Dues and publications	7,068	485	1,197	8,750
Equipment and furnishings	6,333	919	170	7,422
Equipment rental and maintenance	4,785	130	-	4,915
Total expenses	$ 1,325,037	$ 258,393	$ 475,835	$ 2,059,265

See notes to financial statements.

THE EDIBLE SCHOOLYARD PROJECT

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (266,741)	$ (58,075)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized and realized gain / loss on investments	(174,488)	153,602
Depreciation	14,607	12,444
In-kind revenue	(6,552)	-
Changes in operating assets and liabilities		
Pledges receivable	(53,449)	28,470
Inventory	6,086	(1,808)
Prepaid expenses	1,376	(15,803)
Accounts payable	(8,283)	16,146
Accrued liabilities	16,476	13,960
Deferred revenue	13,250	-
Net cash provided by (used in) operating activities	(457,718)	148,936
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,256,695)	(970,894)
Proceeds from sale or maturity of investments	1,565,772	914,472
Purchases of property and equipment	(35,653)	(2,985)
Net cash provided by (used in) investing activities	273,424	(59,407)
NET CHANGE IN CASH AND EQUIVALENTS	(184,294)	89,529
CASH AND EQUIVALENTS		
Beginning of year	274,645	185,116
End of year	$ 90,351	$ 274,645
SUPPLEMENTAL CASH FLOW INFORMATION		
Non-cash Investing Activities:		
Stock certificates donated	$ 6,552	$ 7,442

See notes to financial statements.

THE EDIBLE SCHOOLYARD PROJECT

Notes to Financial Statements

1. NATURE OF OPERATIONS

The Edible Schoolyard Project (Organization) is a nonprofit public benefit corporation incorporated in California in 1996. The purpose of the Organization is to build and share a food curriculum for all schools that will become part of the core curriculum of every school in the country.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation - The financial statements of the Organization have been prepared using the accrual basis of accounting and accordingly reflect all significant receivables, payables, prepayments and similar accruals. Financial statement presentation follows financial accounting standards applicable to not-for-profit organizations. Under such standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

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 reported amounts and disclosures in the financial statements. Actual results could differ from such estimates.

Cash and equivalents – For purposes of the statement of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents unless otherwise restricted or designated. The Organization places its cash and temporary cash investments with high credit quality institutions. Periodically, such deposits may be in excess of federally insured limits.

Investments - The Organization has reported its investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Investments received by gift are recorded at market value at the date of the donation. Unrealized gains and losses are included in the change in net assets.

Inventory - Inventory is carried at the lower of cost or market and consists of printed publication materials. Inventory is valued using the average cost method. The Organization periodically reviews the value of items in inventory and provides write-downs or write-offs of inventory based on its assessment of market conditions. During the year ended June 30, 2017, the Organization experienced a total write-down of $6,086.

Pledges receivable and contributions - Pledges receivable are recognized when the donor makes an unconditional promise to give to the Organization. A discount factor is necessary for an unconditional promise to give due in excess of one year to measure the contribution at present value. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. There was no allowance for doubtful accounts at year end.

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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the period in which the contributions are recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges receivable and contributions (continued) - Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increase or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law.

Property and equipment - The Organization capitalizes expenditures in excess of $1,500 for property and equipment at cost, and records donated equipment at the estimated fair market value at the date of donation. Routine repairs and maintenance are expensed as incurred. Property and equipment are depreciated over the following estimated useful lives of the related asset using the straight-line method.

	Lives
Office equipment and improvements	10 - 15 years
Equipment	3 - 5 years
Edible Schoolyard garden	5 - 15 years

Net assets - Net assets are classified based on the existence or absence of donor imposed restrictions and are defined as follows:

Unrestricted net assets are not subject to donor-imposed stipulations or the donor-imposed restrictions have expired.

Temporarily restricted net assets are those which are subject to donor-imposed stipulations that will be met by the Organization and/or the passage of time. Temporarily restricted net assets consist of those that are restricted based on donor-imposed stipulations that will be met by the passage of time. The temporarily restricted net assets released from restrictions were due to the expiration of time for the years ended June 30, 2017 and 2016.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donor of these assets permits the Organization to use all or part of the income earned on related investments for general or specific purposes. There are no permanently restricted net assets.

Gifts in kind - The Organization receives donations of gifts in kind such as program supplies, food and beverages for special events and gift certificates. Gifts in kind received through donations are valued at fair market and are recorded as revenue at their fair value at the time the contribution is received. The Organization received gifts in kind, in the form of donated stock of $6,552 and $7,442, during the years ended June 30, 2017 and 2016.

Contributed services - No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services. The Organization received approximately 2,000 volunteer hours during the years ended June 30, 2017 and 2016, respectively.

Functional allocation of expenses - Expenses by function have been allocated among program and supporting services classifications on the basis of estimates made by the Organization's management.

Reclassifications - Certain prior year amounts have been reclassified to conform with current year financial statement presentation.

3. PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give, which have been made by donors, but not received yet. No allowance for doubtful accounts has been recorded as management believes all pledges to be fully collectible. Accounts and pledges receivable consist of the following at June 30:

	2017	2016
Due within one year	$ 276,384	$ 456,935
Due one to five years	234,000	-
	$ 510,384	$ 456,935

4. INVESTMENTS

Investments consist of the following at June 30:

	2017	2016
Mutual funds	$ 2,099,058	$ 1,886,432
Fixed income securities	473,080	587,278
Exchange traded funds	204,520	271,327
Cash equivalents	143,856	33,516
Corporate stock	55,433	85,400
Certificates of deposits	-	240,031
	$ 2,975,947	$ 3,103,984

Investment fees were $7,575 and $3,072 for the years ended June 30, 2017 and 2016 respectively and are included in management and general expenses.

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2017	2016
Office equipment and improvements	$ 104,561	$ 77,302
Edible schoolyard garden	88,666	80,272
Equipment	57,693	57,693
	250,920	215,267
Less: Accumulated depreciation	(169,217)	(154,610)
	$ 81,703	$ 60,657

Depreciation expense is $14,607 and $12,444 for the years ended June 30, 2017 and 2016, respectively.

6. FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016:

Fixed income securities: Certain corporate and government bonds are valued at the closing price reported in the active market in which the bond is traded.

Corporate stocks: Certain common stocks are valued at the closing price reported in the active market in which the individual securities are traded. Investments in certain restricted common stocks are valued at the quoted market price of the issuer's unrestricted common stock less an appropriate discount. If a quoted market price for unrestricted common stock of the issuer is not available, restricted common stocks are valued at a multiple of current earnings less an appropriate discount. The multiple chosen is consistent with multiples of similar companies based on current market prices.

Mutual funds: Valued at the net asset value (NAV) of shares, based on quoted market prices, held by the Organization at year-end.

Exchange traded funds: Valued at the NAV of shares, based on quoted market prices, held by the Organization at year-end.

Cash equivalents and certificates of deposit: Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

6. FAIR VALUE MEASUREMENTS (CONTINUED)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization's management believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at year end:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2017				
Mutual funds	$ 2,099,058	$ -	$ -	$ 2,099,058
Fixed income securities	-	473,080	-	473,080
Exchange traded funds	204,520	-	-	204,520
Certificates of deposits	143,856	-	-	143,856
Corporate stock	55,433	-	-	55,433
Cash equivalents	-	143,856	-	143,856
	$ 2,502,867	$ 616,936	$ -	$ 3,119,803
2016				
Mutual funds	$ 1,886,432	$ -	$ -	$ 1,886,432
Fixed income securities	-	587,278	-	587,278
Exchange traded funds	271,327	-	-	271,327
Certificates of deposits	240,031	-	-	240,031
Corporate stock	85,400	-	-	85,400
Cash equivalents	-	33,516	-	33,516
	$ 2,483,190	$ 620,794	$ -	$ 3,103,984

7. INCOME TAXES

The Organization is exempt from federal taxes on income under Internal Revenue Code Section 501(c)(3) and is classified by the Internal Revenue Service as other than a private foundation. The Organization is exempt from state taxes under Section 23701(d) of the California Revenue and Taxation Code and therefore no provision for income taxes has been recorded.

The Organization has analyzed tax positions taken for filings with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization’s financial position, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions for the years ended June 30, 2017 and 2016, respectively.

7. INCOME TAXES (CONTINUED)

As of June 30, 2017, periods subsequent to 2013 are subject to audit by various taxing authorities; however, there are currently no audits for any tax periods in progress.

The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively. The Organization has not recognized any interest and penalties for the years ended June 30, 2017 and 2016, respectively.

8. RELATED PARTY TRANSACTIONS

The Organization is party to the following transactions with Chez Panisse Restaurant (Restaurant), which is owned by the Organization's President.

For events and fundraisers, the Organization makes supply orders through the Restaurant. Total orders made totaled $27,602 and $28,475 for the years ended June 30, 2017 and 2016, respectively. In addition, amounts payable to the Restaurant were $1,566 and $970 for the years ended June 30, 2017 and 2016, respectively.

The Restaurant receives royalties for its branded dinnerware sold by the outside manufacturer. The Restaurant donates these royalties to the Organization, which have been included in corporate donations. Total royalties donated were $19,656 and $16,402 for the years ended June 30, 2017 and 2016, respectively.

The Organization's President receives honorariums for speaking and publishing engagements, which are then donated to the Organization. Total honorariums received by the Organization was $105,000 and zero for the years ended June 30, 2017 and 2016, respectively.

9. RETIREMENT PLAN

The Organization's employees participate in a 403(b) defined contribution plan (Plan). The Plan is open to all employees for salary deferrals immediately. The Organization makes discretionary contributions to the Plan, which employees are eligible for after one year and 1,000 hours of service for the Organization. The Organization's contributions to the plan amounted to $53,628 and $42,715 for the years ended June 30, 2017 and 2016, respectively.

10. COMMITMENTS

The Organization leases two corporate offices in Berkeley under operating leases which both expire in December 2018. The leases require monthly rental payments of $3,928. Total rent expense was $47,136 for the years ended June 30, 2017 and 2016, respectively. Future minimum lease commitments under the operating leases is as follows:

2018	$ 47,136
2019	23,568
Total	$ 70,704

11. CONCENTRATIONS

The majority of the Organization's revenue was derived from four and five donors during the years ended June 30, 2017 and 2016, respectively. Revenues received from these donors were 42% or $781,587 and 44% or $876,188 for the years ended June 30, 2017 and 2016, respectively.

12. SUBSEQUENT EVENTS

The Organization's management has reviewed the results of activities for the period of time from its year ended June 30, 2017 through January 23, 2018, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor subsequent events have occurred, the nature of which would require disclosure.