

PHILADELPHIA ORCHARD PROJECT, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JUNE 30, 2020 AND 2019

TOGETHER WITH

INDEPENDENT ACCOUNTANT'S
REVIEW REPORT

PHILADELPHIA ORCHARD PROJECT, INC.

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Joseph W. Bowley & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Accountant's Review Report

The Board of Directors
Philadelphia Orchard Project, Inc.
Philadelphia, PA

We have reviewed the accompanying statements of financial position of ***Philadelphia Orchard Project, Inc.*** (a non-profit organization) as of June 30, 2020 and 2019 and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

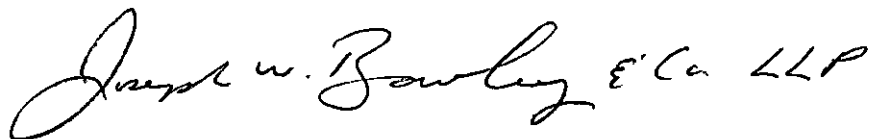
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Joseph W. Bowley & Co. LLP". The signature is written in a cursive style with a large initial 'J'.

Joseph W. Bowley & Company, L.L.P.
Certified Public Accountants

Blackwood, New Jersey
October 26, 2020

PHILADELPHIA ORCHARD PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

| <u>ASSETS</u> | <u>2020</u> | <u>2019</u> |
|---|-------------------|-------------------|
| Current assets | | |
| Cash | \$ 277,759 | \$ 187,070 |
| Accounts receivable | 2,619 | 9,731 |
| Grants and pledge receivables | <u>117,492</u> | <u>88,493</u> |
| Total current assets | <u>397,870</u> | <u>285,294</u> |
| Other assets | | |
| Security deposit | 400 | 400 |
| Long-term portion, grants and pledge receivables | <u>-</u> | <u>35,422</u> |
| Total other assets | <u>400</u> | <u>35,822</u> |
| Total assets | <u>\$ 398,270</u> | <u>\$ 321,116</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Accounts payable | \$ - | \$ 7,456 |
| SBA Loans Payable | <u>34,800</u> | <u>-</u> |
| Total liabilities | <u>34,800</u> | <u>7,456</u> |
| Net assets | | |
| Without donor restrictions | 238,177 | 173,693 |
| With donor restrictions | <u>125,293</u> | <u>139,967</u> |
| Total net assets | <u>363,470</u> | <u>313,660</u> |
| Total liabilities and net assets | <u>\$ 398,270</u> | <u>\$ 321,116</u> |

See accompanying notes and independent accountant's review report.

PHILADELPHIA ORCHARD PROJECT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

| <u>REVENUE AND SUPPORT</u> | <u>Without Donor Restrictions</u> | <u>With Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------|-------------------|
| Grants | | | |
| Foundations | \$ 35,582 | \$ 81,871 | \$ 117,453 |
| Contributions | 154,332 | - | 154,332 |
| In-kind goods and services | 12,182 | - | 12,182 |
| Sales, net of \$1,249 cost of goods sold | 1,249 | - | 1,249 |
| Program income | 16,563 | - | 16,563 |
| Special event income | 14,026 | - | 14,026 |
| Interest income | 1,458 | - | 1,458 |
| Net assets released from restrictions: | | | |
| Satisfaction of program restrictions | <u>96,545</u> | <u>(96,545)</u> | <u>-</u> |
| Total revenue and support | <u>331,938</u> | <u>(14,674)</u> | <u>317,264</u> |
| <u>EXPENSES</u> | | | |
| Program services | <u>164,335</u> | <u>-</u> | <u>164,335</u> |
| Supporting services | | | |
| Management and general | 61,443 | - | 61,443 |
| Fundraising | <u>41,676</u> | <u>-</u> | <u>41,676</u> |
| Total supporting services | <u>103,119</u> | <u>-</u> | <u>103,119</u> |
| Total expenses | <u>267,454</u> | <u>-</u> | <u>267,454</u> |
| Changes in net assets | 64,484 | (14,674) | 49,810 |
| Net assets, beginning of fiscal year | <u>173,693</u> | <u>139,967</u> | <u>313,660</u> |
| Net assets, end of fiscal year | <u>\$ 238,177</u> | <u>\$ 125,293</u> | <u>\$ 363,470</u> |

See accompanying notes and independent accountant's review report.

PHILADELPHIA ORCHARD PROJECT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

| <u>REVENUE AND SUPPORT</u> | <u>Without Donor Restrictions</u> | <u>With Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------|-------------------|
| Grants | | | |
| Foundations | \$ 89,250 | \$ 92,410 | \$ 181,660 |
| Contributions | 80,967 | - | 80,967 |
| In-kind goods and services | 5,000 | - | 5,000 |
| Sales, net of \$1,457 cost of goods sold | 1,458 | - | 1,458 |
| Program income | 22,488 | - | 22,488 |
| Special event income | 8,523 | - | 8,523 |
| Interest income | 27 | - | 27 |
| Net assets released from restrictions: | | | |
| Satisfaction of program restrictions | <u>57,938</u> | <u>(57,938)</u> | <u>-</u> |
| Total revenue and support | <u>265,651</u> | <u>34,472</u> | <u>300,123</u> |
| <u>EXPENSES</u> | | | |
| Program services | <u>147,298</u> | <u>-</u> | <u>147,298</u> |
| Supporting services | | | |
| Management and general | 44,118 | - | 44,118 |
| Fundraising | <u>28,320</u> | <u>-</u> | <u>28,320</u> |
| Total supporting services | <u>72,438</u> | <u>-</u> | <u>72,438</u> |
| Total expenses | <u>219,736</u> | <u>-</u> | <u>219,736</u> |
| Changes in net assets | 45,915 | 34,472 | 80,387 |
| Net assets, beginning of fiscal year | <u>127,778</u> | <u>105,495</u> | <u>233,273</u> |
| Net assets, end of fiscal year | <u>\$ 173,693</u> | <u>\$ 139,967</u> | <u>\$ 313,660</u> |

See accompanying notes and independent accountant's review report.

PHILADELPHIA ORCHARD PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

| | Program Services | Supporting Services | | Total |
|-------------------------------------|---------------------|---------------------------|------------------|-------------------|
| | | Management and General | Fundraising | |
| Salaries and payroll taxes | \$ 121,783 | \$ 32,595 | \$ 29,869 | \$ 184,247 |
| Outside services | | | | |
| Horticulture and education | 183 | - | - | 183 |
| Professional fees, other | 700 | 2,865 | - | 3,565 |
| Bank and credit card fees | - | 25 | 718 | 743 |
| Conference expense | 66 | - | - | 66 |
| Event expense | - | - | 6,259 | 6,259 |
| Fundraising expense | - | - | 531 | 531 |
| Insurance | - | 5,473 | - | 5,473 |
| Insurance - workers comp. | 4,783 | 1,280 | 1,173 | 7,236 |
| Internet and website expenses | 2 | 2,879 | - | 2,881 |
| Meals and entertainment | - | 945 | - | 945 |
| Miscellaneous | - | 394 | - | 394 |
| Office expenses | - | 1,702 | - | 1,702 |
| Rent | - | 4,400 | - | 4,400 |
| Printing | - | 442 | 2,149 | 2,591 |
| Postage | - | - | 977 | 977 |
| Professional development | 726 | - | - | 726 |
| Professional fees, in-kind services | - | 8,182 | - | 8,182 |
| Program supplies and expense | 31,227 | - | - | 31,227 |
| Software expenses | 43 | 120 | - | 163 |
| Transportation | 4,822 | 141 | - | 4,963 |
| Total expenses | \$ 164,335 | \$ 61,443 | \$ 41,676 | \$ 267,454 |

See accompanying notes and independent accountant's review report.

PHILADELPHIA ORCHARD PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

| | Program Services | Supporting Services | | Total |
|-------------------------------------|---------------------|---------------------------|------------------|-------------------|
| | | Management and General | Fundraising | |
| Salaries and payroll taxes | \$ 99,595 | \$ 19,804 | \$ 19,804 | \$ 139,203 |
| Outside services | | | | |
| Horticulture and education | 7,144 | - | - | 7,144 |
| Professional fees, other | 2,430 | 3,523 | - | 5,953 |
| Bad debt expense | - | 800 | - | 800 |
| Bank and credit card fees | - | 18 | 580 | 598 |
| Conference expense | 790 | - | - | 790 |
| Event expense | - | - | 5,209 | 5,209 |
| Fundraising expense | - | - | 454 | 454 |
| Insurance | - | 3,338 | - | 3,338 |
| Internet and website expenses | 3,121 | 7,153 | - | 10,274 |
| Meals and entertainment | - | 291 | - | 291 |
| Miscellaneous | - | 340 | 98 | 438 |
| Office expenses | - | 1,347 | - | 1,347 |
| Rent | - | 4,800 | - | 4,800 |
| Printing | - | 1,174 | 1,172 | 2,346 |
| Postage | - | - | 853 | 853 |
| Professional development | 1,170 | - | - | 1,170 |
| Professional fees, in-kind services | - | 1,500 | - | 1,500 |
| Program supplies and expense | 27,344 | - | - | 27,344 |
| Software expenses | - | 30 | 150 | 180 |
| Transportation | 5,704 | - | - | 5,704 |
| Total expenses | \$ 147,298 | \$ 44,118 | \$ 28,320 | \$ 219,736 |

See accompanying notes and independent accountant's review report.

PHILADELPHIA ORCHARD PROJECT, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30,

| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Changes in net assets | \$ 49,810 | \$ 80,387 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| (Increase) decrease in: | | |
| Accounts receivable | 7,112 | (4,828) |
| Grants and pledge receivables | 6,424 | (34,923) |
| Increase in: | | |
| Accounts payable | <u>(7,456)</u> | <u>2,821</u> |
| Net cash provided by operating activities | <u>55,890</u> | <u>43,457</u> |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | |
| Borrowings on SBA Loan Programs | <u>34,800</u> | <u>-</u> |
| Net cash provided by financing activities | <u>34,800</u> | <u>-</u> |
| Net increase in cash | 90,690 | 43,457 |
| Cash, beginning of fiscal year | <u>187,070</u> | <u>143,613</u> |
| Cash, end of fiscal year | <u>\$ 277,760</u> | <u>\$ 187,070</u> |

See accompanying notes and independent accountant's review report.

PHILADELPHIA ORCHARD PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS

1. PROGRAMS AND ACTIVITIES

Founded in 2007, *Philadelphia Orchard Project, Inc.* (the "Organization") is a Pennsylvania non-profit organization dedicated to planting and supporting community orchards in the City of Philadelphia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The financial statements are presented in accordance with Financial Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Accountants (AICPA) "Audits and Accounting Guide for Not-for-Profit Organizations" (the Guide). ASC 958-205 was effective January 1, 2018. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restriction from time to time.

Net Assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporarily in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated that funds be maintained in perpetuity.

Accounts Receivable

The Organization records revenue at the time it is earned. An allowance for uncollectible receivables is based on a review of specific amounts and estimated on historical collection data. There is no allowance for doubtful accounts at June 30, 2020 and 2019 as management believes all receivables are collectible.

PHILADELPHIA ORCHARD PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Contributions and Grant Income

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Conditional contributions are recognized as revenue when the conditions are satisfied.

Donated Services

Donated services are recognized as contributions in accordance with Accounting Standards Codification (ASC) Topic No. 958, *Financial Statements of Not-For-Profit Entities*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also received donated land, one acre, from a local cemetery for operations, at no cost, with a lease through March 31, 2023. No value for this has been reflected in the financials as this can not be properly estimated.

Compensated Absences

The Organization does not record an accrual for compensated absences since they cannot be reasonably estimated.

Advertising Costs

Advertising costs are expensed in the year they are incurred.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

The Organization's financial instruments consist primarily of cash, accounts receivable and accounts payable. These balances, as presented in the financial statements as of June 30, 2020 and 2019, respectively, approximate their fair market value because of their short maturities.

Income Taxes

The Organization is a non-profit organization that is exempt from income taxes under the provisions of Internal Revenue Code Section 501 (c) (3), and is exempt from state income taxes under the provisions of the Pennsylvania Department of Revenue.

PHILADELPHIA ORCHARD PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income Taxes (cont'd)

The Organization has adopted current accounting principles for uncertain income tax positions that require evaluation of tax positions taken on its income tax returns and recognizing a tax assets or liability if the position would not be sustained under audit. The Organization's policy is to record interest and penalties from tax examinations as income taxes. For federal income tax purposes, the returns remain open for possible examination three years after they are filed.

3. GRANTS AND PLEDGE RECEIVABLES

| Grants and pledge receivables at June 30 are as follows: | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Receivable in less than one year | \$ 117,492 | \$ 88,493 |
| Receivable in one to five years | - | 37,000 |
| Receivable in more than five years | <u>-</u> | <u>-</u> |
| Total grants receivable | 117,492 | 125,483 |
| Less: discounts to present value (3.5% rate, at June 30, 2020 and 2019) | <u>-</u> | <u>(1,578)</u> |
| Net grants and pledge receivables at June 30, | <u>\$ 117,492</u> | <u>\$ 123,915</u> |

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2020 were restricted for the following purposes:

| | |
|----------------------------------|-------------------|
| Donor restricted due to timing | \$ 84,000 |
| Donor restricted due to purpose: | |
| "Blossom Fund" | 33,000 |
| Other programs | <u>8,293</u> |
| | <u>\$ 125,293</u> |

Net assets with donor restrictions at June 30, 2019 were restricted for the following purposes:

| | |
|----------------------------------|-------------------|
| Donor restricted due to timing | \$ 82,422 |
| Donor restricted due to purpose: | |
| "Blossom Fund" | 48,000 |
| Other programs | <u>9,545</u> |
| | <u>\$ 139,967</u> |

PHILADELPHIA ORCHARD PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS

5. LEASE COMMITMENT

During the year ended June 30, 2018, the Organization lease office space for a twelve-month period ended January 31, 2018. The agreement did not renew automatically and is currently on a month to month basis at \$400 per month. There has been no change to this lease in the year ended June 30, 2020.

6. LIQUIDITY

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Liquidity at December 31, 2019 is as follows:

| | |
|---|-------------------|
| Cash | \$ 277,759 |
| Accounts, grants, and pledges receivables | 120,111 |
| Current liabilities | <u>(-)</u> |
| Assets available for general expenditures | <u>\$ 397,870</u> |

The Organization structures financial assets to be available for general expenditures as program commitments become due and it's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the statement of financial position date.

7. PAYCHECK PROTECTION PROGRAM LOAN

April 30, 2020, the Organization was granted a loan from Citizens Bank, in the aggregate amount of \$29,800, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a note dated May 4, 2020 issued by the Borrower, Matures on June 1, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on December 1, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities and interest on other debt obligations incurred before February 15, 2020. The Company intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

PHILADELPHIA ORCHARD PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS

8. ECONOMIC INJURY DISASTER LOAN

May 4, 2020, the Organization was granted a loan from the SBA, in the amount of \$5,000, pursuant to Economic Injury Disaster Loan program. Details on loan repayment are not available as of the date of this report.

9. SUBSEQUENT EVENTS

In preparing these financial statements, management of the Organization has evaluated events and transactions for potential recognition or disclosure through October 26, 2020, the date of the financial statements were available to be issued. The Organization had no significant or material subsequent events through October 26, 2020.