

THE FOOD PROJECT, INC.

**FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020**

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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. ("TFP"), which comprise the statements of financial position as of September 30, 2020 and 2019, the related statements of activities for the year ended September 30, 2020, the statements of functional expenses and cash flows for the years ended September 30, 2020 and 2019, 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 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, 2020 and 2019, and the changes in its net assets for the year ended September 30, 2020 and its cash flows for the years ended September 30, 2020 and 2019 in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited The Food Project, Inc.'s September 30, 2019 financial statements, and our report dated June 17, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wakefield, Massachusetts
February 2, 2021

Tonneson & Company, PC

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THE FOOD PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,077,366	\$ 570,727
Investments	244,882	535,246
Current portion of accounts receivable, program grants	151,600	289,288
Accounts receivable, other	10,137	18,207
Prepaid expenses and other current assets	<u>49,416</u>	<u>37,281</u>
Total current assets	2,533,401	1,450,749
Property, plant and equipment, net	880,208	956,475
Long-term accounts receivable, program grants	<u>-</u>	<u>141,600</u>
TOTAL ASSETS	<u>\$ 3,413,609</u>	<u>\$ 2,548,824</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 113,706	\$ 74,348
Deferred revenue	24,532	14,706
Note payable, other	<u>380,000</u>	<u>-</u>
TOTAL LIABILITIES	<u>518,238</u>	<u>89,054</u>
NET ASSETS:		
Without donor restrictions		
Operating	1,687,072	1,156,883
Board designated	<u>270,990</u>	<u>268,287</u>
Total without donor restrictions	1,958,062	1,425,170
With donor restrictions	<u>937,309</u>	<u>1,034,600</u>
TOTAL NET ASSETS	<u>2,895,371</u>	<u>2,459,770</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,413,609</u>	<u>\$ 2,548,824</u>

See Notes to Financial Statements.

THE FOOD PROJECT, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2020

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2019)

	<u>Without Donor</u>	<u>With Donor</u>	<u>2020</u>	<u>2019</u>
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>	<u>Total</u>
REVENUE AND SUPPORT:				
Grants and contributions	\$ 2,761,971	\$ 135,651	\$ 2,897,622	\$ 2,554,356
Sales	275,943	-	275,943	321,074
Rental income	33,400	-	33,400	32,150
Donated materials and services	26,868	-	26,868	43,821
Special events (net of \$102,228 of direct benefits to donors in 2019)	-	-	-	177,205
Gains (losses) from investments, net	1,689	34,461	36,150	19,390
Gain (loss) on disposal of property, plant and equipment	(1,075)	-	(1,075)	-
Net assets released from restrictions	267,403	(267,403)	-	-
	<u>3,366,199</u>	<u>(97,291)</u>	<u>3,268,908</u>	<u>3,147,996</u>
Total revenue and support				
OPERATING EXPENSES:				
Program services	1,752,117	-	1,752,117	2,041,504
Management and general	500,727	-	500,727	369,249
Development	580,463	-	580,463	597,775
	<u>2,833,307</u>	<u>-</u>	<u>2,833,307</u>	<u>3,008,528</u>
Total operating expenses				
INCREASE (DECREASE) IN NET ASSETS	<u>532,892</u>	<u>(97,291)</u>	<u>435,601</u>	<u>139,468</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,425,170</u>	<u>1,034,600</u>	<u>2,459,770</u>	<u>2,320,302</u>
NET ASSETS, END OF YEAR	<u>\$ 1,958,062</u>	<u>\$ 937,309</u>	<u>\$ 2,895,371</u>	<u>\$ 2,459,770</u>

See Notes to Financial Statements.

THE FOOD PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2020

	Program Services				Supporting Services			Total
	Youth Leadership and Training	Food Production and Enterprise	Public Education and Outreach	Total Program Services	Management and General	Development	Total Supporting Services	
Personnel	\$ 454,185	\$ 632,207	\$ 80,578	\$ 1,166,970	\$ 208,579	\$ 359,127	\$ 567,706	\$ 1,734,676
Consultants and professional fees	7,053	17,254	670	24,977	174,352	109,291	283,643	308,620
Youth stipends	116,215	-	-	116,215	-	-	-	116,215
Occupancy	33,774	32,715	7,771	74,260	22,028	8,270	30,298	104,558
Depreciation	26,224	36,503	4,652	67,379	12,043	20,736	32,779	100,158
Seeds, plants, soil amendments	-	97,581	-	97,581	-	-	-	97,581
Insurance	21,334	29,697	3,785	54,816	9,798	16,869	26,667	81,483
Printing and postage	100	3,192	13,975	17,267	1,797	32,969	34,766	52,033
Dues and fees	302	4,606	188	5,096	26,610	12,316	38,926	44,022
Utilities	907	34,219	2,269	37,395	2,269	3,810	6,079	43,474
Equipment related expense	339	14,315	1,607	16,261	24,415	2,606	27,021	43,282
Vehicle and travel	2,191	25,550	886	28,627	664	1,580	2,244	30,871
Conferences and training	17,569	3,387	269	21,225	6,123	658	6,781	28,006
Telephone	4,978	6,931	-	11,909	2,287	3,937	6,224	18,133
Supplies	2,876	1,692	1,677	6,245	9,762	202	9,964	16,209
Miscellaneous	-	-	-	-	-	8,092	8,092	8,092
Youth transportation	2,002	199	3,693	5,894	-	-	-	5,894
Total expenses	\$ 690,049	\$ 940,048	\$ 122,020	\$ 1,752,117	\$ 500,727	\$ 580,463	\$ 1,081,190	\$ 2,833,307

See Notes to Financial Statements.

THE FOOD PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2019

	<u>Program Services</u>				<u>Supporting Services</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	\$ 500,892	\$ 519,359	\$ 75,109	\$ 1,095,360	\$ 200,937	\$ 362,574	\$ 563,511	\$ 1,658,871
Youth stipends	399,587	-	-	399,587	-	-	-	399,587
Equipment related expense	16,067	51,097	4,970	72,134	38,998	65,322	104,320	176,454
Occupancy	20,068	70,780	6,518	97,366	23,230	42,707	65,937	163,303
Consultants and professional fees	5,064	26,536	3,530	35,130	56,927	15,949	72,876	108,006
Depreciation	31,815	32,988	4,771	69,574	12,763	23,030	35,793	105,367
Insurance	22,397	21,757	2,122	46,276	9,667	21,469	31,136	77,412
Seeds, plants, soil amendments	9,963	60,343	-	70,306	-	350	350	70,656
Utilities	3,070	31,230	886	35,186	3,221	7,118	10,339	45,525
Printing and postage	403	1,580	11,513	13,496	1,214	26,947	28,161	41,657
Dues and fees	2,654	10,546	1,042	14,242	7,548	14,481	22,029	36,271
Supplies	8,535	352	9,303	18,190	9,581	7,825	17,406	35,596
Youth transportation	28,230	507	-	28,737	33	-	33	28,770
Conferences and training	19,847	1,252	902	22,001	713	466	1,179	23,180
Vehicle and travel	4,493	12,464	378	17,335	2,430	895	3,325	20,660
Telephone	2,686	3,051	847	6,584	1,987	8,642	10,629	17,213
Total expenses	\$ 1,075,771	\$ 843,842	\$ 121,891	\$ 2,041,504	\$ 369,249	\$ 597,775	\$ 967,024	\$ 3,008,528

See Notes to Financial Statements.

THE FOOD PROJECT, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 435,601	\$ 139,468
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	100,158	105,367
Loss on disposal of property, plant and equipment	1,075	-
Net unrealized gains on investments	(34,461)	(18,168)
Changes in certain assets and liabilities:		
Accounts receivable, program grants	279,288	(156,308)
Accounts receivable, other	8,070	11,994
Prepaid expenses and other current assets	(12,135)	15,571
Accounts payable and accrued expenses	39,358	(9,693)
Deferred revenue	9,826	(51,969)
Net cash provided by operating activities	<u>826,780</u>	<u>36,262</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	324,825	50,000
Purchase of property and equipment	(24,966)	(87,819)
Net cash used in investing activities	<u>299,859</u>	<u>(37,819)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable, other	<u>380,000</u>	<u>-</u>
Net cash provided by financing activities	<u>380,000</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,506,639	(1,557)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>570,727</u>	<u>572,284</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,077,366</u>	<u>\$ 570,727</u>

Supplemental disclosure of cash flow information:

TFP paid no interest expense during either of the years ended September 30, 2020 or September 30, 2019.

See Notes to Financial Statements.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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. U.S. generally accepted accounting principles establish standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to externally (donor) imposed restrictions. The two net asset categories are as follows:

Net Assets Without Donor Restrictions include net assets that are available for use in general operations and not subject to donor-imposed stipulations, and board designated net assets. Board designated net assets represent amounts which have been earmarked by the Board of Trustees for future use.

Net Assets With Donor Restrictions include some net assets with restrictions that are temporary in nature, which are subject to donor-imposed stipulations, that may or will be met by actions of the Organization and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, whereas the donor stipulates that these resources be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets are then reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Revenues are reported as an increase in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions or by law. Expenses are generally reported as a decrease in net assets without donor restrictions. Expiration of temporary restrictions is reflected in the statement of activities as net assets released from donor restrictions.

Comparative Financial Information - The statement of activities includes 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 September 30, 2019 from which the summarized information was derived.

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 \$1,200,000 as of September 30, 2020.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash Equivalents - Cash equivalents consist of highly liquid investments with original maturities of ninety days or less. Cash equivalents are carried at cost, which approximates market.

Investments - Investments 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 statements 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 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 net assets with donor restrictions. Income and net gains on board designated funds are reported as an increase in net assets without donor restrictions.

Grants and Other Accounts Receivable - U.S. generally accepted accounting principles require that unconditional promises to give (grants) be recorded as receivables and revenue in the period received and requires the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

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, 2020 and 2019, 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 without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

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 and mutual funds.

Spending Policy - TFP has adopted a spending policy on endowment 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 elected to distribute \$50,000 of the earned income and realized capital gains during the year ended September 30, 2019. No distributions were taken during the year ended September 30, 2020.

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 \$26,868 in 2020 and \$43,821 in 2019 are included in the accompanying statement of activities.

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.

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.

Revenue Recognition - Under FASB ASC Topic 606, Revenue from Contracts with Customers, revenue is recorded when a customer obtains control of promised goods or services (the performance obligation) in an amount that reflects the consideration expected to be received in exchange for those goods or services (the transaction price).

Revenue recognized from performance obligations satisfied at a point in time consists of produce sales. Revenue is recorded when the customer takes control of produce at the point of sale. Revenue from performance obligations satisfied over time consists of sales of farm shares. Progress towards completion of performance obligations related to farm shares is recognized ratably over the course of the related farm sharing period. All of TFP's performance obligations are for durations of one year or less. For the year ended September 30, 2020, revenue recognized at a point in time and over time amounted to approximately \$124,092 and \$140,823, respectively. Accounts receivable require payment on a short-term basis and as such TFP does not have any significant financing components.

Recently Adopted Accounting Pronouncement - In May 2014, the Financial Accounting Standards Board issued ASU 2014-09, Revenue from Contracts with Customers (ASC Topic 606) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods of nonpublic entities beginning after December 15, 2018 with permitted delay to years beginning after December 15, 2019 under certain circumstances. TFP adopted ASC 606 effective October 1, 2019.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncement (Continued) - TFP applied ASC 606 using the modified retrospective method, which requires recognizing the cumulative effect of initially applying the new guidance as an adjustment, if any, to the opening balance of net assets as of October 1, 2019. Therefore, the information for 2019 has not been adjusted and continues to be reported under prior revenue guidance.

As part of the adoption of ASC 606, TFP elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients. The adoption resulted in no changes in the current year and TFP expects the impact of the adoption of the new standard to be immaterial to its changes in net assets on an ongoing basis.

Recent Accounting Pronouncement Not Yet Adopted - The Financial Accounting Standards Board has issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the year ending September 30, 2023. TFP is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Income Taxes - The Internal Revenue Service has recognized TFP 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, TFP 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, 2020, TFP has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. TFP is generally subject to potential examination by taxing jurisdictions for the three prior years.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include depreciation, salaries, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization. Management believes their allocations are done on a reasonable and consistent basis.

Subsequent Events - The date to which events occurring after September 30, 2020 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

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

Note 2 - Availability and Liquidity

TFP regularly monitors liquidity required to meet its operating needs and other contractual commitments. TFP has various sources of liquidity at its disposal including cash and cash equivalents, accounts receivable, and investments. To help manage unanticipated liquidity needs, TFP has a line of credit with available borrowings amounting to \$200,000 which it could draw upon. TFP's goal is generally to maintain financial assets sufficient to meet 60 days of operating expenses (approximately \$450,000). As part of its liquidity plan, excess cash is invested in short-term investments, including certificates of deposit.

The following table represents TFP's financial assets as of September 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date. Amounts not available include net assets with donor or contractual restrictions and board designated net assets. The Board has designated \$270,990 and \$268,287 at September 30, 2020 and 2019, respectively, for special purposes and may appropriate amounts from these funds, should the need arise.

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,077,366	\$ 570,727
Investments	244,882	535,246
Accounts receivable, program grants	151,600	430,888
Accounts receivable, other	10,137	18,207
Total financial assets	<u>2,483,985</u>	<u>1,555,068</u>
Less amounts not available to be used within one year:		
Restricted by donor with time or purpose restrictions	937,309	1,034,600
Board designated funds	270,990	268,287
	<u>1,208,299</u>	<u>1,302,887</u>
Financial assets available to meet general expenditures over the next twelve months	1,275,686	252,181
Liquidity resources - line of credit borrowings	<u>200,000</u>	<u>200,000</u>
Total financial assets and liquidity resources available over next twelve months	\$ <u>1,475,686</u>	\$ <u>452,181</u>

Note 3 - 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.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

Note 3 - Investments (Continued)

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, 2020.

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.

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, 2020 and 2019:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Level 1				
Mutual funds:				
Large Cap funds	<u>137,944</u>	<u>244,882</u>	<u>267,166</u>	<u>535,246</u>
Total Level 1 Investments	<u>\$ 137,944</u>	<u>\$ 244,882</u>	<u>\$ 267,166</u>	<u>\$ 535,246</u>

Note 4 - Accounts Receivable, Program Grants

Accounts receivable, program grants at September 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Accounts receivable, program grants expected to be collected in:		
Less than one year	\$ 151,600	\$ 289,288
One to five years	<u>-</u>	<u>141,600</u>
	<u>\$ 151,600</u>	<u>\$ 430,888</u>

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

Note 5 - Property, Plant and Equipment

Property, plant and equipment at September 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Building	\$ 577,891	\$ 577,891
Land	387,120	387,120
Vehicles and equipment	628,413	609,192
Building improvements	310,491	310,491
Leasehold improvements	<u>390,744</u>	<u>390,744</u>
Total property, plant and equipment, at cost	2,294,659	2,275,438
Less accumulated depreciation	<u>1,414,451</u>	<u>1,318,963</u>
Property, plant and equipment, net	<u>\$ 880,208</u>	<u>\$ 956,475</u>

Note 6 - 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% and 6.25% at September 30, 2020 and 2019, respectively). 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. As of September 30, 2020, management is not aware of any violations to its covenants. As of September 30, 2020 and 2019, there were no borrowings outstanding under this agreement.

Note 7 - Note Payable, Other

During May 2020, TFP was granted a loan from Leader Bank in the amount of \$380,000, pursuant to the Paycheck Protection Program ("PPP") as provided for in the Federal CARES Act. The loan, which was in the form of a note payable, bears interest at a rate of 1% and matures on May 7, 2022. The CARES Act allows for the loan to be forgiven if certain conditions are met.

The note may be prepaid by TFP at any time prior to maturity with no prepayment penalties. In order to qualify for forgiveness, funds from the loan may only be used for payroll costs, employee benefits, rent and utilities, and certain wage and employment levels need to be maintained. FP intends to use the entire loan amount for qualifying expenses.

The PPP note is unsecured and guaranteed by the United States Small Business Administration. TFP intends to apply for forgiveness of the PPP note, with the amount which may be forgiven equal to the sum of payroll costs, covered rent, and covered utility payments incurred by TFP during the twenty-four week period beginning upon receipt of PPP term note funds, calculated in accordance with the terms of the CARES Act. TFP has elected to account for this note under FASB ASC Topic 470, *Debt* (ASC 470). Under ASC 470, the proceeds from the note will remain as a liability in the accompanying statements of financial position until either the loan is in part or wholly forgiven, or repayment is made. If the loan is forgiven, TFP will recognize a gain on the extinguishment of debt.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

Note 8 - 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 restricted in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 net assets with donor restrictions 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 September 30, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 569,707	\$ 569,707

The endowment net asset composition by type of fund as of September 30, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 535,246	\$ 535,246

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

Note 8 - Endowment (Continued)

The changes in endowment net assets for the years ended September 30, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, October 1, 2018	\$ -	\$ 567,077	\$ 567,077
Investment gain, net		18,169	18,169
Net assets released from restrictions		(50,000)	(50,000)
Endowment Net Assets, September 30, 2019	\$ -	\$ 535,246	\$ 535,246
Investment gain, net		34,461	34,461
Net assets released from restrictions		-	-
Endowment Net Assets, September 30, 2020	\$ -	\$ 569,707	\$ 569,707

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Endowment:		
Restricted in perpetuity:		
Pat Gray Legacy (youth leadership and training)	\$ 267,166	\$ 267,166
Subject to expenditure for specified purpose:		
Cumulative gains on endowment funds	302,541	268,080
Fundraising	74,629	5,000
Farm and enterprise	60,600	-
Mobile market	48,000	-
Youth leadership and training	43,038	157,373
Regional support	26,001	-
Strategic planning	8,334	-
Staff professional development	7,000	-
	<u>570,143</u>	<u>430,453</u>
Subject to the passage of time:		
Management and general	<u>100,000</u>	<u>336,981</u>
	<u>\$ 937,309</u>	<u>\$ 1,034,600</u>

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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 March 2022. 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 2022. 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 \$1,072 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 \$82,000 and \$93,000 for the years ended September 30, 2020 and 2019, respectively.

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, 2020 are as follows:

<u>Years ending September 30,</u>	<u>Amount</u>
2021	\$ 76,195
2022	45,946
2023	2,287

TFP leases office space to three tenants under non-cancelable lease agreements. The agreements provide for fixed minimum monthly rental payments. One agreement expired in July 2019, the other two expire September 2020 and March 2021, respectively. Rental income for the years ended September 30, 2020 and 2019 amounted to approximately \$33,000 and \$32,000, respectively.

The future minimum rental income receivable, by year, under the lease agreements as of September 30, 2020 is as follows:

<u>Years ending September 30,</u>	<u>Amount</u>
2021	\$ 27,893

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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 amounted to approximately \$10,000 and \$7,000 for the years ended September 30, 2020 and 2019, 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 - COVID-19

The COVID-19 outbreak in the United States, which began affecting the operations of TFP in March 2020, continues to cause business disruption throughout the country. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. However, the related financial impact and duration cannot be reasonably estimated at this time.

Note 13 - Subsequent Events

Subsequent to September 30, 2020, TFP applied for forgiveness of their \$380,000 Paycheck Protection Program loan through Leader Bank. Management expects the full amount of the loan to be forgiven. However, final approval from the Small Business Administration is still pending.

In January 2021, the Small Business Administration, in consultation with the U.S. Treasury Department, reopened the Paycheck Protection Program and began accepting applications for second draw PPP loans. These loans are available to certain eligible borrowers that previously received a PPP loan and have the same general loan terms as their first draw PPP loan. On January 13, 2021 TFP applied for a second draw PPP loan in the amount of \$346,475.