

BACKYARD GROWERS, INC.
Financial Statements
For the Year Ended December 31, 2017

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Backyard Growers, Inc.
Gloucester, MA

We have reviewed the accompanying financial statements of Backyard Growers, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017 and the related statements of activities and change in net assets, 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

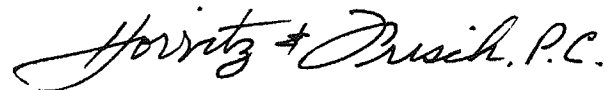
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 of Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. 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.

A handwritten signature in cursive script that reads "Horvitz & Frisch, P.C.".

HORVITZ & FRISCH, P.C.
Gloucester, Massachusetts

November 15, 2018

BACKYARD GROWERS, INC.
Statement of Financial Position
For the Year Ended December 31, 2017

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 145,962
Accounts Receivable	2,710
Promises to Give, Current Portion	<u>23,195</u>
Total Current Assets	<u>171,867</u>
Property and Equipment, Net of Accumulated Depreciation	<u>12,378</u>
Other Assets:	
Promise to Give, Net of Current Portion	<u>48,166</u>
Total Other Assets	<u>48,166</u>
Total Assets	<u>\$ 232,411</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts Payable and Accrued Expenses	\$ <u>11,749</u>
Total Current Liabilities	<u>11,749</u>
Total Liabilities	<u>11,749</u>
Net Assets:	
Unrestricted	44,186
Temporarily Restricted	<u>176,476</u>
Total Net Assets	<u>220,662</u>
Total Liabilities and Net Assets	<u>\$ 232,411</u>

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements.

BACKYARD GROWERS, INC.
Statement of Activities and Change in Net Assets
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue:			
Contributions and Grants	\$ 121,321	\$ 176,476	\$ 297,797
Program	34,665	-	34,665
Special Events	26,399	-	26,399
Interest Income	68	-	68
Net Assets Released from Restrictions:			
Satisfaction of Performance	77,965	(77,965)	-
Total Revenue	<u>260,418</u>	<u>98,511</u>	<u>358,929</u>
Expenses:			
Program	203,504	-	203,504
Management and General	34,921	-	34,921
Fundraising	27,637	-	27,637
Total Expenses	<u>266,062</u>	<u>-</u>	<u>266,062</u>
Change in Net Assets	(5,644)	98,511	92,867
Net Assets, Beginning of Year	<u>49,830</u>	<u>77,965</u>	<u>127,795</u>
Net Assets, End of Year	<u>\$ 44,186</u>	<u>\$ 176,476</u>	<u>\$ 220,662</u>

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements.

BACKYARD GROWERS, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2017

	<u>Program Services</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Wages	\$ 111,778	\$ 6,302	\$ 15,995	\$ 134,075
Payroll Taxes	9,202	519	1,319	11,040
Total Salaries and Related Costs	<u>120,980</u>	<u>6,821</u>	<u>17,314</u>	<u>145,115</u>
Outside Services - Service Members	26,859	-	-	26,859
Occupancy	21,686	6,997	139	28,822
Program Materials and Supplies	17,661	-	1,551	19,212
Professional Fees	-	18,394	4,000	22,394
Miscellaneous	2,774	1,279	318	4,371
Fundraising Expenses	-	-	4,171	4,171
Travel and Professional Development	3,996	110	-	4,106
Depreciation	3,115	113	113	3,341
Vehicle Expenses	2,706	-	-	2,706
Outreach	1,616	-	-	1,616
Telephone and Internet	1,046	349	-	1,395
Insurance	<u>1,065</u>	<u>858</u>	<u>31</u>	<u>1,954</u>
 Total Expenses	 <u>\$ 203,504</u>	 <u>\$ 34,921</u>	 <u>\$ 27,637</u>	 <u>\$ 266,062</u>

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements.

BACKYARD GROWERS, INC.
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows from Operating Activities:	
Change in Net Assets	\$ 92,867
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	3,341
(Increase) Decrease In:	
Accounts Receivable	(2,710)
Promises to Give	(68,356)
Increase (Decrease) In:	
Accounts Payable and Accrued Expenses	7,600
Net Cash Provided by Operating Activities	<u>32,742</u>
Cash Flows From Investing Activities:	
Purchase of Property and Equipment	<u>(10,199)</u>
Net Cash (Used) By Investing Activities	<u>(10,199)</u>
Net Increase in Cash and Cash Equivalents	22,543
Cash and Cash Equivalents, Beginning of Year	<u>123,419</u>
Cash and Cash Equivalents, End of Year	\$ <u><u>145,962</u></u>

See Independent Accountant's Review Report and Accompanying Notes to Financial Statements.

BACKYARD GROWERS, INC.
Notes to Financial Statements
For the Year Ended December 31, 2017

1. Operations and Nonprofit Status

Backyard Growers, Inc. was incorporated on July 31, 2014 in Gloucester, Massachusetts as a nonprofit organization (not a private foundation). Backyard Growers, Inc.'s mission is to provide resources and support to the local community to establish vegetable gardens at homes, public housing, organizations and schools. The Organization's purpose is to reshape the community's relationship with food.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Financial Statements Presentation

As required by the Presentation of Financial Statements for Not-for-Profit Entities Topic of FASB ASC 958, net assets and 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 – Net assets that are not subject to donor-imposed stipulations. Board designated restrictions are considered unrestricted under these reporting standards.

Temporarily restricted net assets – 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.

Permanently restricted net assets – Net assets 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.

Contributions and Grants

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor imposed restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other 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

BACKYARD GROWERS, INC.
Notes to Financial Statements - Continued
For the Year Ended December 31, 2017

2. Summary of Significant Accounting Policies - Continued

Contributions and Grants - Continued

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.

Donated Services and Materials

In accordance with ASC 958, the Organization records the value of contributed services provided by individuals requiring specialized skills or that enhance or create non-financial assets.

The value of contributed materials would be recorded based upon the fair market value of the goods received less any cost to the Organization. No amounts have been recorded for the value of contributed services received from the numerous volunteers who are involved in fund raising and operations that did not meet the requirements for recognition in the financial statements.

Promises to Give

Promises to Give are recorded in the year made. Promises to Give that are expected to be received beyond one year are included in temporarily restricted net assets and are discounted at a rate of 2.5% as of December 31, 2017. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Amortization of discount is recorded as additional revenue in the years the payments are received. The Organization uses the allowance method to determine uncollectible unconditional promises receivable.

Income Taxes

The Backyard Growers Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability of federal income taxes has been included in the accompanying financial statements.

The Organization's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the Organization tax years 2014 through 2016 remain open for possible examination by the Internal Revenue Service.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

BACKYARD GROWERS, INC.
Notes to Financial Statements - Continued
For the Year Ended December 31, 2017

2. Summary of Significant Accounting Policies - Continued

Estimates

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

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to an allowance for uncollectible accounts based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for uncollectible accounts and a credit to accounts receivable. No allowance was deemed necessary. During the year ended December 31, 2017, management did not write off any accounts as uncollectible.

Property and Equipment

The Organization capitalizes major purchases of property and equipment invoiced over \$2,500, which are not in the nature of replacements or repairs. Minor equipment purchases, replacements, maintenance and repairs are charged to expense as incurred.

Capitalized property and equipment are recorded at cost, if purchased or constructed; or at fair market value at the date of the gift, if donated.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets capitalized or over the length of the lease for leasehold improvements.

Property and equipment consisted of the following as of December 31, 2017:

		<u>Estimated Useful Lives</u>
Leasehold Improvements	\$ 10,199	1.5 Years
Motor Vehicle	6,900	5 Years
	<u>17,099</u>	
Less Accumulated Depreciation	<u>(4,721)</u>	
	<u>\$ 12,378</u>	

Depreciation expense for the year ended December 31, 2017 amounted to \$3,341.

BACKYARD GROWERS, INC.
Notes to Financial Statements - Continued
For the Year Ended December 31, 2017

2. Summary of Significant Accounting Policies - Continued

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

3. Accounts Receivable

The Accounts Receivable aging at December 31, 2017 is as follows:

Current	\$	2,110
31-60 Days		-
61-90 Days		600
> 90 Days		-
	\$	2,710

4. Unconditional Promises to Give

Unconditional promises to give at December 31, 2017 are as follows:

Receivable in One Year	\$	25,000
Receivable in Two to Five Years		50,000
Receivable in more than Five Years		-
Total Unconditional Promises to Give		75,000
Less Discounts to Net Present Value		(3,639)
Net Unconditional Promises to Give	\$	71,361
Promises to Give, Current Portion	\$	23,195
Promises to Give, Net of Current Portion		48,166
Total	\$	71,361

BACKYARD GROWERS, INC.
Notes to Financial Statements - Continued
For the Year Ended December 31, 2017

5. Net Assets

Net Assets are as follows at December 31, 2017:

Unrestricted:	
Operating	\$ <u>44,186</u>
Total Unrestricted	<u>44,186</u>
Temporarily Restricted:	
Salaries and Service Members	172,976
Program Supplies	<u>3,500</u>
Total Temporarily Restricted	<u>176,476</u>
Total Net Assets	<u>\$ <u>220,662</u></u>

6. Rent

The Organization entered into a three year commercial lease agreement effective June 1, 2016 to May 31, 2019. There is an option to renew for an additional three years which the Organization does not plan to fulfill. Monthly rent payments were \$2,100 for the first year and increased \$50 per month each June 1st. Rent expense for the year ended December 31, 2017 amounted to \$24,500.

Future minimum lease payments for the next five years as of December 31, 2017 are as follows:

2018	\$ 26,150
2019	11,000
2020	-
2021	-
2022	-
	<u>\$ <u>37,150</u></u>

7. Concentration of Revenue

Three contributors provided approximately 43% of the Organization's revenue for the year ended December 31, 2017.

8. Subsequent Events

The Organization did not have any subsequent events through November 15, 2018 which is the date the financial statements were originally issued for events requiring recording or disclosure in the financial statements for the year ended December 31, 2017.