

THE FOOD PROJECT, INC.

**FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024**

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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

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, 2024 and 2023, the related statement of activities for the year ended September 30, 2024, the statements of functional expenses and cash flows for the years ended September 30, 2024 and 2023, 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, 2024 and 2023, and the changes in its net assets for the year ended September 30, 2024 and its functional expenses and cash flows for the years ended September 30, 2024 and 2023 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.

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, 2023 financial statements, and our report dated February 16, 2024, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended September 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tonneson & Company, PC

Wakefield, Massachusetts
July 8, 2025

THE FOOD PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2024 AND 2023

ASSETS

	<u>2024</u>	<u>2023</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,414,044	\$ 1,270,613
Investments	688,488	543,773
Current portion program grants receivable	82,732	389,774
Accounts receivable, other	4,000	43,187
Grants receivable	-	641,882
Prepaid expenses and other current assets	54,600	38,469
Total current assets	2,243,864	2,927,698
Property, plant and equipment, net	1,059,742	1,213,579
Right-of use assets under operating lease	323,186	387,473
TOTAL ASSETS	\$ 3,626,792	\$ 4,528,750

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 192,255	\$ 203,615
Deferred revenue	-	4,000
Current portion of operating lease obligations	73,039	67,039
Total current liabilities	265,294	207,615
Operating lease obligations, net of current portion	257,922	325,107
TOTAL LIABILITIES	523,216	599,761
NET ASSETS:		
Without donor restrictions		
Operating	1,841,431	2,399,505
Board designated	286,171	273,396
Total without donor restrictions	2,127,602	2,672,901
With donor restrictions	975,974	1,256,088
TOTAL NET ASSETS	3,103,576	3,928,989
TOTAL LIABILITIES AND NET ASSETS	\$ 3,626,792	\$ 4,528,750

See Notes to Financial Statements.

THE FOOD PROJECT, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2024

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2024 Total</u>	<u>2023 Total</u>
REVENUE AND SUPPORT:				
Grants and contributions	\$ 2,463,911	\$ 76,715	\$ 2,540,626	\$ 2,685,300
Sales and miscellaneous	221,166	-	221,166	182,442
Rental income	31,924	-	31,924	44,701
Contributed goods and services	10,410	-	10,410	28,058
Investment income, net	102,080	161,620	263,700	114,715
Conditional government grants	-	-	-	641,882
Net assets released from restrictions	518,449	(518,449)	-	-
	<u>3,347,940</u>	<u>(280,114)</u>	<u>3,067,826</u>	<u>3,697,098</u>
Total revenue and support				
OPERATING EXPENSES:				
Program services	2,549,814	-	2,549,814	2,715,273
Management and general	875,114	-	875,114	676,023
Development	468,311	-	468,311	539,261
	<u>3,893,239</u>	<u>-</u>	<u>3,893,239</u>	<u>3,930,557</u>
Total operating expenses				
DECREASE IN NET ASSETS	<u>(545,299)</u>	<u>(280,114)</u>	<u>(825,413)</u>	<u>(233,459)</u>
NET ASSETS, BEGINNING OF YEAR	<u>2,672,901</u>	<u>1,256,088</u>	<u>3,928,989</u>	<u>4,162,448</u>
NET ASSETS, END OF YEAR	<u>\$ 2,127,602</u>	<u>\$ 975,974</u>	<u>\$ 3,103,576</u>	<u>\$ 3,928,989</u>

See Notes to Financial Statements.

THE FOOD PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2024

	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	\$ 384,547	\$ 669,702	\$ 279,510	\$ 1,333,759	\$ 256,422	\$ 327,755	\$ 584,177	\$ 1,917,936
Youth stipends	596,131	19,199	20,890	636,220	-	2,316	2,316	638,536
Consultants and professional fees	-	10,401	3,390	13,791	279,224	7,921	287,145	300,936
Depreciation	-	105,073	-	105,073	76,087	-	76,087	181,160
Seeds, plants, soil amendments	1,585	128,737	242	130,564	-	-	-	130,564
Lease expense	-	74,058	-	74,058	3,619	14,134	17,753	91,811
Insurance	-	-	-	-	76,806	-	76,806	76,806
Equipment related expense	905	32,411	1,986	35,302	32,090	8,866	40,956	76,258
Dues and fees	2	1,516	12	1,530	67,336	5,644	72,980	74,510
Occupancy	2,950	28,936	-	31,886	-	31,827	31,827	63,713
Supplies	9,998	12,256	1,758	24,012	26,264	12,961	39,225	63,237
Utilities	3,399	42,825	-	46,224	11,754	-	11,754	57,978
Youth transportation	7,093	8,167	30,906	46,166	1,017	-	1,017	47,183
Event	4,787	1,300	3	6,090	1,200	34,146	35,346	41,436
Conferences and training	22,459	5,725	2,288	30,472	6,902	3,165	10,067	40,539
Vehicle and travel	6,451	24,601	49	31,101	1,798	-	1,798	32,899
Credit losses	-	-	-	-	25,000	-	25,000	25,000
Printing and postage	219	472	1,586	2,277	1,517	19,536	21,053	23,330
Telephone	221	847	221	1,289	8,078	40	8,118	9,407
Total expenses	\$ 1,040,747	\$ 1,166,226	\$ 342,841	\$ 2,549,814	\$ 875,114	\$ 468,311	\$ 1,343,425	\$ 3,893,239

See Notes to Financial Statements.

THE FOOD PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2023

	Program Services				Supporting Services			
	Youth Leadership and Training	Food Production and Enterprise	Public Education and Outreach	Total Program Services	Management and General	Development	Total Supporting Services	Total
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
Credit losses	-	-	-	-	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.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2024 AND 2023

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (825,413)	\$ (233,459)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	181,160	138,863
Non-cash lease expense	3,102	4,673
Net realized and unrealized gains on investments	(144,713)	(61,068)
Credit losses	25,000	15,455
Changes in certain assets and liabilities:		
Program grants receivable	282,042	244,948
Accounts receivable, other	39,187	(22,187)
Grants receivable	641,882	(641,882)
Prepaid expenses and other current assets	(16,131)	13,853
Accounts payable and accrued expenses	(11,360)	(19,888)
Deferred revenue	(4,000)	(17,210)
Net cash provided by (used in) operating activities	<u>170,756</u>	<u>(577,902)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(27,325)</u>	<u>(215,467)</u>
Net cash used in investing activities	<u>(27,325)</u>	<u>(215,467)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	143,431	(793,369)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,270,613</u>	<u>2,063,982</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,414,044</u>	<u>\$ 1,270,613</u>

See Notes to Financial Statements.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2024 AND 2023

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, 2023 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 \$1,580,000 as of September 30, 2024.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2024 AND 2023

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 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 - Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. 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 contribution.

Program grants and other accounts receivable are stated net of an allowance for credit losses, with changes in the allowance classified as management and general expense in the statements of activities. Prior to 2024, management provided 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. Beginning in 2024, management assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when specific customers with known disputes or collectability issues are identified. The allowance is based on management's estimate of expected credit losses considering historical collectability, judgments about the creditworthiness of customers, and current and forecast economic conditions. Receivables that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Write-offs amounted to \$25,000 and 15,455 during the years ended September 30, 2024 and 2023.

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.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2024 AND 2023

Note 1 - Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment - Expenditures for property, plant and equipment are recorded at cost, or, if acquired by gift, at fair market value as of the date of gift. Depreciation is computed using the straight-line method calculated to amortize the cost of the assets over their estimated useful lives. Leasehold improvements are depreciated using the straight-line method over the lesser of the term of the related lease or the estimated useful lives of the assets.

Investment Return Objectives and Parameters - TFP's primary objective is preservation of capital together with current income that will provide for the support of current activities. To satisfy its long-term rate-of-return objectives, TFP primarily relies on fixed income investments typically comprised of 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, 2024 and 2023, included in the accompanying statement of activities, were as follows:

<u>Non-financial Contribution</u>	<u>Type of Contributions</u>	<u>Valuation</u>	<u>2024</u>	<u>2023</u>
Contributed services	Pro-bono legal work	Standard industry pricing	\$ -	\$ 21,604
Donated goods/services	Auction related	Various	10,410	6,454
			<u>\$ 10,410</u>	<u>\$ 28,058</u>

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, 2024, revenue recognized at a point in time and over time amounted to \$139,901 and \$16,000, respectively. 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. Accounts receivable require payment on a short-term basis and as such TFP does not have any significant financing components.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2024 AND 2023

Note 1 - Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncement - In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by TFP that are subject to the guidance in FASB ASC 326 were accounts receivable, other. The standard was adopted effective October 1, 2023 using a modified retrospective approach. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

Leases - TFP 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 TFP'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 TFP's statement of financial position, if any.

TFP determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, TFP 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. TFP has elected to apply the short-term lease exemption to all asset classes.

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, TFP 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. TFP's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

TFP 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.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2024 AND 2023

Note 1 - Summary of Significant Accounting Policies (Continued)

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, 2024, 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, 2024 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, 2024 AND 2023

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 \$610,000).

The following table represents TFP's financial assets as of September 30, 2024 and 2023, 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 \$286,171 and \$273,396 at September 30, 2024 and 2023, respectively, for reserves and other purposes and may appropriate amounts from these funds, should the need arise.

	<u>2024</u>	<u>2023</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,414,044	\$ 1,270,613
Investments	688,488	543,773
Program grants receivable	82,732	389,774
Accounts receivable, other	4,000	43,187
Total financial assets	<u>2,189,264</u>	<u>2,247,347</u>
Less amounts not available to be used within one year:		
Restricted by donor with time or purpose restrictions	975,974	1,256,088
Board designated funds	286,171	273,396
	<u>1,262,145</u>	<u>1,529,484</u>
Financial assets available to meet general expenditures over the next twelve months	927,119	717,863
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>1,127,119</u>	\$ <u>917,863</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, 2024 AND 2023

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, 2024.

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, 2024 and 2023:

	<u>2024</u>		<u>2023</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Level 1				
Mutual funds:				
Large Cap funds	\$ <u>525,173</u>	\$ <u>688,488</u>	\$ <u>525,173</u>	\$ <u>543,773</u>
Total Level 1 Investments	\$ <u><u>525,173</u></u>	\$ <u><u>688,488</u></u>	\$ <u><u>525,173</u></u>	\$ <u><u>543,773</u></u>

Note 4 - Program Grants Receivable

Program grants receivable at September 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Program grants receivable expected to be collected in:		
Less than one year	\$ 82,732	\$ 389,774
One to five years	<u>-</u>	<u>-</u>
	82,732	389,774
Less present value discount	<u>-</u>	<u>-</u>
	\$ <u><u>82,732</u></u>	\$ <u><u>389,774</u></u>

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2024 AND 2023

Note 5 - Property, Plant and Equipment

Property, plant and equipment at September 30, 2024 and 2023 consists of the following:

	<u>2024</u>	<u>2023</u>
Building	\$ 577,891	\$ 577,891
Land	387,120	387,120
Vehicles and equipment	1,056,720	1,049,940
Building improvements	492,871	492,871
Leasehold improvements	451,287	433,543
Construction in progress	<u>2,800</u>	<u>-</u>
Total property, plant and equipment, at cost	2,968,689	2,941,365
Less accumulated depreciation	<u>1,908,947</u>	<u>1,727,786</u>
Property, plant and equipment, net	<u><u>\$ 1,059,742</u></u>	<u><u>\$ 1,213,579</u></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% and 10.50% at September 30, 2024 and 2023, 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, 2024, management is not aware of any violations to its covenants. As of September 30, 2024 and 2023, 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, 2024 AND 2023

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, 2024 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 811,958	\$ 811,958

The endowment net asset composition by type of fund as of September 30, 2023 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 650,338	\$ 650,338

The changes in endowment net assets for the years ended September 30, 2024 and 2023 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, October 1, 2022	\$ -	\$ 549,445	\$ 549,445
Investment loss, net	-	100,893	100,893
Endowment Net Assets, September 30, 2023	\$ -	\$ 650,338	\$ 650,338
Investment income, net	-	161,620	161,620
Endowment Net Assets, September 30, 2024	\$ -	\$ 811,958	\$ 811,958

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2024 AND 2023

Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</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	544,792	383,172
Youth leadership and training	50,000	142,774
Farm and enterprise	27,680	57,248
Strategic planning	<u>86,336</u>	<u>108,729</u>
	708,808	691,923
Subject to the passage of time:		
Management and general	<u>-</u>	<u>296,999</u>
	<u>\$ 975,974</u>	<u>\$ 1,256,088</u>

Note 9 - Leasing Arrangements

For the year ended September 30, 2024, 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 \$5,788. 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 \$1,420 per year and expire at various times through December 2113. One of these leases provides for one two-year extension beyond the initial term. The land is used for community gardens, general planting, and educational purposes.

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2024 AND 2023

Note 9 - Leasing Arrangements (Continued)

The components of lease expense for the years ended September 30, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Operating lease expense	\$ 81,012	\$ 78,814
Variable lease expense	<u>10,799</u>	<u>10,189</u>
Total lease expense	<u>\$ 91,811</u>	<u>\$ 89,003</u>

Other information related to leases as of September 30, 2024 was as follows:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term (years):		
Operating Leases	29.80	27.17
Weighted average discount rate:		
Operating Leases	2.81%	3.43%

Supplemental cash flow information for the years ended September 30, 2024 and 2023:

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

Operating cash outflows from operating leases	\$ 77,911	\$ 74,586
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Right-of-use assets obtained in exchange for lease obligations:

Operating Leases	\$ 6,258	\$ 450,306
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TFP leases office space to two tenants under non-cancelable lease agreements. The agreements provide for fixed minimum monthly rental payments. One of the agreements expires in December 2025 while the other agreement is month to month. Rental income for the years ended September 30, 2024 and 2023 amounted to approximately \$32,000 and \$45,000, respectively. The future minimum rental income under non-cancellable leases as of September 30, 2024 was as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2025	\$ 15,521
2026	<u>3,909</u>
	<u>\$ 19,430</u>

THE FOOD PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2024 AND 2023

Note 9 - Leasing Arrangements (Continued)

The future minimum lease payments under non-cancellable leases as of September 30, 2024 were as follows:

<u>Years Ending September 30,</u>	<u>Operating Leases</u>
2025	\$ 80,838
2026	70,351
2027	70,899
2028	19,632
2029	2,268
Thereafter	<u>102,435</u>
Total lease payments	346,423
Less: Imputed interest	<u>15,462</u>
Total lease obligations	330,961
Less: Current obligations	<u>73,039</u>
Long-term lease obligations	\$ <u><u>257,922</u></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 \$6,000 for each of the years ended September 30, 2024 and 2023.

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 11 - Conditional Government Grants

During the year ended September 30, 2023 TFP, 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. TFP 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, TFP has met the requirements to claim these credits and believes that collection is probable. As a result, as of September 30, 2023 TFP recorded a receivable in the amount of \$641,881 with a corresponding amount in the statement of activities. During the year ended September 30, 2024, TFP received a total of \$641,881 in employee retention credits. Additionally, TFP received \$53,872 in interest related to the employee retention credits. 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.