

THE FOOD PROJECT, INC.

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

THE FOOD PROJECT, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Food Project, Inc.
Lincoln, Massachusetts

We have audited the accompanying statements of The Food Project, Inc., which comprise the statements of financial position as of June 30, 2013 and 2012, the related statement of activities and functional expenses for the year ended June 30, 2013, the statements of cash flows for the years ended June 30, 2013 and 2012, 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 auditors' 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 entity'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 entity'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.

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 The Food Project, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and functional expenses for the year ended June 30, 2013, and cash flows for the years ended June 30, 2013 and 2012 in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited The Food Project, Inc.'s June 30, 2012 financial statements and our report dated December 3, 2012 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wakefield, Massachusetts
November 26, 2013

Tonneson & Company, Inc.

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THE FOOD PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
CURRENT ASSETS:					
Cash and cash equivalents	\$ 820,058	\$ 239,014	\$ 76,000	\$ 1,135,072	\$ 1,129,522
Short-term investments	337,688	88,858	191,166	617,712	995,389
Accounts receivable, program grants	118,047			118,047	71,404
Accounts receivable, other	13,112			13,112	4,394
Prepaid expenses and other current assets	66,006			66,006	76,234
Total current assets	<u>1,354,911</u>	<u>327,872</u>	<u>267,166</u>	<u>1,949,949</u>	<u>2,276,943</u>
PROPERTY, PLANT AND EQUIPMENT, NET	<u>1,561,079</u>			<u>1,561,079</u>	<u>1,544,931</u>
TOTAL ASSETS	<u>\$ 2,915,990</u>	<u>\$ 327,872</u>	<u>\$ 267,166</u>	<u>\$ 3,511,028</u>	<u>\$ 3,821,874</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:					
Current portion of long-term debt	\$ 19,634	\$	\$	\$ 19,634	\$ 18,381
Accounts payable and accrued expenses	80,680			80,680	56,940
Total current liabilities	<u>100,314</u>			<u>100,314</u>	<u>75,321</u>
Long-term debt, net of current portion	<u>251,938</u>			<u>251,938</u>	<u>275,673</u>
TOTAL LIABILITIES	<u>352,252</u>	<u>-</u>	<u>-</u>	<u>352,252</u>	<u>350,994</u>
NET ASSETS:					
Unrestricted:					
Operating	2,535,924			2,535,924	2,830,908
Board Designated	27,814			27,814	27,744
Total unrestricted	<u>2,563,738</u>			<u>2,563,738</u>	<u>2,858,652</u>
Temporarily restricted:					
Real Food Challenge				-	249,763
Other		327,872		327,872	95,299
Total temporarily restricted		<u>327,872</u>		<u>327,872</u>	<u>345,062</u>
Permanently restricted			267,166	267,166	267,166
TOTAL NET ASSETS	<u>2,563,738</u>	<u>327,872</u>	<u>267,166</u>	<u>3,158,776</u>	<u>3,470,880</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,915,990</u>	<u>\$ 327,872</u>	<u>\$ 267,166</u>	<u>\$ 3,511,028</u>	<u>\$ 3,821,874</u>

See Notes to Financial Statements.

THE FOOD PROJECT, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
REVENUE AND SUPPORT:					
Grants and contributions	\$ 2,325,249	\$ 250,000	\$ -	\$ 2,575,249	\$ 3,077,885
Sales	439,277			439,277	507,810
Rental income	30,125			30,125	32,050
Donated materials and services	51,503			51,503	55,385
Net realized gains (losses) on investments	(278)			(278)	16,945
Net unrealized gains (losses) on investments		30,099		30,099	(10,923)
Interest and dividend income	3,630	4,516		8,146	8,641
Loss on disposal of assets	-			-	(1,714)
Net assets released from restrictions	52,042	(52,042)		-	-
Contribution of Real Food Challenge net assets		(249,763)		(249,763)	-
Total revenue and support	<u>2,901,548</u>	<u>(17,190)</u>	<u>-</u>	<u>2,884,358</u>	<u>3,686,079</u>
OPERATING EXPENSES:					
Program services	2,374,837			2,374,837	2,814,266
Management and general	348,807			348,807	486,038
Development	472,818			472,818	459,625
Total operating expenses	<u>3,196,462</u>	<u>-</u>	<u>-</u>	<u>3,196,462</u>	<u>3,759,929</u>
DECREASE IN NET ASSETS	(294,914)	(17,190)	-	(312,104)	(73,850)
NET ASSETS, BEGINNING OF YEAR	<u>2,858,652</u>	<u>345,062</u>	<u>267,166</u>	<u>3,470,880</u>	<u>3,544,730</u>
NET ASSETS, END OF YEAR	<u>\$ 2,563,738</u>	<u>\$ 327,872</u>	<u>\$ 267,166</u>	<u>\$ 3,158,776</u>	<u>\$ 3,470,880</u>

See Notes to Financial Statements.

THE FOOD PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2013

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

	Program Services				Supporting Services			<u>2013</u>	<u>2012</u>
	<u>Youth Leadership and Training</u>	<u>Food Production and Enterprise</u>	<u>Public Education and Outreach</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Development</u>	<u>Total Supporting Services</u>		
Personnel	\$ 244,504	\$ 374,533	\$ 441,739	\$ 1,060,776	\$ 239,220	\$ 341,028	\$ 580,248	\$ 1,641,024	\$ 1,803,554
Youth stipends	415,360	3,318	77,278	495,956	177	427	604	496,560	513,280
Consultants and professional fees	32,189	32,380	76,777	141,346	42,826	47,567	90,393	231,739	434,379
Depreciation	8,600	95,252	17,337	121,189	6,823	-	6,823	128,012	111,390
Occupancy	26,764	15,514	31,176	73,454	15,132	19,724	34,856	108,310	107,055
Supplies	11,687	51,680	23,986	87,353	8,919	11,264	20,183	107,536	150,629
Insurance	19,440	27,735	13,320	60,495	12,876	7,495	20,371	80,866	62,977
Equipment related expense	10,391	27,238	13,215	50,844	9,329	6,153	15,482	66,326	71,219
Seeds, plants, soil amendments	-	49,975	12,337	62,312	-	-	-	62,312	57,830
Youth transportation	61,493	-	66	61,559	-	-	-	61,559	49,058
Utilities	3,559	18,849	15,785	38,193	1,881	2,735	4,616	42,809	38,774
Conference and dues	12,781	2,202	13,826	28,809	5,884	1,991	7,875	36,684	87,780
Telephone	6,736	9,376	9,109	25,221	3,738	5,364	9,102	34,323	36,882
Vehicle and travel	11,597	17,301	3,822	32,720	175	101	276	32,996	66,971
Printing	213	967	13,881	15,061	907	16,331	17,238	32,299	43,669
Postage	1,967	375	3,287	5,629	920	12,638	13,558	19,187	17,630
Support and assistance	-	7,670	6,250	13,920	-	-	-	13,920	106,852
Total expenses	\$ 867,281	\$ 734,365	\$ 773,191	\$ 2,374,837	\$ 348,807	\$ 472,818	\$ 821,625	\$ 3,196,462	\$ 3,759,929

See Notes to Financial Statements.

THE FOOD PROJECT, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2013 AND 2012

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (312,104)	\$ (73,850)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	128,012	111,390
Loss on disposal of equipment	-	1,714
Realized and unrealized gains on investments, net	(29,821)	(6,022)
Changes in certain assets and liabilities:		
Accounts receivable, program grants	(46,643)	86,337
Accounts receivable, other	(8,718)	2,043
Prepaid expenses and other current assets	10,228	6,905
Accounts payable and accrued expenses	23,740	(85,220)
Net cash provided by (used in) operating activities	<u>(235,306)</u>	<u>43,297</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from short-term investments, net	407,498	71,444
Purchase of property, plant and equipment	<u>(144,160)</u>	<u>(51,127)</u>
Net cash provided by investing activities	<u>263,338</u>	<u>20,317</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt	<u>(22,482)</u>	<u>(21,249)</u>
Net cash used in financing activities	<u>(22,482)</u>	<u>(21,249)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,550	42,365
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,129,522</u>	<u>1,087,157</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,135,072</u>	<u>\$ 1,129,522</u>

Supplemental disclosure of cash flow information:

The Project paid \$15,471 and \$16,704 in interest expense during the years ended June 30, 2013 and 2012, respectively.

See Notes to Financial Statements.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies

Organization - The Food Project, Inc. (the Project) was established in 1994 and is a not-for-profit corporation operating to provide education and opportunities for community service to youth in the Boston area through planting, harvesting, and distributing farm produce to shelters, soup kitchens and a farmers market in low income neighborhoods.

Financial Statement Presentation - Certain reclassifications have been made to the 2012 financial statements in order to conform to the presentation for 2013.

Basis of Accounting - The financial statements of the Project have been prepared on the accrual basis.

Basis of Presentation - The Project's financial statements are prepared in accordance with U.S. generally accepted accounting principles. These principles establish standards for external financial reporting by not-for-profit organizations and require that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories follows.

Unrestricted net assets include Operating net assets and Board Designated net assets. Operating net assets represent amounts which bear no external restrictions and are currently available for operations. Board Designated net assets represent amounts which have been earmarked by the Board of Trustees for future use. Board Designated net assets consists of general assets. As of June 30, 2013 and 2012, Board Designated net assets amounted to \$27,814 and \$27,744, respectively. Spending of these funds requires approval by the Board of Trustees.

Temporarily restricted net assets include the gifts and income and gains which can be expended but for which restrictions have not yet been met and realized and unrealized gains on permanently restricted net assets. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, or time restrictions imposed by donors or implied by the nature of the gift.

Permanently restricted net assets include net assets subject to donor-imposed stipulations that they be maintained permanently by the Project. Generally, the donors of these assets permit the Project to use all or part of the income earned on related investments for general or specific purposes.

Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

Comparative Financial 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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Project's financial statements for the year ended June 30, 2012 from which the summarized information was derived.

Concentration of Credit Risk - Financial instruments, which subject the Project to concentrations of credit risk, consist principally of temporary cash investments. The Project has concentrated its credit risk for cash by maintaining bank deposits that exceed federal insurance. The maximum loss that would have resulted from that risk totaled approximately \$40,000 as of June 30, 2013.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash Equivalents - Cash equivalents consist of certificates of deposit with original maturities of 90 days or less. Cash equivalents are carried at cost, which approximates market.

Short-term Investments - Short-term investments consist of certificates of deposit with original maturities in excess of 90 days ranging from November 1, 2013 to June 9, 2014. Short-term investments also consist of mutual funds. Short-term investments are carried at cost, which approximates market.

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and an increase to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction to accounts receivable. Management has reviewed accounts receivable as of June 30, 2013 and 2012, and considers accounts receivable to be fully collectible and, accordingly, no allowance for doubtful accounts is required.

Contributions - In accordance with U.S. generally accepted accounting principles, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor 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. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Property, Plant and Equipment - Expenditures for property, plant and equipment are recorded at cost, or, if acquired by gift, at fair market value as of the date of gift. Depreciation is computed using the straight-line method calculated to amortize the cost of the assets over their estimated useful lives. Leasehold improvements are depreciated using the straight-line method over the lesser of the term of the related lease or the estimated useful lives of the assets.

Investment Return Objectives and Parameters - The Project's primary objective is preservation of capital together with current income that will provide for the support of current activities. To satisfy its long-term rate-of-return objectives, the Project primarily relies on fixed income investments typically comprised of certificates of deposit.

Spending Policy - The Project has adopted a spending policy on permanently restricted net assets whereby all earned income and realized capital gains, if any, can be distributed and treated as support for operating activities. This is consistent with the Project's objective to provide for the support of current activities. The Project has elected not to distribute any of the earned income and realized capital gains during the year ended June 30, 2013.

Contributed Services - Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Donated materials, food and services valued at \$51,503 in 2013 and \$55,385 in 2012 are included in the accompanying financial statements. Numerous other donations were received but did not fit the criteria for recognition under U.S. generally accepted accounting principles.

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.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

Income Taxes - The Internal Revenue Service has recognized the Organization as a tax-exempt Organization under Section 501(c)(3). Section 501(c)(3) of the Code provides for the exemption of Organizations that are organized and operated exclusively for religious, charitable, scientific, literary or educational purposes and whose net earnings do not inure to the benefit of any private shareholder or individual.

In determining the recognition of uncertain tax positions, the Organization applies a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with taxing authorities. As of June 30, 2013, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization is generally subject to potential examination by taxing jurisdictions for the three prior years.

Subsequent Events - The date to which events occurring after June 30, 2013 have been evaluated for possible adjustment to the financial statements or disclosure is the date of the Independent Auditors' Report which is the date the financial statements were available to be issued.

Note 2 - Short-term Investments

Fair value is defined under U.S. generally accepted accounting principles as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. Further it requires the Project to maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose in the form of an outlined hierarchy the details of such fair value measurements. The accounting standards specify a hierarchy of valuation techniques based on whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Project's market assumptions. This hierarchy requires the use of observable market data when available. These inputs have created the following fair value hierarchy:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than those included in Level 1. For example, quoted prices for similar assets in active markets or quoted prices for identical assets in inactive markets.

Level 3 - Unobservable inputs reflecting management's own assumptions about the inputs used in estimating the value of the asset.

The following table summarizes the Project's financial assets measured at fair value on a recurring basis, by caption and by the valuation hierarchy, in accordance with U.S. generally accepted accounting principles as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Level 1		
Certificates of deposit	\$ 416,681	\$ 828,629
Mutual funds:		
Stock investments:		
Large cap	<u>201,031</u>	<u>166,760</u>
Total Level 1 Investments	<u>\$ 617,712</u>	<u>\$ 995,389</u>

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

Note 3 - Property, Plant and Equipment

Property, plant and equipment at June 30, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Building	\$ 708,391	\$ 708,391
Land	691,620	691,620
Vehicles and equipment	513,337	413,514
Building improvements	278,976	278,976
Leasehold improvements	217,557	191,220
	<hr/>	<hr/>
Total property, plant and equipment, at cost	2,409,881	2,283,721
Less accumulated depreciation	848,802	738,790
	<hr/>	<hr/>
Property, plant and equipment, net	\$ <u>1,561,079</u>	\$ <u>1,544,931</u>

The fair value of the property, plant and equipment at June 30, 2013 and 2012 amounted to \$1,940,802 and \$1,863,144, respectively.

Note 4 - Long-Term Debt

A summary of long-term debt at June 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
5.375% installment note payable to Cambridge Trust Company, secured by a first mortgage on all of the Project's tangible personal property and assignment of leases and rents on the property, with principal and interest payable in monthly installments of \$2,440 through October, 2024. The principal and interest payments are subject to change every three years.	\$ 271,572	\$ 294,054
Less current portion	19,634	18,381
	<hr/>	<hr/>
Net long-term portion	\$ <u>251,938</u>	\$ <u>275,673</u>

At June 30, 2013, annual maturities of long-term debt are as follows:

<u>Years ending June 30,</u>	<u>Amount</u>
2014	\$ 19,634
2015	20,481
2016	21,214
2017	22,018
2018	22,829
Thereafter	165,396

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

Note 5 - Endowment

The Project's endowment consists of one individual fund established for a specific purpose. Its Endowment includes a donor-restricted endowment fund. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Project has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Project classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Project.

In accordance with UPMIFA, the Project considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Project and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Project
7. The investment policies of the Project

The endowment net asset composition by type of fund as of June 30, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u>-</u>	\$ <u>89,914</u>	\$ <u>267,166</u>	\$ <u>357,080</u>

The endowment net asset composition by type of fund as of June 30, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u>-</u>	\$ <u>55,299</u>	\$ <u>267,166</u>	\$ <u>322,465</u>

The changes in endowment net assets for the years ended June 30, 2013 and 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, July 1, 2011	\$ -	\$ 45,227	\$ 266,666	\$ 311,893
Contributions			500	500
Investment gain, net		10,072		10,072
Endowment Net Assets, June 30, 2012	-	55,299	267,166	322,465
Investment gain, net		34,615		34,615
Endowment Net Assets, June 30, 2013	\$ <u>-</u>	\$ <u>89,914</u>	\$ <u>267,166</u>	\$ <u>357,080</u>

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions presently available for use, but expendable only for the purposes specified by the donor. At June 30, 2013 and 2012, temporarily restricted net assets consist of the following:

	<u>2013</u>	<u>2012</u>
Cumulative gains on permanently restricted funds	\$ 89,914	\$ 55,299
Farm and enterprise	237,958	-
Real Food Challenge	-	249,763
Youth leadership and training	-	30,000
Public education and outreach	-	10,000
	<u>\$ 327,872</u>	<u>\$ 345,062</u>

Note 7 - Permanently Restricted Net Assets

Permanently restricted net assets include net assets subject to donor-imposed stipulations that they be maintained permanently by the Project. Generally, the donors of these assets permit the Project to use all or part of the income earned on related investments for general or specific purposes. At June 30, 2013 and 2012, permanently restricted net assets consist of the following:

	<u>2013</u>	<u>2012</u>
Pat Gray Legacy	<u>\$ 267,166</u>	<u>\$ 267,166</u>

Note 8 - Leasing Arrangements

The Project has entered into two non-cancelable operating lease agreements for office space. The Project leases office space in Boston, MA under a non-cancelable real estate lease agreement expiring in August 2018. The arrangement provides for fixed monthly rental payments and requires the Project to pay its proportionate share of utilities, real estate taxes, insurance and repairs.

The Project leases office space in Lynn, MA under a non-cancelable real estate lease agreement expiring in October 2013. The arrangement provides for fixed monthly rental payments and requires the Project to pay its proportionate share of utilities, real estate taxes, insurance and repairs.

The Project leases two parcels of vacant land within the Boston area from the municipal government for use as community gardens under a three-year lease. The annual rent for this parcel is \$1.

The Project leases a parcel of vacant land within the Boston area from the municipal government for use as community gardens under a one-year lease. The annual rent for this parcel is \$1.

The Project leases a parcel of vacant land within the Boston area from the municipal government for use as community gardens under a one-year lease. There is no annual rent for this parcel.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

Note 8 - Leasing Arrangements (Continued)

The Project leases two parcels of vacant land within the Boston area from the Trustees of Reservations for use as a community garden under a three-year lease. The annual rent for these parcels is \$1.

The Project leases greenhouse space within the Boston area from the Glen Urquhart School to use for general planting purposes and related agricultural education activities under a one-year lease. The annual rent for this parcel is \$1.

Total rental expense, excluding certain operating expenses payable by the Project, amounted to approximately \$57,000 and \$63,000 for the years ended June 30, 2013 and 2012, respectively.

The minimum future rental payments, by year, under non-cancelable operating leases having initial lease terms in excess of one year as of June 30, 2013 are as follows:

<u>Years ending June 30,</u>		<u>Amount</u>
2014	\$	49,296
2015		46,500
2016		48,360
2017		50,294
2018		52,306
2019		8,774

The Project leases office space to two tenants under non-cancelable lease agreements. All agreements provide for fixed minimum monthly rental payments and expire June, 2014 and September, 2015. Rental income amounted to approximately \$30,000 and \$32,000 for the years ended June 30, 2013 and 2012, respectively.

The future minimum rental income receivable, by year, under the lease agreement as of June 30, 2013 is as follows:

<u>Years ending June 30,</u>		<u>Amount</u>
2014	\$	24,900
2015		15,000
2016		3,750

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

Note 9 - Conditional Promises To Give

Conditional promises to give are not recorded as assets or recognized until the conditions on which they depend are substantially met and the promises become unconditional. Conditional promises to give that are not recorded as assets at June 30, 2013 and 2012 consist of promises that will be used for the following purposes:

	<u>2013</u>	<u>2012</u>
<u>Public Education and Outreach:</u>		
Boston Public Health Commission	\$ -	\$ 23,900
	<u>-</u>	<u>23,900</u>
<u>Unrestricted:</u>		
The Baupost Group	50,000	-
The Osprey Foundation	-	50,000
	<u>50,000</u>	<u>50,000</u>
<u>Youth Leadership and Training:</u>		
FAO Schwartz	-	29,500
The Clowes Fund	10,000	20,000
	<u>10,000</u>	<u>49,500</u>
Total conditional promises to give	\$ <u>60,000</u>	\$ <u>123,400</u>

Note 10 - Functional Allocation of Youth Leadership and Training

Youth Leadership and Training refers to core youth development programs. Youth are also actively involved in all initiatives within food production and enterprise and public education and outreach.

Note 11 - Retirement Plan

The Project maintains a defined contribution pension plan covering eligible participating employees. The Plan allows employees to make voluntary contributions up to the Internal Revenue Code limitations. Employer contributions to the Plan for the years ended June 30, 2013 and 2012 amounted to approximately \$13,000 and \$15,000, respectively.

While the Project expects to continue the Plan indefinitely, the Project has reserved the right to modify, amend or terminate the Plan. In the event of termination, the entire amount contributed under the Plan must be applied to the payment of benefits to the participants or their beneficiaries.

Note 12 - Contribution of Real Food Challenge Net Assets

The Real Food Challenge was a program of the Project operating to harness the power of youth and universities to build a healthy, fair, and green food economy by shifting college food purchases away from industrial agriculture towards local, sustainable, and fair sources. Effective July 1, 2012, the Project contributed the net assets related to the Real Food Challenge to Third Sector New England, Inc., a 501(c)(3) organization. Third Sector New England, Inc. has become the Real Food Challenge's official fiscal sponsor. During the year ended June 30, 2013, the Project contributed \$249,763 to Third Sector New England, Inc., and is included in the accompanying statement of activities. This contribution represents the total net assets for the Real Food Challenge as of June 30, 2012.