

AUDITED FINANCIAL STATEMENTS

COMMUNITY INVOLVED IN SUSTAINING AGRICULTURE, INC.

South Deerfield, Massachusetts

DECEMBER 31, 2012

Boisselle, Morton & Associates, LLP
Certified Public Accountants

BOISSELLE, MORTON & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Officers and Directors
Community Involved in Sustaining Agriculture, Inc.
South Deerfield, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Community Involved in Sustaining Agriculture, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Officers and Directors
Community Involved in Sustaining Agriculture, Inc.
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Involved in Sustaining Agriculture, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Community Involved in Sustaining Agriculture, Inc.'s December 31, 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 24, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2013, on our consideration of Community Involved in Sustaining Agriculture, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Involved in Sustaining Agriculture, Inc.'s internal control over financial reporting and compliance.

Boisselle, Morton & Associates, LLP

Hadley, Massachusetts
April 9, 2013

COMMUNITY INVOLVED IN SUSTAINING AGRICULTURE, INC.

Statement of Financial Position

December 31, 2012 (with comparative totals for 2011)

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 637,322	\$ 409,860
USDA grants receivable	72,408	44,068
Other grants receivable	17,555	18,485
Membership dues and other receivables	1,826	1,227
Prepaid expenses	11,877	9,561
Total current assets	<u>740,988</u>	<u>483,201</u>
Property and equipment, net	<u>278,025</u>	<u>289,232</u>
Emergency Farm Fund loans receivable	<u>72,506</u>	<u>5,000</u>
Total assets	<u>\$ 1,091,519</u>	<u>\$ 777,433</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 44,619	\$ 29,667
Current portion of notes payable	9,623	7,173
Total current liabilities	<u>54,242</u>	<u>36,840</u>
Notes payable	<u>255,623</u>	<u>265,288</u>
Net assets		
Unrestricted net assets:		
Undesignated	514,839	297,336
Emergency Farm Fund	177,812	121,388
Property and equipment net of debt	12,779	16,771
Total unrestricted net assets	<u>705,430</u>	<u>435,495</u>
Temporarily restricted net assets	76,224	39,810
Total net assets	<u>781,654</u>	<u>475,305</u>
Total liabilities and net assets	<u>\$ 1,091,519</u>	<u>\$ 777,433</u>

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

COMMUNITY INVOLVED IN SUSTAINING AGRICULTURE, INC.

Statement of Activities

Year Ended December 31, 2012 (with comparative totals for 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and other support				
Donations and non-governmental grants	\$ 300,955	\$ 199,349	\$ 500,304	\$ 494,379
USDA grants	180,019		180,019	152,559
Other government grants	259,647		259,647	69,230
Donated stock	24,493		24,493	21,016
Membership dues	54,927		54,927	53,966
Event fees	20,135		20,135	34,297
In-kind	21,330		21,330	21,482
Advertising income	44,738		44,738	40,600
Other income	89,595		89,595	49,681
Interest income	1,265		1,265	354
Net assets released from restrictions	162,935	(162,935)		
Total revenue and other support	1,160,039	36,414	1,196,453	937,564
Expenses				
Program	711,549		711,549	609,127
Administration	95,365		95,365	81,319
Fundraising	83,190		83,190	43,729
Total expenses	890,104		890,104	734,175
Change in net assets	269,935	36,414	306,349	203,389
Net assets - beginning of year	435,495	39,810	475,305	271,916
Net assets - end of year	\$ 705,430	\$ 76,224	\$ 781,654	\$ 475,305

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

COMMUNITY INVOLVED IN SUSTAINING AGRICULTURE, INC.

Statement of Functional Expenses

Year Ended December 31, 2012 (with comparative totals for 2011)

	2012			Total	2011
	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>		<u>Total</u>
Payroll and related	\$ 346,150	\$ 35,033	\$ 63,372	\$ 444,555	\$ 417,782
Consulting and contractals	156,121			156,121	84,005
Printing and reproduction	52,699	245	5,400	58,344	36,552
Farm shares	34,980			34,980	19,500
Occupancy	10,349	15,523		25,872	16,230
Event and product costs	16,373	660	4,820	21,853	22,425
Office	10,339	7,051	929	18,319	15,826
Interest	7,307	10,420		17,727	16,872
Computer equipment	13,472	3,609		17,081	4,574
Professional fees	6,956	9,341	542	16,839	13,131
Media advertising	15,895			15,895	7,378
Postage and delivery	8,875	929	5,948	15,752	19,433
Supplies	12,026	24	1,735	13,785	24,457
Depreciation	4,483	6,724		11,207	13,076
Travel and conferences	10,149	81	444	10,674	9,736
Insurance	1,982	2,972		4,954	5,269
Communications	2,156	2,415		4,571	6,152
Dues and subscriptions	1,237	338		1,575	1,777
Total expenses	<u>\$ 711,549</u>	<u>\$ 95,365</u>	<u>\$ 83,190</u>	<u>\$ 890,104</u>	<u>\$ 734,175</u>

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

COMMUNITY INVOLVED IN SUSTAINING AGRICULTURE, INC.

Statement of Cash Flows

Year Ended December 31, 2012 (with comparative totals for 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ 306,349	\$ 203,389
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	11,207	13,076
Decreases (increases) in:		
USDA grants receivable	(28,340)	4,310
Other grants receivable	930	20,845
Emergency Farm Fund loans	(67,506)	(5,000)
Membership dues and other receivables	(599)	9,154
Prepaid expenses	(2,316)	(265)
Increases (decreases) in:		
Accounts payable and accrued liabilities	<u>14,952</u>	<u>(13,932)</u>
Net cash provided by operating activities	<u>234,677</u>	<u>231,577</u>
Cash flows from investing activities		
Purchases of equipment		<u>(11,213)</u>
Net cash used by investing activities		<u>(11,213)</u>
Cash flows from financing activities		
Payments on notes payable	<u>(7,215)</u>	<u>(6,738)</u>
Net cash used by financing activities	<u>(7,215)</u>	<u>(6,738)</u>
Net increase in cash and cash equivalents	227,462	213,626
Cash and cash equivalents - beginning of year	<u>409,860</u>	<u>196,234</u>
Cash and cash equivalents - end of year	<u>\$ 637,322</u>	<u>\$ 409,860</u>

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

COMMUNITY INVOLVED IN SUSTAINING AGRICULTURE, INC.

Notes to Financial Statements

December 31, 2012

1. Summary of Significant Accounting Policies

a. Nature of Business: Community Involved in Sustaining Agriculture, Inc.'s exempt purpose is to support the advancement of knowledge and understanding of farms and farming and their benefits and relationship to environmental, economic, nutritional and social well-being of persons within western Massachusetts and surrounding areas. The Organization also educates farmers, consumers and the general public on issues about and related to farming. The Organization is funded primarily through donations, U.S. Department of Agriculture grants, other governmental grants, and private foundations.

b. CISA Emergency Farm Fund, LLC: On October 11, 2011, the Organization formed CISA Emergency Farm Fund, LLC (the "LLC"), to provide loans to farms and farmers in furtherance of advancing its exempt mission. The Organization is the sole member of the LLC. The LLC's accounts and activities are included in these financial statements and as part of the Organization's filings with the Internal Revenue Service and Commonwealth of Massachusetts.

The LLC entered into an operating agreement with Equity Trust, a third-party contractor, to perform loan origination, administration, and collection for the LLC loans to farms and farmers.

CISA presented the cash raised for these loans and loans receivable at year-end as designated net assets under unrestricted net assets to reflect the intended specific use of these assets.

c. Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting.

d. Financial Statement Presentation: The Organization reports 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. Net assets of the temporarily and permanently restricted classes are created only by donor-imposed restrictions as to the timing and/or purpose of their use. All other net assets are reported as unrestricted. When a donor restriction expires, that is when a stipulated time restriction ends or 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.

Contributions of services are recognized as in-kind revenue if they (a) create or enhance non-financial assets or (b) require specialized skills which are provided by individuals possessing those skills and if such services would typically need to be purchased if not provided by donations. Contributions of advertising, materials and space are recognized as in-kind revenue at their fair market value.

COMMUNITY INVOLVED IN SUSTAINING AGRICULTURE, INC.

Notes to Financial Statements (Continued)

December 31, 2012

1. Summary of Significant Accounting Policies (Continued)

e. Income Taxes: The Organization is a non-profit corporation exempt from taxation pursuant to Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes is required. 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)(1).

In accordance with U.S. accounting standards, the Organization reviews the financial statement recognition, measurement, classification and disclosure of any potential uncertain tax positions. Management has not identified any uncertain tax provisions and, therefore, no liability has been recorded in the financial statements.

The Organization's information filings are subject to audit by the Internal Revenue Service. The Organization's open audit periods are 2010-2012.

f. Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

g. Cash and Cash Equivalents: The Organization considers certificates of deposit with maturities of one year or less to be cash equivalents due to their liquidity.

h. Receivables: The Organization records receivables for timing differences of billings done on USDA and other grants for the end of the year that are not collected until the next year, membership dues outstanding at year end, and other miscellaneous receivables.

i. Capitalization of Expenses: The cost, if purchased, and fair value, if donated, of property and equipment is capitalized. The Organization capitalizes property and equipment with a cost of \$2,000 or more. Costs of maintenance and repairs are expensed as incurred.

j. Depreciation: Depreciation is computed by the straight-line method over estimated useful lives of three to thirty-nine years.

k. 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. Accordingly, certain costs have been allocated between program and administrative expenses.

l. Advertising: Advertising costs are expensed as incurred.

COMMUNITY INVOLVED IN SUSTAINING AGRICULTURE, INC.

Notes to Financial Statements (Continued)

December 31, 2012

2. Emergency Farm Fund Loans Receivable

There were 10 Emergency Farm Fund loans receivable outstanding for \$72,506 at December 31, 2012 and one for \$5,000 at December 31, 2011. These loans have no stated interest rate and are expected to be collected as follows in the years ending December 31:

2014	\$62,506
2015	<u>10,000</u>
Total	<u>\$72,506</u>

3. Property and Equipment

Property and equipment at cost consisted of the following at December 31:

	<u>2012</u>	<u>2011</u>
Land	\$ 75,000	\$ 75,000
Building	260,643	260,643
Building improvements	3,048	3,048
Equipment	<u>27,361</u>	<u>27,361</u>
	366,052	366,052
Less accumulated depreciation	<u>88,027</u>	<u>76,820</u>
Total property and equipment, net	<u>\$278,025</u>	<u>\$289,232</u>

Depreciation expense was \$11,207 and \$13,076 for the years ended December 31, 2012 and 2011, respectively.

4. Line of Credit

The Organization has a \$100,000 line of credit available at a local bank. Advances made are secured by substantially all the assets of the Organization. Interest is charged at 6.5% on any outstanding balances. There was no balance outstanding at December 31, 2012 or 2011.

COMMUNITY INVOLVED IN SUSTAINING AGRICULTURE, INC.

Notes to Financial Statements (Continued)

December 31, 2012

5. Notes Payable

Notes payable consisted of the following at December 31:

	<u>2012</u>	<u>2011</u>
Note payable to a local bank, secured by a mortgage on the Organization's land and building and assignment of leases and rents as collateral security, payable in monthly installments of \$1,365, including interest at 5.0%, fixed until November 2017. The interest rate is then adjusted in November 2017, and each year thereafter, to a rate that is 2.75% above the rate published by the Federal Reserve Board as the weekly average yield on U.S. Treasury Securities. The note payable has an estimated balloon payment of \$72,319 due October 2030.	\$223,060	\$226,277
Note payable to the Franklin County Community Development Corporation (FCCDC), secured by a second lien position on the Organization's land and building, payable in monthly installments of \$573, including interest at a fixed rate of 6.5%, until October 2020.	<u>42,186</u>	<u>46,184</u>
	265,246	272,461
Less estimated current portion	<u>9,623</u>	<u>7,173</u>
Total long-term notes payable	<u>\$255,623</u>	<u>\$265,288</u>

The estimated maturities of the notes payable are as follows for the years ending December 31:

2013	\$ 9,623
2014	10,184
2015	10,776
2016	11,404
2017	12,069
Thereafter	<u>211,190</u>
Total notes payable	<u>\$265,246</u>

COMMUNITY INVOLVED IN SUSTAINING AGRICULTURE, INC.

Notes to Financial Statements (Continued)

December 31, 2012

6. Temporarily Restricted Net Assets

Temporarily restricted net assets of \$76,224 and \$39,810 at December 31, 2012 and 2011, respectively, consisted of various grants that were restricted by the grantors as to the timing of the use of the funds. Management expects to expend the funds in 2013.

7. Net Assets Released from Restrictions

Net assets released from restrictions of \$162,935 consisted of the current year expenditures related to the restricted grants received in 2012 and 2011.

8. Contributions - In-Kind

In-kind contributions consisted of the following at December 31:

	<u>2012</u>	<u>2011</u>
Media advertising	\$ 3,430	\$ 5,250
Consulting	2,182	3,150
Printing	550	300
Event and product costs	<u>15,168</u>	<u>12,782</u>
Total in-kind expense	<u>\$21,330</u>	<u>\$21,482</u>
Total in-kind revenue	<u>\$21,330</u>	<u>\$21,482</u>

A number of unpaid volunteers have made significant contributions of their time to the Organization. In accordance with the recognition criteria described in Note 1, the value of these services is not recorded in the financial statements.

9. Contingencies

The Organization receives some of its support from government grants. The grants permit the grantor to audit both the financial operation of the grant and compliance with terms of the grant agreements. Such audits could result in the disallowance of some costs. Liabilities resulting from these audits, if any, will be recorded in the period in which the amount of the liability is ascertained.

10. Related Party Transactions

There were no related party transactions for 2012 or 2011.

COMMUNITY INVOLVED IN SUSTAINING AGRICULTURE, INC.

Notes to Financial Statements (Continued)

December 31, 2012

11. Retirement Plan

The Organization established a Simple IRA retirement plan as of January 1, 2009, as described in Section 408(a) of the Internal Revenue Code. Eligible employees can make pre-tax contributions to the plan. The Organization matches the eligible employees' contributions up to a limit of 3% of their compensation for the calendar year. The Organization contributed \$11,186 and \$10,754 to the plan during 2012 and 2011, respectively.

12. Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's audited 2011 financial statements, from which the summarized information was derived.

13. Reclassifications

Certain reclassifications have been made to the 2011 comparative totals to conform to the 2011 presentation. These reclassifications have no effect on the previously reported change in net assets for the year ended December 31, 2011.

14. Subsequent Events

The Organization evaluated subsequent events after the statement of financial position date of December 31, 2012, through April 9, 2013, the date on which the financial statements were available to be issued, and concluded that no additional disclosures are required.

BOISSELLE, MORTON & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Independent Auditors' Report

To the Officers and Directors
Community Involved in Sustaining Agriculture, Inc.
South Deerfield, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Involved in Sustaining Agriculture, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 9, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Involved in Sustaining Agriculture, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Involved in Sustaining Agriculture, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Community Involved in Sustaining Agriculture, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Involved in Sustaining Agriculture, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Boisselle, Morton & Associates, LLP

Hadley, Massachusetts
April 9, 2013