

**THE FOOD PROJECT, INC.**

**FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014**

# **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, 2014 and 2013, the related statement of activities and functional expenses for the year ended June 30, 2014, the statements of cash flows for the years ended June 30, 2014 and 2013, 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, 2014 and 2013, and the changes in its net assets and functional expenses for the year ended June 30, 2014, and cash flows for the years ended June 30, 2014 and 2013 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, 2013 financial statements and our report dated November 26, 2013 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2013, except for the effects of the prior period adjustment described in Note 13, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wakefield, Massachusetts  
November 4, 2014

*Tonneson & Company, Inc.*

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**THE FOOD PROJECT, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2014 AND 2013**

**ASSETS**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u> <u>(Restated)</u>
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 757,424	\$ 158,337	\$ 39,000	\$ 954,761	\$ 1,135,072
Short-term investments	280,164	139,784	228,166	648,114	617,712
Accounts receivable, program grants	82,184			82,184	118,047
Accounts receivable, other	11,463			11,463	13,112
Prepaid expenses and other current assets	80,792			80,792	66,006
Total current assets	1,212,027	298,121	267,166	1,777,314	1,949,949
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	1,434,039			1,434,039	1,561,079
<b>TOTAL ASSETS</b>	\$ 2,646,066	\$ 298,121	\$ 267,166	\$ 3,211,353	\$ 3,511,028

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>					
Current portion of long-term debt	\$ 20,745	\$	\$	\$ 20,745	\$ 19,634
Accounts payable and accrued expenses	81,160			81,160	80,680
Deferred revenue	181,824			181,824	210,099
Total current liabilities	283,729			283,729	310,413
Long-term debt, net of current portion	224,022			224,022	251,938
<b>TOTAL LIABILITIES</b>	507,751	-	-	507,751	562,351
<b>NET ASSETS:</b>					
Unrestricted:					
Operating	2,110,458			2,110,458	2,325,825
Board Designated	27,857			27,857	27,814
Total unrestricted	2,138,315			2,138,315	2,353,639
Temporarily restricted		298,121		298,121	327,872
Permanently restricted			267,166	267,166	267,166
<b>TOTAL NET ASSETS</b>	2,138,315	298,121	267,166	2,703,602	2,948,677
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 2,646,066	\$ 298,121	\$ 267,166	\$ 3,211,353	\$ 3,511,028

See Notes to Financial Statements.

**THE FOOD PROJECT, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2014**

**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>	<u>2013 Total (Restated)</u>
<b>REVENUE AND SUPPORT:</b>					
Grants and contributions	\$ 2,042,870	\$ 30,500	\$	\$ 2,073,370	\$ 2,575,249
Sales	457,528			457,528	425,694
Rental income	35,900			35,900	30,125
Donated materials and services	44,780			44,780	51,503
Net realized gains (losses) on investments	123			123	(278)
Net unrealized gains on investments		44,736		44,736	30,099
Interest and dividend income	3,108	5,134		8,242	8,146
Net assets released from restrictions	110,121	(110,121)		-	-
Contribution of Real Food Challenge net assets				-	(249,763)
Total revenue and support	<u>2,694,430</u>	<u>(29,751)</u>	<u>-</u>	<u>2,664,679</u>	<u>2,870,775</u>
<b>OPERATING EXPENSES:</b>					
Program services	2,221,471			2,221,471	2,374,837
Management and general	232,589			232,589	348,807
Development	455,694			455,694	472,818
Total operating expenses	<u>2,909,754</u>	<u>-</u>	<u>-</u>	<u>2,909,754</u>	<u>3,196,462</u>
<b>DECREASE IN NET ASSETS</b>	<u>(215,324)</u>	<u>(29,751)</u>	<u>-</u>	<u>(245,075)</u>	<u>(325,687)</u>
<b>NET ASSETS, BEGINNING OF YEAR AS PREVIOUSLY REPORTED</b>	2,353,639	327,872	267,166	2,948,677	3,470,880
<b>PRIOR PERIOD ADJUSTMENT</b>				<u>-</u>	<u>(196,516)</u>
<b>NET ASSETS, BEGINNING OF YEAR AS RESTATED</b>	<u>2,353,639</u>	<u>327,872</u>	<u>267,166</u>	<u>2,948,677</u>	<u>3,274,364</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,138,315</u>	<u>\$ 298,121</u>	<u>\$ 267,166</u>	<u>\$ 2,703,602</u>	<u>\$ 2,948,677</u>

See Notes to Financial Statements.

**THE FOOD PROJECT, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2014**

**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)**

	Program Services				Supporting Services			<u>2014</u> <u>Total</u>	<u>2013</u> <u>Total</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	\$ 364,712	\$ 396,580	\$ 330,259	\$ 1,091,551	\$ 155,771	\$ 252,766	\$ 408,537	\$ 1,500,088	\$ 1,641,024
Youth stipends	327,153	2,137	114	329,404	-	-	-	329,404	496,560
Consultants and professional fees	34,000	25,234	69,312	128,546	27,670	79,527	107,197	235,743	231,739
Depreciation	8,600	101,724	17,336	127,660	6,824	-	6,824	134,484	128,012
Occupancy	39,483	12,349	28,910	80,742	13,107	30,238	43,345	124,087	108,310
Supplies	11,855	47,310	30,460	89,625	6,554	15,488	22,042	111,667	107,536
Insurance	19,468	21,724	9,407	50,599	10,867	5,896	16,763	67,362	80,866
Conference and dues	24,510	2,435	15,701	42,646	2,957	18,955	21,912	64,558	36,684
Equipment related expense	9,514	30,195	8,111	47,820	4,020	7,800	11,820	59,640	66,326
Youth transportation	49,237	-	4	49,241	-	-	-	49,241	61,559
Seeds, plants, soil amendments	-	39,773	8,210	47,983	-	344	344	48,327	62,312
Printing	917	826	18,161	19,904	228	27,639	27,867	47,771	32,299
Utilities	4,139	24,530	13,043	41,712	1,285	2,457	3,742	45,454	42,809
Vehicle and travel	12,252	12,101	9,534	33,887	441	264	705	34,592	32,996
Telephone	7,721	9,737	6,922	24,380	2,265	4,332	6,597	30,977	34,323
Postage	1,358	221	4,107	5,686	600	9,988	10,588	16,274	19,187
Support and assistance	-	8,105	1,980	10,085	-	-	-	10,085	13,920
<b>Total expenses</b>	<b>\$ 914,919</b>	<b>\$ 734,981</b>	<b>\$ 571,571</b>	<b>\$ 2,221,471</b>	<b>\$ 232,589</b>	<b>\$ 455,694</b>	<b>\$ 688,283</b>	<b>\$ 2,909,754</b>	<b>\$ 3,196,462</b>

See Notes to Financial Statements.

**THE FOOD PROJECT, INC.**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2014 AND 2013**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<b><u>2014</u></b>	<b><u>2013</u></b> <b><u>(Restated)</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Decrease in net assets	\$ (245,075)	\$ (325,687)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	134,484	128,012
Realized and unrealized gains on investments, net	(44,859)	(29,821)
Changes in certain assets and liabilities:		
Accounts receivable, program grants	35,863	(46,643)
Accounts receivable, other	1,649	(8,718)
Prepaid expenses and other current assets	(14,786)	10,228
Accounts payable and accrued expenses	480	23,740
Deferred revenue	(28,275)	13,583
Net cash used in operating activities	<u>(160,519)</u>	<u>(235,306)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from short-term investments	364,000	776,000
Purchase of short-term investments	(349,543)	(368,502)
Purchase of property, plant and equipment	(7,444)	(144,160)
Net cash provided by investing activities	<u>7,013</u>	<u>263,338</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayments of long-term debt	(26,805)	(22,482)
Net cash used in financing activities	<u>(26,805)</u>	<u>(22,482)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(180,311)	5,550
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,135,072</u>	<u>1,129,522</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 954,761</u>	<u>\$ 1,135,072</u>

Supplemental disclosure of cash flow information:

TFP paid \$11,147 and \$15,471 in interest expense during the years ended June 30, 2014 and 2013, respectively.

See Notes to Financial Statements.

# **THE FOOD PROJECT, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **YEAR ENDED JUNE 30, 2014**

#### **Note 1 - Summary of Significant Accounting Policies**

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

**Financial Statement Presentation** - Certain reclassifications have been made to the 2013 financial statements in order to conform to the presentation for 2014.

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

**Basis of Presentation** - TFP'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, 2014 and 2013, Board Designated net assets amounted to \$27,857 and \$27,814, 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 TFP. Generally, the donors of these assets permit TFP 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 TFP's financial statements for the year ended June 30, 2013 from which the summarized information was derived.

**Concentration of Credit Risk** - Financial instruments, which subject TFP to concentrations of credit risk, consist principally of temporary cash investments. TFP has concentrated its credit risk for cash by maintaining bank deposits that exceed federal insurance. The maximum loss that could have resulted from that risk totaled approximately \$154,000 as of June 30, 2014.



# **THE FOOD PROJECT, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **YEAR ENDED JUNE 30, 2014**

#### **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 5, 2014 to October 13, 2015. Short-term investments also consist of mutual funds. Certificates of deposit are carried at cost, which approximates market. Mutual funds are carried at fair market value.

**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, 2014 and 2013, 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** - TFP'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, TFP primarily relies on fixed income investments typically comprised of certificates of deposit.

**Spending Policy** - TFP 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 TFP's objective to provide for the support of current activities. TFP has elected not to distribute any of the earned income and realized capital gains during the year ended June 30, 2014.

**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 \$44,780 in 2014 and \$51,503 in 2013 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, 2014**

#### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Deferred Revenue** - TFP defers recognition of program revenue to the period in which the related program is performed and the related expenses are incurred.

**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, 2014, 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, 2014 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 TFP 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 TFP'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 TFP'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, 2014 and 2013:

	<b><u>June 30, 2014</u></b>		<b><u>June 30, 2013</u></b>	
	<b><u>Cost</u></b>	<b><u>Market</u></b>	<b><u>Cost</u></b>	<b><u>Market</u></b>
<b>Level 1</b>				
Certificates of deposit	\$ 396,744	\$ 397,734	\$ 415,182	\$ 416,681
Mutual funds:				
Stock investments:				
Large cap	<u>110,590</u>	<u>250,380</u>	<u>111,110</u>	<u>201,031</u>
<b>Total Level 1 Investments</b>	<b><u>\$ 507,334</u></b>	<b><u>\$ 648,114</u></b>	<b><u>\$ 526,292</u></b>	<b><u>\$ 617,712</u></b>

**THE FOOD PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**Note 3 - Property, Plant and Equipment**

Property, plant and equipment at June 30, 2014 and 2013 consist of the following:

	<b><u>2014</u></b>	<b><u>2013</u></b>
Building	\$ 708,391	\$ 708,391
Land	691,620	691,620
Vehicles and equipment	520,781	513,337
Building improvements	278,976	278,976
Leasehold improvements	<u>217,557</u>	<u>217,557</u>
Total property, plant and equipment, at cost	2,417,325	2,409,881
Less accumulated depreciation	<u>983,286</u>	<u>848,802</u>
Property, plant and equipment, net	<u>\$ 1,434,039</u>	<u>\$ 1,561,079</u>

The fair value of the property, plant and equipment at June 30, 2014 and 2013, valuation obtained from an independent insurance appraisal, amounted to \$1,865,272 and \$1,940,802, respectively.

**Note 4 - Long-Term Debt**

A summary of long-term debt at June 30, 2014 and 2013 is as follows:

	<b><u>2014</u></b>	<b><u>2013</u></b>
3.625% installment note payable to Cambridge Trust Company, secured by a first mortgage on the TFP's tangible personal property and assignment of leases and rents on the property at 177 Concord Road (net book value amounts to \$391,500 at June 30, 2014), 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.	\$ 244,767	\$ 271,572
Less current portion	<u>20,745</u>	<u>19,634</u>
Net long-term portion	<u>\$ 224,022</u>	<u>\$ 251,938</u>

At June 30, 2014, annual maturities of long-term debt are as follows:

<b><u>Years ending June 30,</u></b>	<b><u>Amount</u></b>
2015	\$ 20,745
2016	21,488
2017	22,302
2018	23,124
2019	23,976
Thereafter	133,132

# **THE FOOD PROJECT, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **YEAR ENDED JUNE 30, 2014**

#### **Note 5 - Endowment**

TFP'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.

TFP 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, TFP 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 TFP.

In accordance with UPMIFA, TFP 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 TFP 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 TFP
7. The investment policies of TFP

The endowment net asset composition by type of fund as of June 30, 2014 is as follows:

	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Donor-restricted endowment funds	\$ -	\$ 139,784	\$ 267,166	\$ 406,950

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

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

The changes in endowment net assets for the years ended June 30, 2014 and 2013 are as follows:

	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Endowment Net Assets, July 1, 2012	\$ -	\$ 55,299	\$ 267,166	\$ 322,465
Investment gain, net		34,615		34,615
Endowment Net Assets, June 30, 2013	-	89,914	267,166	357,080
Investment gain, net		49,870		49,870
Endowment Net Assets, June 30, 2014	\$ -	\$ 139,784	\$ 267,166	\$ 406,950

# **THE FOOD PROJECT, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **YEAR ENDED JUNE 30, 2014**

#### **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, 2014 and 2013, temporarily restricted net assets consist of the following:

	<b><u>2014</u></b>	<b><u>2013</u></b>
Cumulative gains on permanently restricted funds	\$ 139,784	\$ 89,914
Farm and enterprise	127,837	237,958
Public education and outreach	13,000	-
Food donations	17,500	-
	<b><u>\$ 298,121</u></b>	<b><u>\$ 327,872</u></b>

#### **Note 7 - Permanently Restricted Net Assets**

Permanently restricted net assets include net assets subject to donor-imposed stipulations that they be maintained permanently by TFP. Generally, the donors of these assets permit TFP to use all or part of the income earned on related investments for general or specific purposes. At June 30, 2014 and 2013, permanently restricted net assets consist of the following:

	<b><u>2014</u></b>	<b><u>2013</u></b>
Pat Gray Legacy	\$ <u>267,166</u>	\$ <u>267,166</u>

#### **Note 8 - Leasing Arrangements**

TFP has two non-cancelable operating lease agreements for office space. TFP 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 TFP to pay its proportionate share of utilities, real estate taxes, insurance and repairs.

TFP leases office space in Lynn, MA under a non-cancelable real estate lease agreement expiring in October 2016. The arrangement provides for fixed monthly rental payments and requires TFP to pay its proportionate share of utilities, real estate taxes, insurance and repairs.

TFP leases one parcel 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.

TFP leases a parcel of vacant land within the Beverly, MA area from the Trustees of Reservations for use as community gardens under a three-year lease. The annual rent for this parcel is \$1.

TFP leases a parcel of vacant land within the Lincoln, MA area from the municipal government's Conservation Commission to use for general planting purposes under a five-year lease, expiring October 2017. The rent for this parcel is \$35 per acre / \$1,207.50 per year.

# **THE FOOD PROJECT, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **YEAR ENDED JUNE 30, 2014**

#### **Note 8 - Leasing Arrangements (Continued)**

TFP leases a parcel of vacant land within the Wenham, MA area from the municipal government's Conservation Commission, to use for general planting purposes under a four-year lease, expiring November 2018. The rent for this parcel is \$60 per acre / \$1,068 per year.

TFP leases a parcel of vacant land within the Lynn, MA area from the municipal government to use for general planting purposes and related agricultural education activities under a three-year lease expiring February 2017. The rent for this parcel is \$1 for the term of the lease and any extensions provided.

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

TFP leases a greenhouse space within the Beverly, MA area from the Glen Urquhart School to use for general planting purposes and related agricultural education activities under a one-year lease with automatic renewal for three additional years. The annual rent for this parcel is \$1.

Total rental expense, excluding certain operating expenses payable by TFP, amounted to approximately \$75,000 and \$57,000 for the years ended June 30, 2014 and 2013, 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, 2014 are as follows:

<b><u>Years ending June 30,</u></b>		<b><u>Amount</u></b>
2015	\$	59,071
2016		61,512
2017		56,292
2018		54,581
2019		8,774

TFP 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 \$36,000 and \$30,000 for the years ended June 30, 2014 and 2013, respectively.

The future minimum rental income receivable, by year, under the lease agreement as of June 30, 2014 is as follows:

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

**THE FOOD PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**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, 2014 and 2013 consist of promises that will be used for the following purposes:

	<b><u>2014</u></b>	<b><u>2013</u></b>
<b><u>Unrestricted:</u></b>		
The Baupost Group	\$ 25,000	\$ 50,000
Meg Coward & Sarah Schwartz	30,000	-
Jess Brooks & Russell Neufield	2,000	-
	<u>57,000</u>	<u>50,000</u>
<b><u>Youth Leadership and Training:</u></b>		
North Shore Workforce Investment Board	5,512	-
The Clowes Fund	-	10,000
	<u>5,512</u>	<u>10,000</u>
<b><u>Farm and Enterprise:</u></b>		
New England Biolabs	1,000	-
	<u>1,000</u>	<u>-</u>
Total conditional promises to give	<u>\$ 63,512</u>	<u>\$ 60,000</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**

TFP 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, 2014 and 2013 amounted to approximately \$10,000 and \$13,000, respectively.

While TFP expects to continue the Plan indefinitely, TFP 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.

**THE FOOD PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**Note 12 - Contribution of Real Food Challenge Net Assets**

The Real Food Challenge was a program of TFP 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, TFP 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, TFP 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.

**Note 13 - Prior Period Adjustment**

During 2014, the policy for recognizing deferred program revenues was reviewed and it was discovered that prior year calculations of deferred revenues were understated. Accordingly, an adjustment was made to increase deferred revenues by \$196,516 as of July 1, 2012. A corresponding adjustment was made to restate previously reported net assets by a decrease of \$196,516 as of July 1, 2012. Also, an adjustment was made to increase deferred revenues by \$13,583 as of June 30, 2013. A corresponding adjustment was made to restate previously reported changes in net assets by a decrease of \$13,583 for the year ended June 30, 2013.