

FOOD RESCUE US, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
with
INDEPENDENT AUDITORS' REPORT

Sandra E. Welwood, LLC
Certified Public Accountants

FOOD RESCUE US, INC.

TABLE OF CONTENTS

Independent Auditors' Report.....	1
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements.....	7

Sandra E. Welwood, LLC

Website: www.sewelwoodcpa.com
Telephone: (203) 730-0509

Certified Public Accountants
P.O. Box 4609, Danbury, CT 06813

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Food Rescue US, Inc.

Opinion

We have audited the accompanying financial statements of Food Rescue US, Inc. ("Food Rescue US") which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, 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 Food Rescue US as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Food Rescue US and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 these 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 Food Rescue US's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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, including omissions, 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 Food Rescue US'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 Food Rescue US'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.

Sandra E. Welwood, LLC

Danbury, Connecticut
February 15, 2022

FOOD RESCUE US, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021**

Assets

Current assets:

Cash and cash equivalents	\$ 582,300
Contributions receivable	49,800
Prepaid expenses	<u>1,962</u>

Total current assets 634,062

Investments 495,533

Property and equipment, net of accumulated depreciation -

Total assets \$ 1,129,595

Liabilities and Net Assets

Liabilities:

Current liabilities:

Accrued expenses	\$ 23,224
Unearned revenue	<u>108,152</u>

Total current liabilities 131,376

Total liabilities 131,376

Net assets:

With donor restrictions	158,498
Without donor restrictions	<u>839,721</u>

Total net assets 998,219

Total liabilities and net assets \$ 1,129,595

See accompanying notes to the financial statements.

FOOD RESCUE US, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions	\$ 1,838,595	\$ 122,755	\$ 1,961,350
In-kind food donated	57,818,470	-	57,818,470
In-kind services donated	32,000	-	32,000
Fundraising and special events (net of direct expenses of \$14,025)	24,578	-	24,578
Investment income (loss)	(2,525)	-	(2,525)
Forgiveness of PPP loan payable	51,700	-	51,700
Net assets released from restriction	156,787	(156,787)	
Total revenues	59,919,605	(34,032)	59,885,573
Expenses:			
Program and supporting services	59,339,212	-	59,339,212
Management and general	203,558	-	203,558
Fundraising	226,139	-	226,139
Total expenses	59,768,909	-	59,768,909
Change in net assets	150,696	(34,032)	116,664
Net assets, beginning of year	689,025	192,530	881,555
Net assets, end of year	\$ 839,721	\$ 158,498	\$ 998,219

See accompanying notes to the financial statements.

FOOD RESCUE US, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Program and Supporting Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Distributed food - donated	\$ 57,818,470	\$ -	\$ -	\$ 57,818,470
Salaries and payroll taxes	335,341	107,136	210,865	653,342
Contract services	328,397	-	-	328,397
Travel expenses	11,082	13,853	2,771	27,706
Supplies and materials	398,228	-	-	398,228
Professional services	-	53,000	-	53,000
Rent	-	3,362	-	3,362
Insurance	-	4,255	-	4,255
General and office expense	6,536	8,170	1,634	16,340
Marketing and advertising	11,538	-	3,846	15,384
Technology and other expenses	124,036	13,782	-	137,818
Food Purchases - COVID programs	305,584	-	-	305,584
Other fundraising expenses	-	-	7,023	7,023
Total operating expenses	59,339,212	203,558	226,139	59,768,909
Depreciation	-	-	-	-
Total expenses	<u>\$ 59,339,212</u>	<u>\$ 203,558</u>	<u>\$ 226,139</u>	<u>\$ 59,768,909</u>

See accompanying notes to the financial statements.

FOOD RESCUE US, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Cash flows from operating activities:	
Change in net assets	\$ 116,664
Adjustments to reconcile change in net assets to net cash from operating activities:	
Forgiveness of PPP loan	(51,700)
Decrease in contributions receivable	200,200
Increase in prepaid insurance	(1,464)
Increase in accrued expenses	1,293
Decrease in unearned revenue	<u>(382,590)</u>
Net cash used by operating activities	<u>(117,597)</u>
Cash flows from investing activities:	
Sales and purchases of investments - net	<u>(494,018)</u>
Net cash used by investing activities	<u>(494,018)</u>
Net decrease in cash and cash equivalents	(611,615)
Cash and cash equivalents, beginning of year	<u>1,193,915</u>
Cash and cash equivalents, end of year	<u><u>\$ 582,300</u></u>

See accompanying notes to the financial statements.

FOOD RESCUE US, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1 – Nature of Organization and Significant Accounting Policies

Organization

Food Rescue US, Inc. (“Food Rescue US”) was formed in 2011. It is committed to ending American food insecurity and food waste by engaging volunteers through the use of technology to transfer fresh, nutritious, excess food from grocers, restaurants, and other sources to social service agencies that feed food insecure individuals and families throughout the US. Food Rescue US intends to carry out its vision and mission by leveling the playing field so that anyone, anywhere, given the proper tools and resources, can become part of a Food Rescue US movement in their community.

Food Rescue US relies on food donors to contribute excess food, volunteers to pick-up and transfer the food, and agencies to receive the food to serve families across the US. In 2021, Food Rescue US was operational in the following geographic markets: Alabama, Arkansas, Connecticut, Florida, Illinois, Indiana, Kansas, Louisiana, Maine, Maryland, Massachusetts, Michigan, New Mexico, New York, Ohio, Oregon, Pennsylvania, Texas, Utah, Virginia, and Washington, DC. Beyond 2021, Food Rescue US looks to further develop its technology to more efficiently and effectively serve its existing and future Food Rescue US communities and locations.

Food Rescue US adapted its model to meet the changing needs due to COVID-19, while continuing to do its core food recovery work. The top priority is to ensure that food is available to those in need, and because of the Food Rescue US unique model, which utilizes technology and a large volunteer base, it was able to adapt quickly. This included launching three new programs: Restaurant Meal Programs, Community Kitchens, and Farm Distribution Program. With the Restaurant Meal Program, Food Rescue US purchased meals directly from local restaurants and delivered them to social service agency partners. The Community Kitchens produced meals in-house that were either available for pick-up or delivered by Food Rescue US volunteers. The Farm Distribution Program, in partnership with The Farm Link Project and the USDA Farmers to Families Program, allowed Food Rescue US locations to distribute produce boxes on a weekly basis to multiple social service agencies throughout the Country.

Basis of Accounting

The financial statements of Food Rescue US have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles and accordingly reflect all significant receivables, prepaid expenses, payables, and other liabilities.

Basis of Presentation

The financial statements of Food Rescue US have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Food Rescue US to report information regarding its financial position and activities according to the following net asset classifications:

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 Food Rescue US. These net assets may be used at the discretion of management and the board of directors.

Food Rescue US, Inc.
Notes to Financial Statements
December 31, 2021 (continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Food Rescue US or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. When net assets with donor restrictions are released from restriction, they are transferred to net assets without donor restrictions and shown as “Net assets released from restriction” in the Statement of Activities. Contributions received whose restrictions are met in the same period are presented with net assets without donor restrictions.

Measure of Operations

Food Rescue US includes in its measure of operations all revenue and expenses that are integral to its programs and supporting activities as well as net assets released from donor restrictions to support operating expenditures.

Use of Estimates

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

Cash Equivalents

For purposes of the Statement of Cash Flows, Food Rescue US considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable equity securities are reported at fair value in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets.

Contributions Receivable

Food Rescue US records promises to give that are expected to be collected within one year at net realizable value. Promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. Allowance for uncollectable contributions is recorded based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectable. At December 31, 2021, there was no allowance for uncollectable contributions.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the Statement of Financial Position.

Property and Equipment

Property and equipment, including intangible assets, with a value in excess of \$1,000 and an expected life of more than one year are stated at cost or, if donated, at the fair value at the date of gift. Depreciation and amortization is calculated on the straight-line method over the estimated useful lives of the assets, which range from 3 to 7 years.

Food Rescue US, Inc.
Notes to Financial Statements
December 31, 2021 (continued)

Food Rescue US evaluates all of its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of the assets is measured by a comparison of the carrying amount of the asset to the estimated fair value. If the carrying amount exceeds the estimated fair value, the asset is considered to be impaired. If an asset is considered to be impaired, it is written down to fair value.

Unearned Revenue

Amounts from grants, contracts, and other funds for related program services received in advance but unearned are reflected as unearned revenue in the Statement of Financial Position and are subsequently reflected in the Statement of Activities during the period to which they apply as the funds are expended and earned.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and payroll taxes	Time and effort
Technology and other expenses	Time and effort
General and office expenses	Full time equivalent
Travel expenses	Time and effort
Marketing and advertising	Full time equivalent

Revenue Recognition

Contributions

Food Rescue US recognizes contributions and bequests when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Fundraising income is recognized in the period the event takes place.

Donated Goods and Services

Donated noncash goods received are recorded at their fair value as revenue when received and as expense when used or contributed to others. Donated services are also received in connection with Food Rescue US's operations. Such services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Donated services received are recorded at the fair value of the services provided. Contributed services that do not meet the above criteria are not recognized as revenues and are not reported in the accompanying financial statements. During the year ended December 31, 2021, Food Rescue US received and recorded the following goods and services:

Food Rescue US, Inc.
Notes to Financial Statements
December 31, 2021 (continued)

- Food Rescue US received and distributed 33,229,006 meals to community organizations for the food-insecure. The estimated fair value of the meals is \$57,818,470, valued at \$1.74 per pound based on a report from Feeding America.
- Contributed legal and accounting services of \$32,000.

Income Taxes

Food Rescue US is a not-for-profit organization that is exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code.

Food Rescue US did not have any unrelated business income tax liability for the year ended December 31, 2021. Food Rescue US had no significant uncertain tax positions for the year ended December 31, 2021. With few exceptions, Food Rescue US no longer is subject to U.S. Federal, State, and local income tax examinations by tax authorities for years prior to 2018.

Note 2 – Cash Concentration of Risk

Concentrations of risk arise from cash deposits in a bank in excess of the federally insured limit of \$250,000. At December 31, 2021, \$334,046 of the bank balance was not covered by Federal Depository Insurance.

Note 3 – Investments

The investments of Food Rescue US are stated at fair market value and consist of the following:

	<u>2021</u>	
	<u>Cost</u>	<u>Market Value</u>
Equity securities	<u>\$ 498,294</u>	<u>\$ 495,533</u>

The sources of investment income were as follows:

	<u>2021</u>
Interest, dividends, and realized gains	\$ 1,081
Unrealized gains (losses) on securities	<u>(3,606)</u>
	<u>\$ (2,525)</u>

Note 4 – Availability and Liquidity

Food Rescue US strives to maintain liquid financial assets sufficient to cover at least 180 days of general operating expenditures. Financial assets during fiscal year 2021 were maintained in the charity's operating checking account, which bears nominal interest, and in investment accounts for funds that exceed 180 days of general operating expenses to protect and preserve the funds while seeking to secure a reasonable rate of return.

Food Rescue US, Inc.
Notes to Financial Statements
December 31, 2021 (continued)

The following reflects Food Rescue US's financial assets as of December 31, 2021.

Financial assets at year end:	
Cash and cash equivalents	\$ 582,300
Contributions receivable	49,800
Investments	<u>495,533</u>
Total financial assets	1,127,633
Less Donor-imposed restrictions:	
Net assets with donor restrictions	<u>158,498</u>
Net financial assets after donor-imposed restrictions	<u>969,135</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 969,135</u>

Note 5 – Property and Equipment

Property and equipment, including intangible assets, consists of the following:

App software development costs	\$ 65,584
Computer equipment	5,637
Office furniture	<u>1,226</u>
	72,447
Less accumulated depreciation	<u>(72,447)</u>
	<u>\$ -</u>

Note 6 – Loan Payable

Food Rescue US received approval for a Small Business Administration (SBA) Paycheck Protection Program (PPP) loan under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The loan amount of \$51,700 was received on April 23, 2020. Under the PPP, funds are forgivable if utilized for qualified expenditures according to the organization criteria incurred over either an eight or twenty-four week period following the date of funding. In order to qualify for forgiveness, the funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, and utilities.

The PPP loan bears annual interest rate of 1% and accrues from the date the funds were received. Payments of principal and interest on the loan are not due until the loan forgiveness amount is determined by the bank and approved by SBA.

Food Rescue US used the entire loan amount for qualifying expenses, applied for forgiveness and received 100% forgiveness from the SBA in January 2021.

Food Rescue US, Inc.
Notes to Financial Statements
December 31, 2021 (continued)

Note 7 – Operating Leases

During 2021, Food Rescue leased storage space which expires September 2023, for a monthly amount of \$374.

The annual minimum rental commitments under this new lease are:

2022	\$	3,735
2023		<u>1,121</u>
	\$	<u>4,856</u>

Note 8 – Related Party Transactions

During the year ended December 31, 2021, Food Rescue US recorded \$115,803 in cash and non cash contributions from members of the Food Rescue US Board of Directors.

Note 9 – Net Assets

Net assets with donor restrictions are as follows for the year ended December 31, 2021:

Specific Purpose:		
Tri-City project	\$	71,829
Northwest CT programs		18,914
Innovation and expansion project		45,000
Miami programs		<u>22,755</u>
	\$	<u>158,498</u>

Net assets released from net assets with donor restrictions are as follows for the year ended December 31, 2021:

Satisfaction of Purpose Restrictions:		
Tri-City project	\$	50,201
New London County programs		500
Northwest CT programs		81,086
Washington DC programs		<u>25,000</u>
	\$	<u>156,787</u>

Note 10 – Risks and Uncertainties

The current coronavirus crisis in the United States and globally has resulted in substantial volatility in the financial markets and has disrupted many business operations. Due to the level of risk associated with this continued evolving situation, it is reasonably possible that changes in the Food Rescue US operations may continue to occur and that such changes could materially affect future operations.

Note 11 - New Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the consolidated statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021. Food Rescue US has not yet evaluated the impact of this statement.

In September 2020, the FASB issued Accounting Standards Update 2020-07 - Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which requires not-for-profits (NFPs) to present contributed nonfinancial assets as a separate line item in the statement of activities and provides additional disclosures about contributions of nonfinancial assets. Contributed nonfinancial assets, commonly referred to as gifts-in-kind, include fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The effective date for this standard is for annual periods beginning after June 15, 2021. Food Rescue US has not yet evaluated the impact of this statement.

Note 12 – Subsequent Events

Food Rescue US evaluated subsequent events after the balance sheet date of December 31, 2021 through February 15, 2022, which was the date the financial statements were available to be issued. All subsequent events requiring recognition or disclosure have been incorporated into these financial statements.