BACKYARD GROWERS, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

JOHNSON O'CONNOR

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
Backyard Growers, Inc.
Gloucester, Massachusetts

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, 2019 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 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 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.

Report on 2018 Financial Statements

The financial statements of Backyard Growers, Inc. as of December 31, 2018, were reviewed by other accountants whose report dated August 26, 2019, stated that based on their procedures, they are not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Johnson O'Connor Feron & Carucci LLP

Wakefield, Massachusetts
April 1, 2020

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BACKYARD GROWERS, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 193,753	$ 174,146
Accounts receivable	7,196	-
Promises to give - current	45,000	39,500
Total current assets	245,949	213,646
Property and equipment, net	993	5,009
OTHER ASSETS		
Promises to give - net of current portion	-	23,166
Total assets	$ 246,942	$ 241,821
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 14,355	$ 12,532
Total liabilities	14,355	12,532
NET ASSETS		
Without donor restrictions	187,587	125,614
With donor restrictions	45,000	103,675
Total net assets	232,587	229,289
Total liabilities and net assets	$ 246,942	$ 241,821

See independent accountants' review report and notes to financial statements.

BACKYARD GROWERS, INC.
STATEMENT OF ACTIVITIES

	Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions and grants	$ 125,629	$ 99,000	$ 224,629
Special events	61,455	-	61,455
Program service fees	21,281	-	21,281
Interest income	80	-	80
Net assets released from restrictions	157,675	(157,675)	-
Total revenues	366,120	(58,675)	307,445
EXPENSES			
Program services	203,202	-	203,202
Management and general	43,832	-	43,832
Fundraising	57,113	-	57,113
Total expenses	304,147	-	304,147
Change in net assets	61,973	(58,675)	3,298
NET ASSETS - BEGINNING OF YEAR	125,614	103,675	229,289
NET ASSETS - END OF YEAR	$ 187,587	$ 45,000	$ 232,587

BACKYARD GROWERS, INC.
STATEMENT OF ACTIVITIES

	Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions and grants	$ 141,693	$ 88,750	$ 230,443
Special events	44,202	-	44,202
Program service fees	35,468	-	35,468
Interest income	62	-	62
Net assets released from restrictions	94,551	(94,551)	-
Total revenues	315,976	(5,801)	310,175
EXPENSES			
Program services	220,795	-	220,795
Management and general	30,231	-	30,231
Fundraising	50,522	-	50,522
Total expenses	301,548	-	301,548
Change in net assets	14,428	(5,801)	8,627
NET ASSETS - BEGINNING OF YEAR	111,186	109,476	220,662
NET ASSETS - END OF YEAR	$ 125,614	$ 103,675	$ 229,289

See independent accountants' review report and notes to financial statements.

BACKYARD GROWERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2019			
	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 137,773	$ 23,994	$ 42,237	$ 204,004
Payroll taxes	13,547	2,359	4,153	20,059
Employee benefits	189	863	-	1,052
Total salaries and payroll taxes	151,509	27,216	46,390	225,115
Occupancy	14,749	4,916	-	19,665
Professional fees	6,186	6,955	-	13,141
Program material and supplies	11,505	959	-	12,464
Fundraising expenses	-	-	7,181	7,181
Vehicle expenses	4,916	-	-	4,916
Miscellaneous	2,093	821	1,327	4,241
Depreciation	3,261	755	-	4,016
Outside services - service members	3,261	-	-	3,261
Travel and professional development	2,053	684	-	2,737
Insurance	1,209	1,063	54	2,326
Cost of direct benefits to donors	-	-	2,161	2,161
Telephone and internet	1,390	463	-	1,853
Outreach	1,070	-	-	1,070
Total expenses	$ 203,202	$ 43,832	$ 57,113	$ 304,147

See independent accountants' review report and notes to financial statements.

BACKYARD GROWERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2018			
	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 134,274	$ 6,394	$ 36,530	$ 177,198
Payroll taxes	13,106	624	3,565	17,295
Employee benefits	-	-	-	-
Total salaries and payroll taxes	147,380	7,018	40,095	194,493
Occupancy	20,948	6,984	-	27,932
Professional fees	540	13,130	-	13,670
Program material and supplies	17,976	-	1,723	19,699
Fundraising expenses	-	-	7,373	7,373
Vehicle expenses	2,011	-	-	2,011
Miscellaneous	3,020	1,049	672	4,741
Depreciation	6,161	604	604	7,369
Outside services - service members	15,455	-	-	15,455
Travel and professional development	3,838	110	-	3,948
Insurance	1,206	1,014	55	2,275
Cost of direct benefits to donors	-	-	-	-
Telephone and internet	967	322	-	1,289
Outreach	1,293	-	-	1,293
Total expenses	$ 220,795	$ 30,231	$ 50,522	$ 301,548

See independent accountants' review report and notes to financial statements.

BACKYARD GROWERS, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,298	$ 8,627
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,016	7,369
Donated stocks	(2,220)	-
Proceeds from donated stock	2,220	-
(Increase) decrease in operating assets:		
Accounts receivable	(7,196)	2,710
Promises to give	17,666	8,695
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	1,823	783
Net cash provided by operating activities	19,607	28,184
Net increase in cash and cash equivalents	19,607	28,184
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	174,146	145,962
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 193,753	$ 174,146

See independent accountants' review report and notes to financial statements.

1. STATEMENT OF PURPOSE

Backyard Growers, Inc. (the Organization) was organized on July 31, 2014 in Gloucester, Massachusetts under Section 501(c)(3) of the Internal Revenue Code to provide resources and support to the local community and 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

Method of Accounting –

The financial statements of the Organization have been prepared on the accrual basis of accounting. Accordingly, assets are recorded when the Organization obtains the rights of ownership or is entitled to claim receipt, and liabilities are recorded when the obligation is incurred.

Use of Estimates –

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management's Review –

Subsequent events have been evaluated by management through April 1, 2020, the date the financial statements were available to be issued. As a result of the recent spread of the COVID-19 coronavirus (COVID-19), economic uncertainties have arisen which are likely to impact the Organization's 2020 change in net assets. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain. The extent of such impact will depend on certain developments, including the duration and spread of the outbreak, and its impact on existing donors, employees and vendors, all of which are uncertain and cannot be predicted.

Cash and Cash Equivalents –

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

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. During the years ended December 31, 2019 and 2018, management did not write off any accounts as uncollectible nor was an allowance deemed necessary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give –

Promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is recorded as additional contribution revenue in the years the payments are received. The Organization determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. There was no allowance for uncollectible promises to give at December 31, 2019 and 2018.

Property and Equipment –

All acquisitions of property and equipment in excess of $2,500 and all such expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from two to five years, or over the length of the lease for leasehold improvements. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts, and gains or losses are included in the statements of activities.

Net Assets –

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

> *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
>
> *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. The Organization records all promises to give as net assets with donor restriction until payment is received. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition –

Program service fees are recognized as consulting and presentation services are performed, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for the services. Fees received for the sale of goods are recognized when payment is tendered at the point of sale as the performance obligation has been satisfied. Fees received in advance are deferred to the applicable period in which the related services are performed.

Special events revenue is comprised of annual sponsorship and event ticket revenue. Annual sponsorship revenue is recognized at time of donation. Event sponsorship and event ticket revenues are recognized when the event occurs. Fees received in advance of the event are deferred to the applicable period in which the event occurs.

Contributions, including grants, are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. During 2019, the Organization received conditional grants to support work for the Gloucester school system. As of December 31, 2019, $5,615 of the conditional grants were not reflected in the accompanying financial statements as the conditions were not met prior to the end of the year.

Donated Services and Materials –

The Organization recognizes donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing skills, and would typically need to be purchased if not provided by the donation. In addition, a substantial number of volunteers donate significant amounts of their time in the furtherance of the Organization's programs. The value of this contributed time is not reflected in the accompanying financial statements, since it does not meet the recognition criteria in accordance with U.S. GAAP.

When significant, donations of professional services are recorded at their estimated fair market value based on the current fee schedule of the donor at the date of receipt and are reflected as both an in-kind contribution and expense in the statement of activities.

Functional Expenses –

The Organization allocates expenses on a functional basis among its program and supporting services. Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis and are composed of the following:

Management and general – includes all activities related to the Organization's internal management and accounting for program services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses (Continued) –

Fundraising – includes activities related to maintaining contributor information, special events, distribution of materials and other similar projects related to the procurement of funds for the Organization's programs.

Expenses that can be identified with a specific program or supporting service are allocated directly to those classifications. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Certain indirect costs have been allocated based on estimates of time, effort and usage.

Allocations of functional expenses are based on management's discretion and estimates. These variables may change from year to year. As a result, there may be fluctuations in the comparative presentation of data from year to year.

Income Taxes –

The Organization is organized and operated exclusively for charitable and educational purposes. Income related to these purposes is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Unrelated business income would be taxable according to applicable Internal Revenue Code sections.

The Organization regularly reviews and evaluates its tax positions taken in its filed returns and recognizes the benefit from a tax position only if it is more likely than not that the position would be sustained upon audit based solely on the technical merits of the tax position. The Organization accrues interest and penalties on uncertain tax positions as a component of the provision for income taxes. The Organization has no provisions for which it has accrued for the years ending December 31, 2019 and 2018.

The Organization files federal and Massachusetts tax returns. The statute of limitations for these jurisdictions is generally three years. The Organization had no returns under examination as of December 31, 2019.

Advertising Expense –

The Organization's policy is to expense advertising costs as incurred. There were no advertising expenses for the years ended December 31, 2019 and 2018.

Recently Adopted Accounting Pronouncements –

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU and all subsequently issued clarifying ASUs clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective January 1, 2019 using the modified retrospective method. The adoption of this standard did not have a significant impact on the Organization's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements (Continued) –

As part of the adoption of the ASU, the Organization elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies the guidance in evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional.

In determining whether a donor is participating in an exchange transaction, the ASU clarifies such classification by evaluating whether a donor is receiving commensurate value in return for the resources transferred. The ASU provides further guidance on measuring commensurate value, which is based on additional guidelines. If the donor is receiving commensurate value in return for their contribution, the transaction should be deemed as an exchange transaction.

The ASU specifies that an entity can determine whether a contribution is conditional based on the condition(s) on which the contribution is received. Contractual limitations, which restrict the recipient in utilization of the contribution, and guidelines that the recipient must adhere to can deem a contribution to be conditional. Additionally, the ASU further details examples of performance related barriers, and stipulations that if present, could classify contributions as conditional.

The Organization adopted the new standard effective January 1, 2019 prospectively. The adoption of this ASU did not have a significant impact on the Organization’s financial statements.

Reclassifications –

Certain amounts in the prior year’s financial statements have been reclassified for comparative purposes to conform to the presentation in the current year’s financial statements. These reclassifications have no effect on the previously reported change in net assets.

3. CONCENTRATION OF CREDIT AND MARKET RISK

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash and cash equivalents and promises to give.

Cash and Cash Equivalents –

The Organization maintains its cash in bank deposit and money market accounts, which at times may exceed the federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on cash and cash equivalents.

3. CONCENTRATION OF CREDIT AND MARKET RISK (Continued)

Contributions and Promises to Give –

For the years ended December 31, 2019 and 2018, three contributors comprised approximately 41% and 22% of total grants and contributions revenue, respectively. At December 31, 2019 and 2018, promises to give were comprised of three and four contributors, respectively.

4. LIQUIDITY AND AVAILABILITY

The following table reflects the Organization's financial assets as of December 31, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or because the donor has set aside the funds for a specific time period or purpose.

	December 31, 2019
Financial assets:	
Cash and cash equivalents	$ 193,753
Accounts receivable	7,196
Promises to give	45,000
Financial assets, at year end	$ 245,949

As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in a savings account. From time to time, the Board assesses the cash requirements of its operating activities and repositions its savings position accordingly.

5. PROMISES TO GIVE

Promises to give are summarized as follows:

	December 31, 2019	December 31, 2018
Less than one year	$ 45,000	$ 39,500
One year to five years	-	25,000
	45,000	64,500
Less: Unamortized discount rate at 2.5%	-	1,834
Net promises to give	$ 45,000	$ 62,666
Promises to give - current portion	$ 45,000	$ 39,500
Promises to give - net of current portion	-	23,166
	$ 45,000	$ 62,666

6. PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

	December 31, 2019	December 31, 2018
Motor vehicle	$ 6,900	$ 6,900
Leasehold improvements	-	10,199
	6,900	17,099
Less: Accumulated depreciation	5,907	12,090
	$ 993	$ 5,009

Depreciation expense amounted to $4,016 and $7,369 for the years ended December 31, 2019 and 2018, respectively.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes:

	December 31,	
	2019	2018
Passage of time	$ 45,000	$ 1,500
Salaries and service members	-	98,175
Program supplies	-	4,000
Total net assets with donor restrictions	$ 45,000	$ 103,675

8. RENT

The Organization entered into a three-year commercial lease agreement effective June 1, 2016 to May 31, 2019. There was an option to renew for an additional three years which the Organization did not fulfill. Monthly rent payments were $2,100 for the first year and increased $50 per month each June 1st. Effective April 1, 2018, the lessor verbally agreed to reduce the rent from $2,150 per month to $1,825 per month plus quarterly real estate taxes until the lease expired on May 31, 2019. The Organization was a tenant at will for the month of June 2019. The Organization moved to a new location in July 2019 and entered into a one-year commercial sublease agreement effective July 1, 2019 to June 30, 2020. Rent expense for the years ended December 31, 2019 and 2018 amounted to $17,534 and $24,453, respectively. Future minimum lease payments required under the lease agreement total $6,000 for the year ending December 31, 2020.

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