

THE FOOD PROJECT, INC.

**FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

tonneson + co

Certified Public Accountants & Consultants

THE FOOD PROJECT, INC.

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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 statement of financial position as of September 30, 2016 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audit. We conducted our audit 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 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 September 30, 2016, and the changes in its net assets, functional expenses and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Tonneson & Company, PC

Wakefield, Massachusetts
January 31, 2017

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Certified Public Accountants & Consultants

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THE FOOD PROJECT, INC.

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2016

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CURRENT ASSETS:				
Cash and cash equivalents	\$ 465,563	\$ 104,828	\$	\$ 570,391
Investments		100,124	267,166	367,290
Accounts receivable, program grants	53,448	377,414		430,862
Accounts receivable, other	30,943			30,943
Prepaid expenses and other current assets	56,916			56,916
Total current assets	606,870	582,366	267,166	1,456,402
PROPERTY, PLANT AND EQUIPMENT, NET	1,323,454			1,323,454
TOTAL ASSETS	<u>\$ 1,930,324</u>	<u>\$ 582,366</u>	<u>\$ 267,166</u>	<u>\$ 2,779,856</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:				
Current portion of long-term debt	\$ 19,441	\$	\$	\$ 19,441
Accounts payable and accrued expenses	102,843			102,843
Deferred revenue	27,855			27,855
Total current liabilities	150,139			150,139
Long-term debt, net of current portion	157,549			157,549
TOTAL LIABILITIES	307,688	-	-	307,688
NET ASSETS:				
Unrestricted:				
Operating	1,621,755			1,621,755
Board Designated	881			881
Total unrestricted	1,622,636			1,622,636
Temporarily restricted		582,366		582,366
Permanently restricted			267,166	267,166
TOTAL NET ASSETS	1,622,636	582,366	267,166	2,472,168
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,930,324</u>	<u>\$ 582,366</u>	<u>\$ 267,166</u>	<u>\$ 2,779,856</u>

See Notes to Financial Statements.

THE FOOD PROJECT, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT:				
Grants and contributions	\$ 2,061,964	\$ 626,841	\$	\$ 2,688,805
Sales	414,862			414,862
Rental income	28,800			28,800
Donated materials and services	57,386			57,386
Net unrealized gains on investments		33,045		33,045
Interest and dividend income	340	6,415		6,755
Gain on disposal of assets	13,651			13,651
Net assets released from restrictions	401,250	(401,250)		-
Total revenue and support	<u>2,978,253</u>	<u>265,051</u>	<u>-</u>	<u>3,243,304</u>
OPERATING EXPENSES:				
Program services	2,275,097			2,275,097
Management and general	266,274			266,274
Development	524,706			524,706
Total operating expenses	<u>3,066,077</u>	<u>-</u>	<u>-</u>	<u>3,066,077</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(87,824)</u>	<u>265,051</u>	<u>-</u>	<u>177,227</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,710,460</u>	<u>317,315</u>	<u>267,166</u>	<u>2,294,941</u>
NET ASSETS, END OF YEAR	<u>\$ 1,622,636</u>	<u>\$ 582,366</u>	<u>\$ 267,166</u>	<u>\$ 2,472,168</u>

See Notes to Financial Statements.

THE FOOD PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2016

	<u>Program Services</u>				<u>Supporting Services</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>	<u>Total</u>
Personnel	\$ 347,637	\$ 462,002	\$ 264,105	\$ 1,073,744	\$ 154,686	\$ 302,375	\$ 457,061	\$ 1,530,805
Youth stipends	371,558	-	-	371,558	-	53	53	371,611
Consultants and professional fees	35,620	36,514	103,336	175,470	52,071	46,673	98,744	274,214
Occupancy	50,116	21,540	30,275	101,931	17,723	32,960	50,683	152,614
Supplies	11,291	45,864	30,195	87,350	5,831	47,899	53,730	141,080
Depreciation	1,600	103,887	-	105,487	7,500	-	7,500	112,987
Insurance	22,776	36,957	8,529	68,262	13,502	13,895	27,397	95,659
Equipment related expense	8,912	34,955	6,308	50,175	8,036	29,170	37,206	87,381
Printing	1,202	999	21,105	23,306	157	33,343	33,500	56,806
Seeds, plants, soil amendments	-	52,387	2,530	54,917	-	391	391	55,308
Utilities	3,896	34,333	6,957	45,186	1,165	2,779	3,944	49,130
Youth transportation	45,209	-	-	45,209	-	-	-	45,209
Telephone	6,587	8,977	4,227	19,791	1,970	4,703	6,673	26,464
Conference and dues	5,961	1,404	7,873	15,238	2,082	3,682	5,764	21,002
Vehicle and travel	4,873	10,720	2,394	17,987	974	662	1,636	19,623
Postage	1,276	246	5,398	6,920	577	6,121	6,698	13,618
Support and assistance	-	7,420	5,146	12,566	-	-	-	12,566
Total expenses	\$ 918,514	\$ 858,205	\$ 498,378	\$ 2,275,097	\$ 266,274	\$ 524,706	\$ 790,980	\$ 3,066,077

See Notes to Financial Statements.

THE FOOD PROJECT, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2016

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 177,227
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation	112,987
Gain on disposal of assets	(13,651)
Net unrealized gains on investments	(33,045)
Changes in certain assets and liabilities:	
Accounts receivable, program grants	(295,736)
Accounts receivable, other	876
Prepaid expenses and other current assets	14,860
Accounts payable and accrued expenses	(47,177)
Deferred revenue	(18,660)
	<hr/>
Net cash used in operating activities	(102,319)

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from investments	169,787
Purchase of investments	(82,676)
Proceeds from disposal of assets	25,573
Purchase of property and equipment	(110,450)
	<hr/>
Net cash provided by investing activities	2,234

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayments of long-term debt	(30,812)
	<hr/>
Net cash used in financing activities	(30,812)

NET DECREASE IN CASH AND CASH EQUIVALENTS (130,897)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 701,288

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 570,391

Supplemental disclosure of cash flow information:

TFP paid \$7,169 in interest expense during the year ended September 30, 2016.

See Notes to Financial Statements.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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.

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 September 30, 2016, Board Designated net assets amounted to \$881. 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.

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 \$10,000 as of September 30, 2016.

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 17, 2016 to April 27, 2017. Investments also consist of mutual funds.

TFP reports its investments pursuant to U.S. generally accepted accounting principles. In accordance with these principles, investments are recorded at market value and investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at fair value in the Statement of Financial Position. Net realized and unrealized gains or losses in the fair value of the investments are reflected in the Statement of Activities.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Investments (Continued)

The fair value of publicly traded mutual funds is based upon quoted market prices and net asset values. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the financial statements. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility.

Dividends, interest and net gains on investments are reported as increases in permanently restricted net assets if the terms of the underlying gift require that they be added to the principal, or as increases in temporarily restricted net assets if the terms of the underlying gift or relevant state law impose restrictions on the use of the income or net gains. Income and net gains on board designated funds are reported as an increase in unrestricted net assets.

Grants and Other Accounts Receivable - Grants and other 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 grants or other accounts receivable. Management has reviewed grants and other accounts receivable as of September 30, 2016, and considers grants and other 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 a percentage of 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 September 30, 2016.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

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 \$57,386 in 2016 are included in the accompanying financial statements.

TFP has a substantial number of volunteers who have donated a significant amount of their time and energy to TFP. No amounts have been recognized in the accompanying statement of activities for these donated services since an objective basis for measurement of the value of such services is not available, and these services are not specialized as defined by 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.

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 September 30, 2016, 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.

Recent Accounting Pronouncement - In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in the financial statements and notes about liquidity, financial performance and cash flows. The new guidance (1) revises the net asset classification scheme to two classes instead of the currently required three, (ii) enhances disclosures for self-imposed limits on the use of resources without donor-imposed restrictions and the composition of net assets with donor restrictions, (iii) updates the accounting and disclosure requirements for underwater endowment funds, (iv) requires the net presentation of investment expenses against investment return on the statement of activities and eliminates the requirement to disclose investment expenses that have been netted (v) requires the presentation of expenses by nature as well as function, (vi) requires qualitative disclosures on how a not-for-profit manages its available liquid resources, (vii) requires quantitative disclosures that communicate the availability of financial assets to meet cash needs for general expenditures within one year of the balance sheet date, and (viii) eliminates the requirement to disclose the indirect method of presenting operating cash flows if the direct method is utilized. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. Management is currently assessing the impact on the TFP's financial statements.

Subsequent Events - The date to which events occurring after September 30, 2016 have been evaluated for possible adjustment to the financial statements or disclosure is the date of the Independent Auditor's Report which is the date the financial statements were available to be issued.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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 TFP's valuation methodologies for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2016.

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 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 September 30, 2016:

	<u>Cost</u>	<u>Market</u>
Level 1		
Certificates of deposit	\$ 77,000	\$ 77,000
Mutual funds:		
Large Cap funds	<u>109,112</u>	<u>290,290</u>
Total Level 1 Investments	<u>\$ 186,112</u>	<u>\$ 367,290</u>

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

Note 3 - Accounts Receivable, Program Grants

Accounts receivable, program grants at September 30, 2016 is as follows:

Accounts receivable, program grants expected to be collected in:

Less than one year	\$ 341,395
One to five years	89,467
	<u>\$ 430,862</u>

Note 4 - Property, Plant and Equipment

Property, plant and equipment at September 30, 2016 consist of the following:

Building	\$ 708,391
Land	691,620
Vehicles and equipment	597,288
Building improvements	285,612
Leasehold improvements	263,796
	<u>2,546,707</u>
Total property, plant and equipment, at cost	2,546,707
Less accumulated depreciation	<u>1,223,253</u>
Property, plant and equipment, net	<u>\$ 1,323,454</u>

The fair value of the property, plant and equipment at September 30, 2016, according to a valuation obtained from an independent insurance appraisal, amounted to \$2,036,165.

Note 5 - Line of Credit

TFP has a revolving line of credit agreement with a bank. The maximum borrowings available under the agreement are \$200,000. The agreement provides that any borrowings are due on demand, and bear interest at the greater of (1) the bank's prevailing prime lending rate plus 2.00% or (2) 5.50% (5.50% at September 30, 2016). The agreement is collateralized by substantially all assets of TFP. The agreement also requires TFP to meet certain non-financial covenants, as defined in the financing agreement. At September 30, 2016, management is not aware of any violations to its covenants. As of September 30, 2016, there were no borrowings outstanding under this agreement.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

Note 6 - Long-Term Debt

A summary of long-term debt at September 30, 2016 is as follows:

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 \$381,712 at September 30, 2016), 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.	\$	176,990
Less current portion		<u>19,441</u>
Net long-term portion	\$	<u><u>157,549</u></u>

At September 30, 2016, annual maturities of long-term debt are as follows:

<u>Years ending September 30,</u>		<u>Amount</u>
2017	\$	19,441
2018		19,895
2019		20,680
2020		21,495
2021		22,334
Thereafter		73,145

Note 7 - Endowment

TFP's endowment consists of one individual donor-restricted fund established for a specific purpose. 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 fund 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 FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

Note 7 - Endowment (Continued)

The endowment net asset composition by type of fund as of September 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 181,174	\$ 267,166	\$ 448,340

The changes in endowment net assets for the three months ended September 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, October 1, 2015	\$ -	\$ 141,714	\$ 267,166	\$ 408,880
Investment gain, net		39,460		39,460
Endowment Net Assets, September 30, 2016	\$ -	\$ 181,174	\$ 267,166	\$ 448,340

Note 8 - 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 September 30, 2016, temporarily restricted net assets consist of the following:

Cumulative gains on permanently restricted funds	\$ 181,174
Management and general	308,580
Youth leadership and training	41,278
Farm and enterprise	33,834
Public education and outreach	17,500
	<u>\$ 582,366</u>

Note 9 - 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 September 30, 2016, permanently restricted net assets consist of the following:

Pat Gray Legacy (youth leadership and training)	<u>\$ 267,166</u>
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THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

Note 10 - 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 2019. 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 \$77,000 for the year ended September 30, 2016.

The minimum future rental payments, by year, under non-cancelable operating leases having initial lease terms in excess of one year as of September 30, 2016 are as follows:

<u>Years ending September 30,</u>		<u>Amount</u>
2017	\$	65,017
2018		62,558
2019		12,813
2020		1,074

TFP leases office space to two tenants under non-cancelable lease agreements. The agreements provide for fixed minimum monthly rental payments and expires July, 2019 and September, 2020, respectively. Rental income amounted to approximately \$29,000 for the year ended September 30, 2016.

The future minimum rental income receivable, by year, under the lease agreement as of September 30, 2016 is as follows:

<u>Years ending September 30,</u>		<u>Amount</u>
2017	\$	28,910
2018		29,576
2019		27,728
2020		15,600

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

Note 11 - 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 September 30, 2016 consist of promises that will be used for the following purposes:

Farm and Enterprise:

United States Department of Agriculture	\$	39,326
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Note 12 - 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 13 - 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 year ended September 30, 2016 amounted to approximately \$10,000.

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.