

BACKYARD GROWERS, INC.



FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

BACKYARD GROWERS, INC.
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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 statements of financial position as of December 31, 2020 and 2019 and the related statements of activities, functional expenses and cash flows for the years 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 reviews, 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.

Johnson O'Connor Feron & Carucci LLP

Wakefield, Massachusetts
March 15, 2021

BACKYARD GROWERS, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 255,971	\$ 193,753
Other investments	100,377	-
Accounts receivable, net	4,138	7,196
Promises to give	14,116	45,000
Total current assets	374,602	245,949
OTHER ASSETS		
Property and equipment, net	-	993
Total assets	\$ 374,602	\$ 246,942
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 15,998	\$ 14,355
Total liabilities	15,998	14,355
NET ASSETS		
Without donor restrictions	333,004	187,587
With donor restrictions	25,600	45,000
Total net assets	358,604	232,587
Total liabilities and net assets	\$ 374,602	\$ 246,942

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

BACKYARD GROWERS, INC.
STATEMENT OF ACTIVITIES

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Contributions and grants	\$ 273,511	\$ 47,000	\$ 320,511	\$ 125,629	\$ 99,000	\$ 224,629
Special events	58,499	-	58,499	61,455	-	61,455
Program service fees	28,871	-	28,871	21,281	-	21,281
Interest income	461	-	461	80	-	80
Gain on forgiveness of note payable	41,000	-	41,000	-	-	-
Net assets released from restrictions	66,400	(66,400)	-	157,675	(157,675)	-
Total revenues	<u>468,742</u>	<u>(19,400)</u>	<u>449,342</u>	<u>366,120</u>	<u>(58,675)</u>	<u>307,445</u>
EXPENSES						
Program services	195,367	-	195,367	203,203	-	203,203
Management and general	32,810	-	32,810	43,831	-	43,831
Fundraising	95,148	-	95,148	57,113	-	57,113
Total expenses	<u>323,325</u>	<u>-</u>	<u>323,325</u>	<u>304,147</u>	<u>-</u>	<u>304,147</u>
Change in net assets	145,417	(19,400)	126,017	61,973	(58,675)	3,298
NET ASSETS - BEGINNING OF YEAR	<u>187,587</u>	<u>45,000</u>	<u>232,587</u>	<u>125,614</u>	<u>103,675</u>	<u>229,289</u>
NET ASSETS - END OF YEAR	<u>\$ 333,004</u>	<u>\$ 25,600</u>	<u>\$ 358,604</u>	<u>\$ 187,587</u>	<u>\$ 45,000</u>	<u>\$ 232,587</u>

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

BACKYARD GROWERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2020				Year Ended December 31, 2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 135,451	\$ 14,785	\$ 73,484	\$ 223,720	\$ 137,773	\$ 23,994	\$ 42,237	\$ 204,004
Payroll taxes and related costs	11,891	1,298	6,451	19,640	13,914	3,252	4,207	21,373
Total salaries and payroll taxes	147,342	16,083	79,935	243,360	151,687	27,246	46,444	225,377
Outside services - programs	17,399	-	-	17,399	9,447	-	-	9,447
Fundraising related costs	-	-	13,969	13,969	-	-	9,342	9,342
Occupancy	8,325	3,339	-	11,664	14,749	4,916	-	19,665
Program materials and supplies	7,787	2,505	-	10,292	11,505	959	-	12,464
Professional fees	-	7,359	-	7,359	451	7,406	-	7,857
Bad debt	3,750	-	-	3,750	-	-	-	-
Miscellaneous	938	1,309	1,244	3,491	1,643	369	1,327	3,339
Travel and professional development	2,073	691	-	2,764	2,053	684	-	2,737
Outreach	2,412	-	-	2,412	1,070	-	-	1,070
Insurance	1,045	1,045	-	2,090	1,032	1,032	-	2,064
Telephone and internet	1,438	479	-	1,917	1,390	463	-	1,853
Vehicle	1,865	-	-	1,865	4,916	-	-	4,916
Depreciation	993	-	-	993	3,260	756	-	4,016
Total expenses	<u>\$ 195,367</u>	<u>\$ 32,810</u>	<u>\$ 95,148</u>	<u>\$ 323,325</u>	<u>\$ 203,203</u>	<u>\$ 43,831</u>	<u>\$ 57,113</u>	<u>\$ 304,147</u>

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

BACKYARD GROWERS, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 126,017	\$ 3,298
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	993	4,016
Donated stocks	(2,165)	(2,220)
Proceeds from donated stock	2,165	2,220
Provision for bad debts	3,750	-
Gain on forgiveness of note payable	(41,000)	-
(Increase) decrease in operating assets:		
Accounts receivable	(692)	(7,196)
Promises to give	30,884	17,666
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	1,643	1,823
Net cash provided by operating activities	121,595	19,607
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of other investments	(100,377)	-
Net cash used by financing activities	(100,377)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of note payable	41,000	-
Net cash provided by financing activities	41,000	-
Net increase in cash and cash equivalents	62,218	19,607
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	193,753	174,146
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 255,971	\$ 193,753

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

BACKYARD GROWERS, INC.
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 March 15, 2021, the date the financial statements were available to be issued.

Risks and Uncertainties –

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 2021 operating results. 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.

Other Investments –

Other investments include a certificate of deposit with an original maturity date of more than three months.

BACKYARD GROWERS, INC.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Allowance for Doubtful Accounts –

Accounts receivable are stated at the amount 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 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. The allowance for doubtful accounts totaled \$3,750 and \$0 at December 31, 2020 and 2019, respectively.

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, 2020 and 2019.

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.

BACKYARD GROWERS, INC.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued) –

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 contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

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.

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 statements of activities.

BACKYARD GROWERS, INC.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2020 and 2019.

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, 2020.

BACKYARD GROWERS, INC.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Expense –

The Organization's policy is to expense advertising costs as incurred. There were no advertising expenses for the years ended December 31, 2020 and 2019.

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 RISK

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

Cash and Cash Equivalents –

The Organization maintains its cash and other investments in bank deposit, money market accounts and certificate of deposits, 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 and other investments.

Promises to Give –

Credit risk associated with promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from individuals and foundations supportive of the Organization's mission.

BACKYARD GROWERS, INC.
NOTES TO FINANCIAL STATEMENTS

4. LIQUIDITY AND AVAILABILITY

The following table reflects the Organization’s financial assets as of December 31, 2020 and 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,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 255,971	\$ 193,753
Other investments	100,377	-
Accounts receivable	4,138	7,196
Promises to give	14,116	45,000
Financial assets, at year end	374,602	245,949
Less those unavailable for general expenditure within one year, due to:		
Assets restricted for time	8,600	45,000
Assets restricted for purpose	17,000	-
Total assets restricted	25,600	45,000
Financial assets available to meet cash needs for general expenditures within one year	\$ 349,002	\$ 200,949

As part of the Organization’s liquidity management plan, cash in excess of daily requirements is invested in a money market account and certificates of deposit. 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,	
	2020	2019
Less than one year	\$ 14,116	\$ 45,000
One year to five years	-	-
	14,116	45,000
Less: Unamortized discount	-	-
Net promises to give	\$ 14,116	\$ 45,000

BACKYARD GROWERS, INC.
NOTES TO FINANCIAL STATEMENTS

6. PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

	December 31,	
	2020	2019
Motor vehicle	\$ 6,900	\$ 6,900
Less: Accumulated depreciation	6,900	5,907
	\$ -	\$ 993

Depreciation expense amounted to \$993 and \$4,016 for the years ended December 31, 2020 and 2019, respectively.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	December 31,	
	2020	2019
Subject to the passage of time	\$ 8,600	\$ 45,000
Subject to expenditure for specified purpose:		
Consulting initiatives	10,000	-
O'Maley school programs	6,000	-
Community programs	1,000	-
	17,000	-
	\$ 25,600	\$ 45,000

8. RENT

Since July 2019 the Organization sublet a space in Gloucester, Massachusetts under an annual lease agreement which expires at the end of June 2021. Monthly rent payments under the lease total \$900. Prior to July 2019 the Organization leased a space at a different location in Gloucester, Massachusetts. Rent expense for the years ended December 31, 2020 and 2019 amounted to \$11,100 and \$17,534, respectively.

BACKYARD GROWERS, INC.
NOTES TO FINANCIAL STATEMENTS

9. PAYCHECK PROTECTION PROGRAM LOAN

In April 2020 the Organization applied for and obtained a Paycheck Protection Program (PPP) loan under the CARES Act totaling \$45,000. The loan is available to pay payroll costs, utilities, rent and mortgage interest over a 24-week period from the time the loan is obtained. Provided the loan amount is used to pay these costs and the Organization maintains certain employment benchmarks, the loan will be forgiven.

In October 2020 the PPP loan was forgiven by the Small Business Administration in the amount of \$41,000, representing the original loan amount less a \$4,000 Economic Injury Disaster Loan (EIDL) Advance received in April 2020. As a result, the Organization recorded a gain on forgiveness of note payable in the statements of activities totaling \$41,000. The Economic Aid Act passed in December 2020 repealed the requirement to deduct the EIDL Advance from PPP forgiveness. Accordingly, \$4,000 representing the EIDL Advance is included in promises to give on the statement of financial position and was repaid by the lending bank subsequent to year end.

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