

DENVER URBAN GARDENS
FINANCIAL STATEMENTS
December 31, 2010 and 2009

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DENVER URBAN GARDENS
Denver, Colorado

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Denver Urban Gardens
Denver, Colorado

We have audited the accompanying statements of financial position of Denver Urban Gardens, (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audits 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Denver Urban Gardens, as of December 31, 2010 and 2009, 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of functional expenses on page 12 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hull & Associates, PC

Hull & Associates, P.C.
Certified Public Accountants

Golden, Colorado
June 22, 2011

DENVER URBAN GARDENS
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 99,106	\$ 173,426
Grants and other receivables, net	367,947	302,870
Prepaid expenses	6,574	3,912
Net property and equipment	<u>325,174</u>	<u>343,432</u>
Total assets	<u>\$ 798,801</u>	<u>\$ 823,640</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
SEP-IRA contribution payable	\$ 9,800	\$ 10,395
Accounts payable	87,094	52,891
Other liabilities	44,712	7,446
Notes payable	<u>42,096</u>	<u>17,607</u>
Total liabilities	<u>183,702</u>	<u>88,339</u>
Net Assets		
Unrestricted	338,279	446,684
Temporarily restricted	<u>276,820</u>	<u>288,617</u>
Total net assets	<u>615,099</u>	<u>735,301</u>
Total liabilities and net assets	<u>\$ 798,801</u>	<u>\$ 823,640</u>

The accompanying notes are an integral part of these financial statements.

DENVER URBAN GARDENS
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Changes in unrestricted net assets:		
Revenues and support:		
In-kind contributions	\$ 331,013	\$ 287,772
Foundation grants	75,000	315,329
Sale of produce and farm share	45,594	41,549
Special events	42,898	2,324
Donations	39,016	54,941
Miscellaneous	810	150
Interest income	531	599
Program revenues	0	1,085
Gain from sale of assets	0	465
Total unrestricted revenues	<u>534,862</u>	<u>704,214</u>
Net assets released from restrictions:		
Satisfaction of program restrictions	836,886	786,592
Total unrestricted revenues and other support	<u>1,371,748</u>	<u>1,490,806</u>
Expenses:		
Program services	1,305,135	1,205,561
Supporting services	175,018	148,532
Total expenses	<u>1,480,153</u>	<u>1,354,093</u>
Increase (decrease) in unrestricted net assets	<u>(108,405)</u>	<u>136,713</u>
Changes in temporarily restricted net assets:		
Colorado Health Foundation	305,528	259,314
H&NDS Grant	285,000	285,000
Kaiser LiveWell	75,000	139,952
Scientific and Cultural Facilities Districts	51,558	46,503
Cedar Tree Foundation	35,000	20,000
FSNEP Colorado University	30,852	22,661
Recycling Demonstration Grant	18,000	15,000
Denver Housing Authority	13,971	0
Denver Foundation	5,000	0
Colorado Garden Show Grant	2,680	7,500
Wattis Foundation	2,500	0
Gates Family Foundation	0	15,000
Colorado Foundation for Public Health and the Environment	0	15,000
Xcel Foundation	0	10,000
Qwest Foundation	0	10,000
Origins	0	8,218
C. Anschutz Foundation	0	5,000
Net assets released from restrictions	<u>(836,886)</u>	<u>(786,592)</u>
Increase (decrease) in temporarily restricted net assets	<u>(11,797)</u>	<u>72,556</u>
Increase (decrease) in net assets	<u>(120,202)</u>	<u>209,269</u>
Net assets at beginning of year	<u>735,301</u>	<u>526,032</u>
Net assets at end of year	<u>\$ 615,099</u>	<u>\$ 735,301</u>

The accompanying notes are an integral part of these financial statements.

DENVER URBAN GARDENS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (120,202)	\$ 209,269
Adjustments to reconcile excess (deficit) of revenues over expenses and support:		
Depreciation	23,387	13,748
Gain from sale of assets	0	(465)
Changes in operating assets and liabilities:		
Grants and other receivables	(65,077)	(26,693)
Prepaid expenses	(2,662)	(545)
Accounts and benefits payable	33,854	11,708
Other liabilities	37,020	7,291
Net cash provided (used) by operating activities	<u>(93,680)</u>	<u>214,313</u>
Cash flows from investing activities:		
Sale of equipment	0	1,000
Purchase of vehicle and equipment	(5,129)	(75,721)
Net cash used by investing activities	<u>(5,129)</u>	<u>(74,721)</u>
Cash flows from financing activities:		
Net amount borrowed on line of credit	30,000	0
Vehicle loan	0	19,000
Payment of notes payable	(5,511)	(1,393)
Net cash provided by financing activities	<u>24,489</u>	<u>17,607</u>
Net increase (decrease) in cash and cash equivalents	(74,320)	157,199
Cash and cash equivalents, beginning of year	<u>173,426</u>	<u>16,227</u>
Cash and cash equivalents, end of year	<u>\$ 99,106</u>	<u>\$ 173,426</u>
Supplemental information:		
Interest paid during the year	<u>\$ 1,120</u>	<u>\$ 366</u>

The accompanying notes are an integral part of these financial statements.

DENVER URBAN GARDENS
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 Organization

Denver Urban Gardens (DUG), a Colorado nonprofit corporation, was incorporated in the State of Colorado on April 16, 1985. DUG operates from the principal of coming alongside residents to “grow community – one urban garden at a time”. DUG offers neighborhoods throughout Metro Denver the essential resources for community gardens, including ongoing technical expertise with securing land, designing and building gardens, supporting garden leadership, utilizing gardens as places for learning and healthy living, and linking gardens with related local food system projects and policy. DUG seeks to enable, unite and empower garden participants to reach out and improve their communities and their own health through community gardening. Funding for operations comes primarily from grants, contracts and contributions, and is subject to fluctuation on an annual basis.

NOTE 2 Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements of DUG have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

b. Basis of Presentation

Financial statement presentation follows the provisions of the Financial Accounting Standards Board (FASB) in its "Presentation of Financial Statements of Not-for-Profit Organizations". Under these standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no permanently restricted net assets as of December 31, 2010 or 2009.

c. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, grants and contracts. The Organization maintains its cash balances in a single financial institution. The financial institution balance is insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2010 and 2009, the Organization had no uninsured cash balances.

Credit risk from grants and contracts is concentrated in that the Organization has several large funding sources that provide the majority of its revenues. During the year ended 2010, DUG received 20% of its revenue from a State of Colorado contract containing federal pass through funding and 27% from two foundations. During the year ended 2009, DUG received 22% of its revenue from a State of Colorado contract containing federal pass through funding and 45% from three foundations. The Organization’s funding sources include the Federal and State Government, National and State Organizations, but rely upon work done within the Denver, Colorado, metropolitan area. The ability of the Organization to continue its activities at the operational level reflected in the current financial statements is necessarily dependent upon the level of such funding received in future periods.

DENVER URBAN GARDENS
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

d. Fair Values of Financial Instruments

For certain of the Organization's financial instruments, including cash and cash equivalents, accounts receivable and accounts payable, the carrying amounts approximate fair value due to their short maturities.

e. Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, DUG considers all checking accounts, deposits, and short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

f. Contributions and Promises to Give

Contributions and grants are recognized as accounts receivable when the donor or grantor makes an unconditional promise to give. Contributions and grants that are restricted by the donor or grantor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Promises to give amounts in future years are recorded at their present value.

When a restriction expires, or the funds have been spent on the designated program, temporarily restricted net assets are reclassified to unrestricted net assets, and are reported in the Statements of Activities as net assets released from restrictions.

g. Donated Facility and Land Use, Services and Other Assets

Donated use of facilities, land sites, services and other assets have been recorded as support at their estimated fair value at the date of donation. 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 are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

DENVER URBAN GARDENS
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Contributions consisted of the following:		
Professional services	\$ 73,379	\$ 48,385
Seed and plants	37,482	41,808
Use of garden plots	201,177	182,620
Educational workshops	12,867	193
Garden construction	2,298	2,755
Office supplies	0	7,980
Special events	<u>3,810</u>	<u>4,031</u>
Totals	<u>\$ 331,013</u>	<u>\$ 287,772</u>

Additional amounts of \$653,746 and \$494,130, which were donated in volunteer services and other items in the conduct of program services, are not reflected in the Statements of Activities for 2010 and 2009 because they did not meet the requirements for recognition in the financial statements.

h. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the period reported. Actual results could differ from those estimates.

Significant estimates in these financial statements include collectibility of receivables, fair value of non-cash donations, estimated useful lives of property and equipment and allocation of functional expenses between activities.

i. Allowance for Doubtful Accounts

The Organization's accounts receivable are from government and private grants that are paid on a reimbursement basis. The accounts receivable balance is the amount that has been expended by the Organization and not yet collected, regardless of whether the amount has yet been billed, net of an allowance for doubtful accounts. There is no interest charged on accounts receivable. Management records an allowance for doubtful accounts receivable based on the estimated collectibility of the receivables and reviews the receivables on a periodic basis. Management believes all funds to be collectible as of December 31, 2010 and 2009, and has provided no provision in the allowance account.

j. Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services that benefit based on total personnel costs or other systematic basis.

DENVER URBAN GARDENS
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

k. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. All purchases of property and equipment in excess of \$500 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Office condo and improvements	7 to 39 years
Equipment	3 to 5 years
Vehicles	2 to 5 years

l. Impairment of Long-Lived Assets

In the event that facts and circumstances indicate that the cost of property and equipment or other assets may be impaired, an evaluation of the recoverability would be performed. If an evaluation were required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required. No impairment losses were recorded during the years ended December 31, 2010 or 2009.

m. Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Management does not believe the Organization holds any uncertain tax positions.

n. Marketing costs

Marketing costs are charged to expense as incurred.

NOTE 3 Grants and Other Receivables

Receivables consisted of the following:

	<u>2010</u>	<u>2009</u>
Grants and other receivables	\$ 367,947	\$ 302,870
Less allowance for doubtful accounts	<u>0</u>	<u>0</u>
Totals	<u>\$ 367,947</u>	<u>\$ 302,870</u>

DENVER URBAN GARDENS
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 4 Net Property and Equipment

Net property and equipment consisted of the following:

	<u>2010</u>	<u>2009</u>
Land	\$ 147,845	\$ 147,845
Building and improvements	196,448	196,448
Equipment	62,523	57,394
Vehicles	<u>113,426</u>	<u>113,426</u>
	520,242	515,113
Less accumulated depreciation	<u>(195,068)</u>	<u>(171,681)</u>
Net property and equipment	<u>\$ 325,174</u>	<u>\$ 343,432</u>

Depreciation expense for the years ended December 31, 2010 and 2009, respectively amounted to \$23,387 and \$13,748.

Land costs represent land for garden plots acquired by DUG.

NOTE 5 Notes Payable

The notes payable consisted of the following:

	<u>2010</u>	<u>2009</u>
Payable to FirstBank of Denver, an available line of credit for \$150,000 with an interest rate of 5% until 5/29/10 and a variable interest rate of 1% over the Wall Street Journal prime rate, a maturity of 5/21/11, and collateralized by real estate at 3377 Blake Street, Suite 113, Denver, Colorado.	\$ 30,000	\$ 0
Payable to Toyota Credit Corporation, with an interest rate of 6.74%, a maturity of May 29, 2012, monthly principal and interest Payments of \$586 and collateralized by a vehicle.	<u>12,096</u>	<u>17,607</u>
Totals	<u>\$ 42,096</u>	<u>\$ 17,607</u>

Annual maturities of notes payable as of December 31, are as follows:

2011	\$ 36,967
2012	5,129
Thereafter	<u>0</u>
Total	<u>\$ 42,096</u>

DENVER URBAN GARDENS
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 6 Leases

DUG leased 97 and 87 lots for nominal or no amounts during 2010 and 2009. Amounts reflected as site leases for 2010 and 2009 represent in-kind contributions of \$201,177 and \$182,620 respectively from the lessors.

DUG has entered into non-cancelable operating equipment leases for a copier and a postage meter. The copier lease in effect from January 2009 until April 2014 and is at a rate of \$250 per month. The postage meter lease is payable at \$176 per quarter and ends May 2014.

The future minimum rental payments as of December 31 are as follows:

2011	\$ 3,704
2012	3,704
2013	3,704
2014	1,293
Thereafter	<u>0</u>
Total	<u>\$ 12,405</u>

Operating lease expense incurred for the years ended December 31, 2010 and 2009, respectively amounted to \$4,013 and \$3,280.

NOTE 7 Net Assets

The Organization recognizes revenue in the year it is earned or contributed. Included in the revenues for 2010 and 2009, are funds that were recognized in the year the revenue was contributed. Not all of these funds may have been spent for the purpose intended in the year they were contributed. This may cause higher revenue in one year and higher subsequent expense in a later year with corresponding fluctuations in the net asset balance from year to year.

Included in these contributions are the following temporarily restricted net assets which are available for program services:

	<u>2010</u>	<u>2009</u>
Colorado Health Foundation	\$ 256,371	\$ 259,314
Cedar Tree Foundation	15,079	0
Wattis Foundation	2,500	0
Scientific and Cultural Facilities Districts	2,135	625
Whittier Garden	735	1,000
Qwest Foundation	0	10,000
Xcel Foundation	0	10,000
Colorado Foundation for Public Health and the Environment	0	3,928
C. Anschutz Foundation	<u>0</u>	<u>3,750</u>
	<u>\$ 276,820</u>	<u>\$ 288,617</u>

DENVER URBAN GARDENS
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 8 Retirement Plan

DUG has adopted a simplified employee pension plan (SEP) effective January 1, 1997, to cover all eligible employees under the provisions of the plan. Full time employees are eligible after three years of service. Contributions for the years ended December 31, 2010 and 2009, amounted respectively to \$9,800 and \$10,395.

NOTE 9 Related Party Transactions

DUG has engaged a university to provide research oversight on certain grants. A member of the Board of Directors provides these services as an employee of the university. A total of \$ 74,201 was owed to the university at December 31, 2010, for services performed in 2009 and 2010. The board member does not receive any direct compensation from DUG for this arrangement; her employer is paid for her services and she performs many other services for her employer.

NOTE 10 Subsequent Events

Management has considered subsequent events through June 22, 2011, the date on which the financial statements were available to be issued. Management does not believe there are any undisclosed subsequent events.

DENVER URBAN GARDENS
SUPPLEMENTAL SCHEDULES OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2010 and 2009

	2010			2009		
	Program Services	Support Services	Totals	Program Services	Support Services	Totals
Salaries	\$ 450,428	\$ 50,048	\$ 500,476	\$ 435,883	\$ 48,431	\$ 484,314
Site lease	201,192	0	201,192	182,622	0	182,622
Professional services	85,590	36,682	122,272	75,107	32,189	107,296
Employee benefits	76,197	8,466	84,663	66,692	7,410	74,102
Subcontractors	71,196	0	71,196	72,089	0	72,089
Administrative support	40,295	17,270	57,565	22,556	9,667	32,223
Seeds & transplants	51,763	0	51,763	67,627	0	67,627
Events	47,863	0	47,863	8,586	0	8,586
Payroll taxes	34,709	3,857	38,566	33,659	3,740	37,399
Vertical improvements	37,893	0	37,893	33,027	0	33,027
Stipends	30,813	0	30,813	58,626	0	58,626
Education & training	17,029	7,298	24,327	11,480	4,921	16,401
Depreciation	16,371	7,016	23,387	9,624	4,124	13,748
Plants	22,420	0	22,420	23,315	0	23,315
Earth	20,850	0	20,850	19,607	0	19,607
Vehicle expenses	18,685	2,076	20,761	13,918	1,546	15,464
Site utilities & irrigation	18,105	0	18,105	5,464	0	5,464
Office supplies & expenses	6,690	6,690	13,380	10,232	10,232	20,464
Postage	4,832	4,832	9,664	4,743	4,743	9,486
Printing & reproduction	4,407	4,406	8,813	5,431	5,431	10,862
Promotional materials	0	7,981	7,981	0	0	0
Telephone	5,567	2,386	7,953	4,510	1,933	6,443
Miscellaneous	3,719	3,715	7,434	3,840	3,840	7,680
Meals	3,650	3,650	7,300	2,813	2,813	5,626
Utilities - office	4,622	1,981	6,603	2,745	1,177	3,922
Repairs & maintenance	5,980	0	5,980	4,317	0	4,317
Workmen's compensation	4,715	524	5,239	7,070	786	7,856
Insurance	2,749	1,833	4,582	2,828	1,885	4,713
Janitorial	2,823	1,210	4,033	1,512	648	2,160
Equipment rental & maintenance	2,809	1,204	4,013	2,893	1,240	4,133
Condominium dues - office	2,419	1,037	3,456	2,419	1,037	3,456
Small tools	3,197	0	3,197	4,688	0	4,688
General gardening supplies	2,337	0	2,337	2,899	0	2,899
Bank charges & interest	1,209	518	1,727	761	326	1,087
Dues	790	338	1,128	963	413	1,376
Property taxes	372	0	372	371	0	371
Hardscape	305	0	305	0	0	0
Soil tests & permits	272	0	272	0	0	0
Volunteer expenses	272	0	272	552	0	552
Art murals	0	0	0	92	0	92
Total Expenses	<u>\$ 1,305,135</u>	<u>\$ 175,018</u>	<u>\$ 1,480,153</u>	<u>\$ 1,205,561</u>	<u>\$ 148,532</u>	<u>\$ 1,354,093</u>