ANSTISS | CERTIFIED PUBLIC ACCOUNTANTS

Backyard Growers, Inc.

Financial Statements

December 31, 2016

AUDIT, TAX & ADVISORY SERVICES
SINCE 1964

Backyard Growers, Inc.
Financial Statements
December 31, 2016

Table of Contents

Independent Accountant's Review Report

To the Board of Directors and Management of
Backyard Growers, Inc.

We have reviewed the accompanying financial statements of Backyard Growers, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility
Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion
Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Anstiss + Co., P.C.

Anstiss & Co., P. C.
Lowell, MA
June 30, 2017

Backyard Growers, Inc.
Statement of Financial Position
December 31, 2016

Assets	
Current assets	
Cash	$ 123,419
Accounts receivable, net	3,005
Total current assets	126,424
Property and equipment - net	5,520
Total assets	$ 131,944
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	$ 4,149
Total current liabilities	4,149
Total liabilities	4,149
Net assets	
Unrestricted	49,830
Temporarily restricted	77,965
Total net assets	127,795
Total liabilities and net assets	$ 131,944

Backyard Growers, Inc.
Statement of Activities
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue			
Grants and contributions	$ 44,616	$ 118,200	$ 162,816
Program service fees	26,272	-	26,272
Net assets released from restrictions	73,569	(73,569)	-
	144,457	44,631	189,088
Special event revenue	11,704	-	11,704
Special event expenses	(1,100)	-	(1,100)
Farm and plant sales - net	10,604	-	10,604
Farm and plant sales	6,731	-	6,731
Cost of goods sold	(2,994)	-	(2,994)
Farm and plant sales - net	3,737	-	3,737
Interest income	15	-	15
Total revenue	158,813	44,631	203,444
Expenses			
Program	152,265	-	152,265
Management and general	48,009	-	48,009
Fundraising	700	-	700
Total expenses	200,974	-	200,974
Change in net assets	(42,161)	44,631	2,470
Net assets at the beginning of year	91,991	33,334	125,325
Net assets at the end of year	$ 49,830	$ 77,965	$ 127,795

Backyard Growers, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2016

	Program	Management and General	Fundraising	Total
Compensation and related	$ 72,262	$ 26,475	$ -	$ 98,737
Program supplies	23,489	-	-	23,489
Occupancy	17,007	6,231	-	23,238
Professional fees	8,190	12,638	-	20,828
Service members	16,052	-	-	16,052
Office expenses	3,758	1,730	-	5,488
Travel and professional development	4,209	-	-	4,209
Vehicle expenses	2,877	-	-	2,877
Miscellaneous	-	486	700	1,186
Outreach	1,816	-	-	1,816
Insurance	1,225	449	-	1,674
Depreciation	1,380	-	-	1,380
Total expenses	$ 152,265	$ 48,009	$ 700	$ 200,974

Backyard Growers, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2016

Cash flows from operating activities	
Change in net assets	$ 2,470
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,380
Changes in assets and liabilities:	
Increase in accounts receivable	(2,005)
Decrease in contributions receivable	33,334
Increase in accounts payable and accrued expenses	4,149
Net cash provided by operating activities	39,328
Net increase in cash	39,328
Cash - Beginning of Year	84,091
Cash - End of Year	$ 123,419
Supplemental data:	
Interest paid	$ -
Income taxes paid	$ -

Backyard Growers, Inc.
Notes to the Financial Statements
December 31, 2016

Note 1 – Organization

Backyard Growers, Inc. (the "Organization") is a grassroots organization helping to reshape Gloucester's relationship with food. We provide resources and support to establish vegetable gardens at homes, housing communities, organizations, and schools. In the end we create life-long gardeners inspired by the power of growing one's own food.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual method, income and expenses are recognized when earned or accrued. The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification ("ASC") 958-205, "*Presentation of Financial Statements*." Under ASC 958-205, 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. In addition, the Organization is required to present a statement of cash flows.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

Cash and cash equivalents consist of cash in the Organization's bank accounts.

Fair Value of Financial Instruments

ASC 820-10, "*Fair Value Measurements*," applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. ASC 820-10 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Note 2 – Summary of Significant Accounting Policies (continued)
Fair Value of Financial Instruments (continued)

Level 3 – Inputs that are unobservable for the asset or liability which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

ASC 825-10, "*Financial Instruments*," permits an entity to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. The Organization has not adopted any of the additional fair value options allowed in the standard.

Accounts Receivable
The Organization records its accounts receivable at the amount it expects to collect on the outstanding principal amount. On a periodic basis, the Organization evaluates its accounts receivable and either establishes an allowance for doubtful accounts based on a history of past write-offs and collections and current credit conditions or writes-off amounts considered uncollectible. As of December 31, 2016, management has determined any allowance would be immaterial.

Contributions Receivable
Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. Subsequent amortization of the discount is credited to contribution income. Management has established an allowance for uncollectible promises which represent an estimate, discounted for present value, of promises to give which will be written off. Conditional promises to give are not included in support until the conditions are met.

Property and Equipment
The Organization capitalizes major purchases of property and equipment (with a cost of $1,000 or more), which are not in the nature of replacements or repairs. Minor equipment purchases, replacements, maintenance, and repairs are charged to expense as incurred.

Capitalized assets are recorded at cost if purchased or constructed, or at fair market value at the date of the gift, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets capitalized as follows:

	Years
Equipment	3-5
Furniture	5-15
Vehicles	5

Note 2 – Summary of Significant Accounting Policies (continued)

Classification of Net Assets

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets
Unrestricted net assets consist of net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets
Temporarily restricted net assets consist of net assets subject to donor imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. 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.

Permanently Restricted Net Assets
Permanently restricted net assets consist of net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of December 31, 2016, the Organization had no permanently restricted net assets.

Revenue Recognition

The Organization follows ASC 958-605, "*Revenue Recognition.*"

Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or program restrictions have lapsed. Program service fees and other revenue are recognized as goods or services are provided.

Contract revenue is recognized over the period covered by the contract as services are provided and costs are incurred.

In-kind contributions are recorded at their estimated fair value as of the date of the contribution. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. The Organization receives services from volunteers in various aspects of its operations. None of these services were recognized as revenue in accordance with ASC 958-605, "*Revenue Recognition.*"

Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Note 2 – Summary of Significant Accounting Policies (continued)

Expense Allocation

Expenses are allocated among program and supporting services directly or based on time records and utilization estimates made by management. General and administrative expense includes those expenses that are not directly identifiable with any other specific function, but provide for overall support and direction of the Organization.

Advertising Costs

The Organization expenses advertising costs as they are incurred.

Uncertain Tax Positions

The Organization, incorporated under Chapter 180 of the Massachusetts General Laws as a tax exempt entity, has been granted tax-exempt status under Internal Revenue Code Section 501(c)(3), and is, therefore, generally exempt from federal and state income taxes. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

The Organization is required by ASC 740-10, "*Income Taxes*," to evaluate and disclose tax positions that could have an effect on the Organization's financial statements. The Organization reports its activities to the Internal Revenue Service and to the Commonwealth of Massachusetts on an annual basis. These informational returns are generally subject to audit and review by the governmental agencies for a period of three years after filing.

Substantially all of the Organization's income, expenditures and activities relate to its exempt purpose, therefore, management has determined that the Organization is not subject to unrelated business income taxes and will continue to qualify as a tax exempt not-for-profit entity.

Note 3 – Related Party Transactions

During 2016, the Organization paid $5,768 to an accounting firm which employed a member of the Board of Directors for accounting services, $1,100 to a restaurant owned by a member of the Board of Directors for food for a special event, $526 to a business owned by a member of the Board of Directors for wholesale merchandise and durable goods, and $170 to a family member of the Executive Director for IT assistance.

Note 4 – Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash. The Organization maintains its cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management considers credit risk to be minimal.

Note 5 – Property and equipment

Property and equipment consisted of the following as of December 31, 2016:

Vehicle	$ 6,900
Less: accumulated depreciation	(1,380)
Property and equipment - net	$ 5,520

Depreciation expense was $1,380 for the year ended December 31, 2016.

Note 6 - Temporarily Restricted Net Assets
Temporarily restricted net assets consist of funds that are restricted for program-related salaries and stipends.

Note 7 – Contract Revenue
The Organization receives funding from various contracts to assist in administering its programs. These contracts are subject to possible audit by the appropriate agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Organization as of December 31, 2016 or on the change in its net assets for the year then ended.

Note 8 – Commitments
The Organization leases office space under an operating lease which expires in May 2019. The Organization is also responsible for certain operating costs, as defined in the lease agreement. During the year ended December 31, 2016, rent expense under operating leases was $20,500.

Future minimum lease payments are as follows:

2017	$ 25,550
2018	26,150
2019	11,000
Total	$ 62,700

Note 9 – Subsequent Events
ASC 855-10, "*Subsequent Events*," defines further disclosure requirements for events that occur after the consolidated statements of financial position date but before financial statements are issued. In accordance with ASC 855-10, the Organization's management has evaluated events subsequent to December 31, 2016 through June 30, 2017, which is the date the financial statements were available to be issued. There has been no material event noted during this period that would either impact the results reflected in this report or the Organization's results going forward.