

# **THE FOOD PROJECT, INC.**

**FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2023**

**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

### Opinion

We have audited the accompanying financial statements of The Food Project, Inc. ("TFP"), which comprise the statements of financial position as of September 30, 2023 and 2022, the related statement of activities for the year ended September 30, 2023, the statements of functional expenses and cash flows for the years ended September 30, 2023 and 2022, and the related notes to the financial statements.

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, 2023 and 2022, and the changes in its net assets for the year ended September 30, 2023 and its functional expenses cash flows for the years ended September 30, 2023 and 2022 in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Food Project, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Change in Accounting Principle

As discussed in Note 1 to the financial statements, The Food Project, Inc. adopted FASB 842, *Leases*, effective October 1, 2022. Our opinion was not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Food Project, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Food Project, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Food Project, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Report on Summarized Comparative Information**

We have previously audited The Food Project, Inc.'s September 30, 2022 financial statements, and our report dated February 27, 2023, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Tonneson & Company, PC*

Wakefield, Massachusetts

February 16, 2024

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**THE FOOD PROJECT, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**SEPTEMBER 30, 2023 AND 2022**

**ASSETS**

	<b><u>2023</u></b>	<b><u>2022</u></b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,270,613	\$ 2,063,982
Investments	543,773	482,705
Current portion program grants receivable	389,774	372,000
Accounts receivable, other	43,187	21,000
Grants receivable	641,882	-
Prepaid expenses and other current assets	<u>38,469</u>	<u>52,322</u>
Total current assets	2,927,698	2,992,009
Program grants receivable, net of current portion and discount	-	278,177
Property, plant and equipment, net	1,213,579	1,136,975
Right-of use assets under operating lease	<u>387,473</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,528,750</u></b>	<b><u>\$ 4,407,161</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 203,615	\$ 223,503
Deferred revenue	4,000	21,210
Current portion of operating lease obligations	<u>67,039</u>	<u>-</u>
Total current liabilities	274,654	244,713
Operating lease obligations, net of current portion	<u>325,107</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b><u>599,761</u></b>	<b><u>244,713</u></b>
<b>NET ASSETS:</b>		
Without donor restrictions		
Operating	2,399,505	2,489,621
Board designated	<u>273,396</u>	<u>272,175</u>
Total without donor restrictions	2,672,901	2,761,796
With donor restrictions	<u>1,256,088</u>	<u>1,400,652</u>
<b>TOTAL NET ASSETS</b>	<b><u>3,928,989</u></b>	<b><u>4,162,448</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,528,750</u></b>	<b><u>\$ 4,407,161</u></b>

**THE FOOD PROJECT, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED SEPTEMBER 30, 2023**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
<b>REVENUE AND SUPPORT:</b>				
Grants and contributions	\$ 2,482,939	\$ 202,361	\$ 2,685,300	\$ 4,073,375
Sales	182,442	-	182,442	298,494
Rental income	44,701	-	44,701	41,740
Contributed goods and services	28,058	-	28,058	50,613
Gain on extinguishment of debt	-	-	-	346,400
Investment income (loss), net	13,822	100,893	114,715	(98,025)
Conditional government grants	641,882	-	641,882	-
Loss on disposal of property, plant and equipment	-	-	-	(1,029)
Net assets released from restrictions	<u>447,818</u>	<u>(447,818)</u>	<u>-</u>	<u>-</u>
 Total revenue and support	 <u>3,841,662</u>	 <u>(144,564)</u>	 <u>3,697,098</u>	 <u>4,711,568</u>
<b>OPERATING EXPENSES:</b>				
Program services	2,715,273	-	2,715,273	3,051,298
Management and general	676,023	-	676,023	457,638
Development	<u>539,261</u>	<u>-</u>	<u>539,261</u>	<u>450,657</u>
 Total operating expenses	 <u>3,930,557</u>	 <u>-</u>	 <u>3,930,557</u>	 <u>3,959,593</u>
 <b>INCREASE (DECREASE) IN NET ASSETS</b>	 <u>(88,895)</u>	 <u>(144,564)</u>	 <u>(233,459)</u>	 <u>751,975</u>
 <b>NET ASSETS, BEGINNING OF YEAR</b>	 <u>2,761,796</u>	 <u>1,400,652</u>	 <u>4,162,448</u>	 <u>3,410,473</u>
 <b>NET ASSETS, END OF YEAR</b>	 <u>\$ 2,672,901</u>	 <u>\$ 1,256,088</u>	 <u>\$ 3,928,989</u>	 <u>\$ 4,162,448</u>

See Notes to Financial Statements.

**THE FOOD PROJECT, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED SEPTEMBER 30, 2023**

	Program Services					Supporting Services				
	Leadership and Training	Food	Public	Total	Program Services	Management		Supporting Services	Total	
		Production and Enterprise	Education and Outreach			and General	Development			
Personnel	\$ 265,780	\$ 846,472	\$ 163,645	\$ 1,275,897	\$ 206,027	\$ 323,267	\$ 529,294	\$ 1,805,191		
Youth stipends	691,136	4,577	6,057	701,770	8,262	2,630	10,892	712,662		
Consultants and professional fees	2,070	11,000	114,768	127,838	242,047	87,369	329,416	457,254		
Depreciation	-	80,617	-	80,617	58,246	-	58,246	138,863		
Seeds, plants, soil amendments	3,906	117,592	-	121,498	-	-	-	121,498		
Insurance	-	33,822	26,191	60,013	44,769	4,365	49,134	109,147		
Lease expense	81,043	896	-	81,939	7,064	-	7,064	89,003		
Dues and fees	143	586	31,974	32,703	35,684	11,683	47,367	80,070		
Event	18	-	-	18	-	68,923	68,923	68,941		
Utilities	5,043	42,332	-	47,375	7,585	-	7,585	54,960		
Equipment related expense	147	17,256	6,212	23,615	20,808	3,103	23,911	47,526		
Conferences and training	18,826	6,940	23	25,789	11,329	8,233	19,562	45,351		
Occupancy	3,850	20,361	-	24,211	15,780	-	15,780	39,991		
Youth transportation	36,532	2,059	-	38,591	-	-	-	38,591		
Supplies	21,269	12,373	49	33,691	4,575	60	4,635	38,326		
Vehicle and travel	2,790	31,914	-	34,704	1,337	-	1,337	36,041		
Printing and postage	16	1,252	781	2,049	2,373	16,628	19,001	21,050		
Bad debt	-	-	-	-	2,455	13,000	15,455	15,455		
Telephone	2,110	432	-	2,542	7,301	-	7,301	9,843		
Miscellaneous	126	287	-	413	381	-	381	794		
Total expenses	\$ 1,134,805	\$ 1,230,768	\$ 349,700	\$ 2,715,273	\$ 676,023	\$ 539,261	\$ 1,215,284	\$ 3,930,557		

See Notes to Financial Statements.

**THE FOOD PROJECT, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED SEPTEMBER 30, 2022**

	Program Services					Supporting Services				
	Youth Leadership and Training	Food Production and Enterprise	Public Education and Outreach	Total Program Services	Management		Total Supporting Services	Total		
					and General	Development				
Personnel	\$ 502,121	\$ 999,976	\$ 185,289	\$ 1,687,387	\$ 131,665	\$ 341,606	\$ 473,271	\$ 2,160,657		
Youth stipends	508,710	7,625	5,025	521,360	1,609	734	2,343	523,703		
Consultants and professional fees	20,210	55,803	68,300	144,313	194,416	19,357	213,773	358,087		
Seeds, plants, soil amendments	3,673	158,469	-	162,143	-	-	-	162,143		
Depreciation	46,657	46,508	8,784	101,949	6,152	15,801	21,953	123,902		
Occupancy	39,923	50,073	-	89,997	15,387	-	15,387	105,383		
Insurance	32,469	32,365	6,113	70,947	4,281	10,996	15,277	86,224		
Utilities	5,160	49,058	-	54,218	5,377	-	5,377	59,594		
Supplies	27,956	5,448	319	33,722	23,624	1,753	25,377	59,099		
Equipment related expense	690	32,113	2,850	35,653	20,007	2,938	22,946	58,599		
Dues and fees	444	1,704	-	2,148	42,658	10,729	53,386	55,534		
Youth transportation	51,815	44	46	51,905	-	-	-	51,905		
Conferences and training	21,676	11,475	2,593	35,744	9,381	4,770	14,151	49,895		
Printing and postage	1,440	1,530	6,505	9,475	1,578	30,359	31,937	41,412		
Vehicle and travel	9,994	26,936	-	36,930	917	576	1,493	38,423		
Telephone	6,545	6,025	839	13,409	587	1,508	2,096	15,504		
Bad debt	-	-	-	-	-	6,000	6,000	6,000		
Miscellaneous	-	-	-	-	-	3,528	3,528	3,528		
Total expenses	\$ 1,279,484	\$ 1,485,151	\$ 286,664	\$ 3,051,298	\$ 457,638	\$ 450,657	\$ 908,295	\$ 3,959,593		

See Notes to Financial Statements.

**THE FOOD PROJECT, INC.**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

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

	<b><u>2023</u></b>	<b><u>2022</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ (233,459)	\$ 751,975
Adjustments to reconcile increase (decrease) in net assets		
to net cash provided by (used in) operating activities:		
Depreciation	138,863	123,902
Non-cash lease expense	4,673	-
Loss on disposal of property, plant and equipment	-	1,029
Net realized and unrealized (gains) losses on investments	(61,068)	115,397
Bad debt expense	15,455	6,000
Gain on extinguishment of debt	-	(346,400)
Changes in certain assets and liabilities:		
Program grants receivable	244,948	(564,077)
Accounts receivable, other	(22,187)	(8,500)
Grants receivable	(641,882)	-
Prepaid expenses and other current assets	13,853	1,662
Accounts payable and accrued expenses	(19,888)	(9,051)
Deferred revenue	(17,210)	(18,000)
Net cash provided by (used in) operating activities	<u>(577,902)</u>	<u>53,937</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	<u>(215,467)</u>	<u>(224,665)</u>
Net cash used in investing activities	<u>(215,467)</u>	<u>(224,665)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(793,369)</u>	<u>(170,728)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,063,982</u>	<u>2,234,710</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,270,613</u>	<u>\$ 2,063,982</u>

See Notes to Financial Statements.

# **THE FOOD PROJECT, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

#### **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 TFP 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 TFP 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, 2022 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 \$1,232,000 as of September 30, 2023.

# **THE FOOD PROJECT, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

#### **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 (losses) on donor restricted investments are reported as increases (decreases) in net assets with donor restrictions. Income and net gains (losses) on board designated funds are reported as an increase (decrease) in net assets without donor restrictions.

**Program Grants Receivable 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.

Program 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 program grants or other accounts receivable. Management has reviewed program grants and other accounts receivable as of September 30, 2023 and 2022, 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, 2023 AND 2022

#### 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 mutual funds.

**Contributed Goods and Services** - Contributions of goods and 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. Contributed goods and services for the years ended September 30, 2023 and 2022, included in the accompanying statement of activities, were as follows:

<b>Non-financial Contribution</b>	<b>Type of Contributions</b>	<b>Valuation</b>	<b>2023</b>	<b>2022</b>
Contributed services	Pro-bono legal work	Standard industry pricing	\$ 21,604	\$ 50,613
Donated goods/services	Auction related	Various	6,454	-
			\$ 28,058	\$ 50,613

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, 2023, revenue recognized at a point in time and over time amounted to \$135,656 and \$24,360, respectively. For the year ended September 30, 2022, revenue recognized at a point in time and over time amounted to \$143,300 and \$141,026, 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 February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 842, *Leases*. This new standard was issued to increase transparency and comparability among entities by requiring the recognition of the right-of-use (ROU) assets and lease liabilities on the balance sheet. Most notable among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Additionally, under the new standard disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

# **THE FOOD PROJECT, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

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

**Recently Adopted Accounting Pronouncements (Continued)** - The Organization adopted the new lease standard effective October 1, 2022 and recognized and measured leases existing at October 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease accounting and disclosures for the year ended September 30, 2022 are made under prior year lease guidance in FASB ASC 840 in which future payments to be made under operating leases, other than deferred rent, were not recorded on the balance sheet but rather classified and disclosed as commitments and certain long-term lease transactions relating to the financing of property and equipment were classified as capital leases.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, and (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on October 1, 2022 lease liabilities of \$450,306, which represents the present value of the remaining operating lease payments of \$495,938, discounted using the risk free interest rate ranging from 0% to 4.65% which was based on the remaining terms of the leases and right-of-use assets of \$450,306.

Adoption of the new lease standard had a material impact on the Organization's statement of financial position but did not have an impact on the statement of activities, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for finance leases remained substantially unchanged.

**Leases** - The Organization leases certain land and facilities under long-term, noncancelable lease agreements. Finance leases are included in property and equipment as right-of-use (ROU) assets and current and long term finance lease obligations on the Organization's statement of financial position, if any. Operating leases are included in non-current assets as ROU assets and current and long term operating lease obligations on the Organization's statement of financial position, if any.

The Organization determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. For leases under common control arrangements, written terms and conditions are used to determine whether a lease exists and, if so, the classification and accounting for that lease. The Organization has elected to apply the short-term lease exemption to all asset classes.

# **THE FOOD PROJECT, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

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

**Leases (Continued)** - ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Both finance and operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments. ROU assets under finance leases are expensed on a straight-line basis over the shorter of the underlying assets economic life or the life of the lease. However, if the lease contains a significant economic incentive to exercise a purchase option, the ROU asset is amortized over the underlying assets useful life. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term which includes both amortization of the ROU assets and other lease expense. In determining the discount rate used to measure the right-of-use asset and lease liability, the rate implicit in the lease is used, or if not available, the Organization uses a risk-free rate for all classes of assets based on the information available at commencement date in determining the present value of lease payments. The risk-free interest rate is based on the U.S. Daily Treasury Par Yield Curve Rates for terms similar to lease terms. The ROU asset also includes any lease payments made at or before commencement less any lease incentives received. Lease terms may include options to extend or terminate the lease when it is reasonably certain that such option will be exercised. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization has lease agreements with lease and non-lease components. These are accounted for as a single lease component for all asset classes. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance, insurance, utilities, and taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

**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, 2023, 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 statement 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, 2023 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, 2023 AND 2022

#### 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, program grants receivable, accounts receivable, other 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 \$650,000).

The following table represents TFP's financial assets as of September 30, 2023 and 2022, 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 \$273,396 and \$272,175 at September 30, 2023 and 2022, respectively, for special purposes and may appropriate amounts from these funds, should the need arise.

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,270,613	\$ 2,063,982
Investments	543,773	482,705
Program grants receivable	389,774	650,177
Accounts receivable, other	43,187	21,000
Total financial assets	<u>2,247,347</u>	<u>3,217,864</u>
Less amounts not available to be used within one year:		
Restricted by donor with time or purpose restrictions	1,256,088	1,400,652
Board designated funds	273,396	272,175
	<u>1,529,484</u>	<u>1,672,827</u>
Financial assets available to meet general expenditures		
over the next twelve months	717,863	1,545,037
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>917,863</u>	\$ <u>1,745,037</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, 2023 AND 2022

#### 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, 2023.

#### *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, 2023 and 2022:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
<b>Level 1</b>				
Mutual funds:				
Large Cap funds	\$ 525,173	\$ 543,773	\$ 525,173	\$ 482,705
<b>Total Level 1 Investments</b>	<u>\$ 525,173</u>	<u>\$ 543,773</u>	<u>\$ 525,173</u>	<u>\$ 482,705</u>

#### Note 4 - Program Grants Receivable

Program grants receivable at September 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Program grants receivable expected to be collected in:		
Less than one year	\$ 389,774	\$ 372,000
One to five years	-	290,000
	<u>389,774</u>	<u>662,000</u>
Less present value discount	-	(11,823)
	<u>389,774</u>	<u>650,177</u>

# THE FOOD PROJECT, INC.

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED SEPTEMBER 30, 2023 AND 2022

#### Note 5 - Property, Plant and Equipment

Property, plant and equipment at September 30, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Building	\$ 577,891	\$ 577,891
Land	387,120	387,120
Vehicles and equipment	1,049,940	880,039
Building improvements	492,871	489,237
Leasehold improvements	<u>433,543</u>	<u>391,611</u>
 Total property, plant and equipment, at cost	 2,941,365	 2,725,898
Less accumulated depreciation	<u>1,727,786</u>	<u>1,588,923</u>
 Property, plant and equipment, net	 <u>\$ 1,213,579</u>	 <u>\$ 1,136,975</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% (10.50% and 8.25% at September 30, 2023 and 2022, 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, 2023, management is not aware of any violations to its covenants. As of September 30, 2023 and 2022, there were no borrowings outstanding under this agreement.

#### 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 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.

# THE FOOD PROJECT, INC.

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED SEPTEMBER 30, 2023 AND 2022

#### Note 7 - Endowment (Continued)

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, 2023 is as follows:

	<u>Without Donor Restrictions</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u>      -</u>	\$ <u>383,172</u>	\$ <u>267,166</u>	\$ <u>650,338</u>	\$ <u>650,338</u>

The endowment net asset composition by type of fund as of September 30, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u>      -</u>	\$ <u>282,279</u>	\$ <u>267,166</u>	\$ <u>549,445</u>	\$ <u>549,445</u>

The changes in endowment net assets for the years ended September 30, 2023 and 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, October 1, 2021	\$ <u>      -</u>	\$ <u>388,648</u>	\$ <u>267,166</u>	\$ <u>655,814</u>	\$ <u>655,814</u>
Investment loss, net	\$ <u>      -</u>	\$ <u>(106,369)</u>	\$ <u>      </u>	\$ <u>(106,369)</u>	\$ <u>(106,369)</u>
Endowment Net Assets, September 30, 2022	\$ <u>      -</u>	\$ <u>282,279</u>	\$ <u>267,166</u>	\$ <u>549,445</u>	\$ <u>549,445</u>
Investment income, net	\$ <u>      -</u>	\$ <u>100,893</u>	\$ <u>      </u>	\$ <u>100,893</u>	\$ <u>100,893</u>
Endowment Net Assets, September 30, 2023	\$ <u>      -</u>	\$ <u>383,172</u>	\$ <u>267,166</u>	\$ <u>650,338</u>	\$ <u>650,338</u>

# THE FOOD PROJECT, INC.

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED SEPTEMBER 30, 2023 AND 2022

#### Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</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	383,172	282,279
Fundraising	-	89,115
Youth leadership and training	142,774	80,000
Farm and enterprise	57,248	106,502
Regional support	-	22,474
Strategic planning	<u>108,729</u>	<u>15,000</u>
	<u>691,923</u>	<u>595,370</u>
Subject to the passage of time:		
Management and general	<u>296,999</u>	<u>538,116</u>
	<u><u>\$ 1,256,088</u></u>	<u><u>\$ 1,400,652</u></u>

#### Note 9 - Leasing Arrangements

For the year ended September 30, 2023, TFP leases office space under operating leases with various organizations, expiring at various times through December 2027. The lease agreements provide for fixed monthly payments ranging from \$1,217 through \$5,000. One of these leases provides for three one-year extensions beyond the initial term while the other provides for one two-year extension beyond the initial term.

TFP also 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 \$1,380 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 \$89,000 for the years ended September 30, 2022.

**THE FOOD PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

**Note 9 - Leasing Arrangements (Continued)**

The components of lease expense for the year ended September 30, 2023 were as follows:

Operating lease expense:

Operating lease expense	\$ 78,814
Variable lease expense	<u>10,189</u>
 Total operating lease expense	 <u><u>89,003</u></u>

Other information related to leases as of September 30, 2023 was as follows:

Weighted average remaining lease term (years):

Operating Leases	27.17
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Weighted average discount rate:

Operating Leases	3.43%
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Supplemental cash flow information for the year ended September 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash outflows from operating leases	\$ 74,586
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Right-of-use assets obtained in exchange for lease obligations:

Operating Leases	\$ 450,306
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TFP leases office space to three tenants under non-cancelable lease agreements. The agreements provide for fixed minimum monthly rental payments. The agreements expire at various dates between September 2023 and November 2023. Rental income for the years ended September 30, 2023 and 2022 amounted to approximately \$45,000 and \$46,000, respectively.

# THE FOOD PROJECT, INC.

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED SEPTEMBER 30, 2023 AND 2022

#### Note 9 - Leasing Arrangements (Continued)

The future minimum lease payments under non-cancellable leases as of September 30, 2023 were as follows:

<u>Years Ending September 30,</u>	<u>Operating Leases</u>
2024	\$ 77,377
2025	79,770
2026	69,283
2027	69,831
2028	18,564
Thereafter	<u>102,300</u>
Total lease payments	<u>417,125</u>
Less: Imputed interest	<u>24,979</u>
Total lease obligations	<u>392,146</u>
Less: Current obligations	<u>67,039</u>
Long-term lease obligations	<u>\$ 325,107</u>

Approximate future minimal rental payments under noncancelable operating leases as of September 30, 2022, as required to be disclosed in accordance with ASC 840, are as follows:

<u>Years ending September 30,</u>	<u>Amount</u>
2023	\$ 47,653
2024	1,819
2025	602
2026	1
2027	1
Thereafter	<u>86</u>
Total future minimum payments	<u>\$ 50,162</u>

#### Note 10 - 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 \$4,000 for each of the years ended September 30, 2023 and 2022.

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

## **THE FOOD PROJECT, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

#### **Note 11 - Conditional Government Grants**

During the year ended September 30, 2023 the Organization, after consulting with a third party consultant, applied for employee retention credits as provided for under the Federal CARES Act and subsequent modifications. The employee retention credits are refundable tax credits against certain employment taxes equal to 70% of qualified wages paid to employees during a quarter, with a limit of \$10,000 per employee. The Organization has accounted for these credits analogous to the guidance for a loss recovery as provided for in the accounting standards. This accounting guidance provides that a claim for recovery should be recognized when the claim is probable. According to management the Organization has met the requirements to claim these credits and believes that collection is probable. As a result, as of September 30, 2023 the Organization has recorded a receivable in the amount of \$641,881 with a corresponding amount in the statement of activities. As of September 30, 2023 the Organization has filed amended quarterly payroll tax returns in order to claim these credits. However, as of the date of the Auditor's Report, none of the recorded credits have been received. Employee Retention Credits claimed are subject to audit by the Internal Revenue Service. The IRS has five years, instead of the standard three years to audit ERC claims after filing. Any amounts disallowed upon audit would be required to be repaid. The employee retention credit program was terminated as of September 30, 2021.

#### **Note 12 - Gain on Extinguishment of Debt**

During January 2021, the Organization received a loan from Leader Bank through the Small Business administration's ("SBA") Paycheck Protection Program ("PPP") in the amount of \$346,400. The PPP funding was legally structured as a forgivable loan by the SBA. In order to achieve full or partial forgiveness of the loan, TFP was required to spend the funding for specific purposes and also generally maintain its full-time equivalent level of staffing and wage related conditions over a defined time period. TFP elected to account for this loan under FASB ASC Topic 470, Debt (ASC 470). Under ASC 470, the proceeds from the note are initially recorded as a liability, with a gain on the extinguishment of debt recorded at the time of forgiveness, as determined by the SBA. During 2022, the Organization received full forgiveness of the \$346,400 of funds received through the SBA's Paycheck Protection Program. As a result, TFP has recorded a gain on extinguishment of debt in the amount of \$346,400 for the year ended September 30, 2022.