

**THE FOOD PROJECT, INC.**

**FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

tonneson + co

Certified Public Accountants & Consultants

# **THE FOOD PROJECT, INC.**

## **TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
STATEMENTS OF FINANCIAL POSITION JUNE 30, 2015 AND 2014	2
STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)	3
STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2015 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)	4
STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2015 AND 2014	5
NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2015 AND 2014	6 - 14

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of The Food Project, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, the related statements of activities and functional expenses for the year ended June 30, 2015, the statements of cash flows for the years ended June 30, 2015 and 2014, 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.

### Auditor's 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 audits 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 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, 2015 and 2014, and the changes in its net assets and functional expenses for the year ended June 30, 2015, and its cash flows for the years ended June 30, 2015 and 2014 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, 2014 financial statements and our report dated November 4, 2014 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2014, except for the effects of the prior period adjustment described in Note 12, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wakefield, Massachusetts  
March 31, 2016

*Tonneson & Company, PC*

tonneson + co

Certified Public Accountants & Consultants

401 Edgewater Place, Suite 300, Wakefield, MA 01880-6208 t. 781.245.9999 f. 781.245.8731 [www.tonneson.com](http://www.tonneson.com)

**THE FOOD PROJECT, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2015 AND 2014**

**ASSETS**

	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>2015 Total</u></b>	<b><u>2014 Total (Restated)</u></b>
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 1,142,161	\$ 73,027	\$	\$ 1,215,188	\$ 954,761
Investments	51,518	159,018	267,166	477,702	648,114
Accounts receivable, program grants	48,389	96,417		144,806	82,184
Accounts receivable, other	23,949			23,949	11,463
Prepaid expenses and other current assets	52,825			52,825	80,792
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	1,318,842	328,462	267,166	1,914,470	1,777,314
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,362,961			1,362,961	1,434,039
<b>TOTAL ASSETS</b>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 2,681,803	\$ 328,462	\$ 267,166	\$ 3,277,431	\$ 3,211,353

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>					
Current portion of long-term debt	\$ 21,831	\$	\$	\$ 21,831	\$ 20,745
Accounts payable and accrued expenses	108,041			108,041	81,160
Deferred revenue	178,705			178,705	181,824
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	308,577			308,577	283,729
Long-term debt, net of current portion	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	193,488			193,488	224,022
<b>TOTAL LIABILITIES</b>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	502,065	-	-	502,065	507,751
<b>NET ASSETS:</b>					
Unrestricted:					
Operating	2,178,845			2,178,845	2,213,821
Board Designated	893			893	27,857
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total unrestricted	2,179,738			2,179,738	2,241,678
Temporarily restricted		328,462		328,462	194,758
Permanently restricted			267,166	267,166	267,166
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL NET ASSETS</b>	2,179,738	328,462	267,166	2,775,366	2,703,602
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 2,681,803	\$ 328,462	\$ 267,166	\$ 3,277,431	\$ 3,211,353

See Notes to Financial Statements.

**THE FOOD PROJECT, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2015**

**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
<b>REVENUE AND SUPPORT:</b>					
Grants and contributions	\$ 2,316,388	\$ 169,444	\$	\$ 2,485,832	\$ 2,073,370
Sales	429,677			429,677	457,528
Rental income	28,200			28,200	35,900
Donated materials and services	48,863			48,863	44,780
Net realized gains (losses) on investments	(108)			(108)	123
Net unrealized gains on investments		13,209		13,209	44,736
Interest and dividend income	6,583	6,025		12,608	8,242
Net assets released from restrictions	54,974	(54,974)		-	-
Total revenue and support	<u>2,884,577</u>	<u>133,704</u>	<u>-</u>	<u>3,018,281</u>	<u>2,664,679</u>
<b>OPERATING EXPENSES:</b>					
Program services	2,268,645			2,268,645	2,221,471
Management and general	251,666			251,666	232,589
Development	426,206			426,206	455,694
Total operating expenses	<u>2,946,517</u>	<u>-</u>	<u>-</u>	<u>2,946,517</u>	<u>2,909,754</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>(61,940)</u>	<u>133,704</u>	<u>-</u>	<u>71,764</u>	<u>(245,075)</u>
<b>NET ASSETS, BEGINNING OF YEAR AS PREVIOUSLY REPORTED</b>	2,138,315	298,121	267,166	2,703,602	2,948,677
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>103,363</u>	<u>(103,363)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS, BEGINNING OF YEAR AS RESTATED</b>	<u>2,241,678</u>	<u>194,758</u>	<u>267,166</u>	<u>2,703,602</u>	<u>2,948,677</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,179,738</u>	<u>\$ 328,462</u>	<u>\$ 267,166</u>	<u>\$ 2,775,366</u>	<u>\$ 2,703,602</u>

See Notes to Financial Statements.

**THE FOOD PROJECT, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2015**

**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)**

	<u>Program Services</u>				<u>Supporting Services</u>			<u>2015</u>	<u>2014</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	\$ 440,524	\$ 411,523	\$ 307,287	\$ 1,159,334	\$ 148,317	\$ 251,382	\$ 399,699	\$ 1,559,033	\$ 1,500,088
Youth stipends	322,526	558	60	323,144	-	170	170	323,314	329,404
Consultants and professional fees	37,238	29,379	38,975	105,592	54,487	64,116	118,603	224,195	235,743
Occupancy	47,174	20,538	30,310	98,022	13,799	27,505	41,304	139,326	124,087
Supplies	12,458	48,668	25,569	86,695	5,741	19,541	25,282	111,977	111,667
Depreciation	8,600	88,318	19,250	116,168	9,111	-	9,111	125,279	134,484
Equipment related expense	6,408	53,950	11,217	71,575	2,315	4,117	6,432	78,007	59,640
Insurance	18,019	26,228	9,074	53,321	10,723	8,912	19,635	72,956	67,362
Youth transportation	59,367	-	-	59,367	-	-	-	59,367	49,241
Printing	1,215	2,015	23,419	26,649	771	31,633	32,404	59,053	47,771
Seeds, plants, soil amendments	-	45,162	10,658	55,820	-	200	200	56,020	48,327
Utilities	4,064	21,343	16,791	42,198	1,257	2,652	3,909	46,107	45,454
Telephone	6,056	8,398	4,911	19,365	1,790	3,767	5,557	24,922	30,977
Conference and dues	5,821	2,256	8,137	16,214	2,160	3,369	5,529	21,743	64,558
Vehicle and travel	5,588	11,783	3,059	20,430	277	473	750	21,180	34,592
Postage	1,408	599	5,260	7,267	918	8,369	9,287	16,554	16,274
Support and assistance	-	10	7,474	7,484	-	-	-	7,484	10,085
<b>Total expenses</b>	<b>\$ 976,466</b>	<b>\$ 770,728</b>	<b>\$ 521,451</b>	<b>\$ 2,268,645</b>	<b>\$ 251,666</b>	<b>\$ 426,206</b>	<b>\$ 677,872</b>	<b>\$ 2,946,517</b>	<b>\$ 2,909,754</b>

See Notes to Financial Statements.

**THE FOOD PROJECT, INC.**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2015 AND 2014**

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

	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 71,764	\$ (245,075)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	125,279	134,484
Realized and unrealized gains on investments, net	(13,101)	(44,859)
Changes in certain assets and liabilities:		
Accounts receivable, program grants	(62,622)	35,863
Accounts receivable, other	(12,486)	1,649
Prepaid expenses and other current assets	27,967	(14,786)
Accounts payable and accrued expenses	26,881	480
Deferred revenue	(3,119)	(28,275)
Net cash provided by (used in) operating activities	<u>160,563</u>	<u>(160,519)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from investments	345,000	364,000
Purchase of investments	(161,487)	(349,543)
Purchase of property, plant and equipment	(54,201)	(7,444)
Net cash provided by investing activities	<u>129,312</u>	<u>7,013</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayments of long-term debt	(29,448)	(26,805)
Net cash used in financing activities	<u>(29,448)</u>	<u>(26,805)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	260,427	(180,311)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>954,761</u>	<u>1,135,072</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,215,188</u>	<u>\$ 954,761</u>

Supplemental disclosure of cash flow information:

TFP paid \$8,505 and \$11,147 in interest expense during the years ended June 30, 2015 and 2014, respectively.

See Notes to Financial Statements.

# **THE FOOD PROJECT, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED JUNE 30, 2015 AND 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** - The accompanying financial statements for 2014 have been restated to correct an error in the calculation of net assets released from restrictions made in 2014. The effect of the restatement was to decrease temporarily restricted net assets by \$103,363 and increase unrestricted net assets by \$103,363.

**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, 2015 and 2014, Board Designated net assets amounted to \$893 and \$27,857, respectively. Spending of these funds requires approval by the Board of Trustees.

Temporarily restricted net assets include gifts, 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, 2014 from which the summarized information was derived. Refer to Note 12 for effects of prior period adjustment.

**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 \$560,000 as of June 30, 2015.



# **THE FOOD PROJECT, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED JUNE 30, 2015 AND 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.

**Investments** - Investments consist of certificates of deposit with original maturities in excess of 90 days ranging from October 13, 2015 to October 17, 2016. 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, 2015 and 2014, 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, 2015.

**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 \$48,863 in 2015 and \$44,780 in 2014 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**

### **YEARS ENDED JUNE 30, 2015 AND 2014**

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

**Deferred Revenue** - TFP defers recognition of program and service revenue to the period in which the related program and services are 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, 2015, 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, 2015 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 - 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.

Following is a description of the TFP's valuation methodologies for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

#### *Mutual Funds*

These investments are public investment vehicles valued using the Net Asset Value ("NAV") provided by the administrator of the fund and calculated at the close of business on the NYSE. The NAV is based on the value of the underlying asset owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. Investments in mutual funds are classified within Level 1 of the valuation hierarchy.

#### *Certificates of Deposit*

These investments are valued at original cost plus accrued interest, which approximates fair value. Investments in certificates of deposit are classified within Level 1 of the valuation hierarchy.

# THE FOOD PROJECT, INC.

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED JUNE 30, 2015 AND 2014

#### Note 2 - Investments (Continued)

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, 2015 and 2014:

	<u>June 30, 2015</u>		<u>June 30, 2014</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
<b>Level 1</b>				
Certificates of deposit	\$ 208,787	\$ 208,787	\$ 397,734	\$ 397,734
Mutual funds:				
Stock investments:				
Large cap	<u>109,897</u>	<u>268,915</u>	<u>110,590</u>	<u>250,380</u>
<b>Total Level 1 Investments</b>	<u>\$ 318,684</u>	<u>\$ 477,702</u>	<u>\$ 508,324</u>	<u>\$ 648,114</u>

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

Property, plant and equipment at June 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Building	\$ 708,391	\$ 708,391
Land	691,620	691,620
Vehicles and equipment	563,360	520,781
Building improvements	278,976	278,976
Leasehold improvements	<u>221,270</u>	<u>217,557</u>
Total property, plant and equipment, at cost	2,463,617	2,417,325
Less accumulated depreciation	<u>1,100,656</u>	<u>983,286</u>
Property, plant and equipment, net	<u>\$ 1,362,961</u>	<u>\$ 1,434,039</u>

The fair value of the property, plant and equipment at June 30, 2015 and 2014, according to a valuation obtained from an independent insurance appraisal, amounted to \$2,058,125 and \$1,865,272, respectively.

#### Note 4 - Long-Term Debt

A summary of long-term debt at June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
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 \$387,150 at June 30, 2015), 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.	\$ 215,319	\$ 244,767
Less current portion	<u>21,831</u>	<u>20,745</u>
Net long-term portion	<u>\$ 193,488</u>	<u>\$ 224,022</u>

# **THE FOOD PROJECT, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED JUNE 30, 2015 AND 2014**

#### **Note 4 - Long-Term Debt (Continued)**

At June 30, 2015, annual maturities of long-term debt are as follows:

<b><u>Years ending June 30,</u></b>		<b><u>Amount</u></b>
2016	\$	21,831
2017		22,636
2018		23,470
2019		24,336
2020		25,233
Thereafter		97,813

#### **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, 2015 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	\$ <u>-</u>	\$ <u>159,018</u>	\$ <u>267,166</u>	\$ <u>426,184</u>

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	\$ <u>-</u>	\$ <u>139,784</u>	\$ <u>267,166</u>	\$ <u>406,950</u>

**THE FOOD PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2015 AND 2014**

**Note 5 - Endowment (Continued)**

The changes in endowment net assets for the years ended June 30, 2015 and 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, July 1, 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
Investment gain, net		19,234		19,234
Endowment Net Assets, June 30, 2015	\$ -	\$ 159,018	\$ 267,166	\$ 426,184

**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, 2015 and 2014, temporarily restricted net assets consist of the following:

	<u>2015</u>	<u>2014 (Restated)</u>
Cumulative gains on permanently restricted funds	\$ 159,018	\$ 139,784
Farm and enterprise	126,167	24,474
Youth leadership and training	28,277	-
Management and general	15,000	-
Public education and outreach	-	13,000
Food donations	-	17,500
	<u>\$ 328,462</u>	<u>\$ 194,758</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 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, 2015 and 2014, permanently restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Pat Gray Legacy	\$ 267,166	\$ 267,166

# **THE FOOD PROJECT, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED JUNE 30, 2015 AND 2014**

#### **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 numerous parcels of vacant land and green house space in Boston, Lynn, Lincoln, Wenham and Beverly, Massachusetts from various government and conservation agencies. The leases generally provide for nominal rent ranging from \$1 per year to \$1,208 per year and expire at various times through December 2113. The land is used for community gardens, general planting and educational purposes.

Total rental expense, excluding certain operating expenses payable by TFP, amounted to approximately \$74,000 and \$75,000 for the years ended June 30, 2015 and 2014, 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, 2015 are as follows:

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

TFP leases office space to a tenant under a non-cancelable lease agreement. The agreement provides for fixed minimum monthly rental payments and expires September, 2020. Rental income amounted to approximately \$28,000 and \$36,000 for the years ended June 30, 2015 and 2014, respectively.

The future minimum rental income receivable, by year, under the lease agreement as of June 30, 2015 is as follows:

<b><u>Years ending June 30,</u></b>		<b><u>Amount</u></b>
2016	\$	15,450
2017		15,600
2018		15,600
2019		15,600
2020		15,600
Thereafter		3,900

# **THE FOOD PROJECT, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED JUNE 30, 2015 AND 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, 2015 and 2014 consist of promises that will be used for the following purposes:

	<b><u>2015</u></b>	<b><u>2014</u></b>
<b><u>Unrestricted:</u></b>		
Individual donors	\$ -	\$ 32,000
The Baupost Group	-	25,000
	<u>-</u>	<u>57,000</u>
<b><u>Youth Leadership and Training:</u></b>		
North Shore Workforce Investment Board	13,998	5,512
	<u>13,998</u>	<u>5,512</u>
<b><u>Farm and Enterprise:</u></b>		
University of Wisconsin	39,957	-
New England Biolabs	-	1,000
	<u>39,957</u>	<u>1,000</u>
<b><u>Public Education and Outreach:</u></b>		
Mass Service Alliance Grant	5,979	-
	<u>5,979</u>	<u>-</u>
Total conditional promises to give	<u>\$ 59,934</u>	<u>\$ 63,512</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, 2015 and 2014 amounted to approximately \$11,000 and \$10,000, 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.

#### **Note 12 - Prior Period Adjustment**

The accompanying financial statements for 2014 have been restated to correct an error in the calculation of net assets released from restrictions made in 2014. The effect of the restatement was to decrease temporarily restricted net assets by \$103,363 and increase unrestricted net assets by \$103,363.

**THE FOOD PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2015 AND 2014**

**Note 13 - Subsequent Event**

Effective October 1, 2015, The Food Project, Inc., with the consent of the Board of Trustees, has elected to change their year-end from June 30<sup>th</sup> to September 30<sup>th</sup>.