

FOOD LINK, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Food Link, Inc. (the "Organization")
Arlington, Massachusetts

Opinion

We have audited the financial statements of Food Link, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2023, 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 accompanying financial statements present fairly, in all material respects, the financial position of Food Link, Inc. as of June 30, 2023, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Food Link, 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.

Other Matter

The financial statements of Food Link, Inc. for the fifteen months ended June 30, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on February 28, 2023. The summarized comparative information presented herein as of and for the fifteen months ended June 30, 2022, is derived from those audited financial statements.

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 Food Link, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS, 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 Link, 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 Food Link, 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.

A handwritten signature in black ink that reads "Newburg & Company CPAs". The signature is written in a cursive, flowing style with a large initial 'N' and 'C'.

Certified Public Accountants
Waltham, Massachusetts
January 7, 2024

FOOD LINK, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS		
	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,384,547	\$ 1,238,038
Grants and unconditional promises to give, current portion	344,613	308,543
Accounts receivable, net	5,308	2,750
Inventory	24,455	11,474
Prepaid expenses	15,971	8,161
Total current assets	1,774,894	1,568,966
Property and equipment, net of accumulated depreciation	4,555,994	4,581,632
OTHER ASSETS		
Cash, restricted for long term use	400,880	310,000
Grants and unconditional promises to give	50,000	160,000
Right of use asset	22,381	-
Total other assets	473,261	470,000
TOTAL ASSETS	\$ 6,804,149	\$ 6,620,598
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long term debt	\$ 39,717	\$ 39,046
Accounts payable	36,216	29,243
Accrued expenses	83,157	89,725
Deferred revenue	5,735	5,800
Security deposits	5,735	5,800
Current portion of lease liability	6,643	-
Total current liabilities	177,203	169,614
LONG TERM LIABILITIES		
Long term debt, net of current portion	1,440,334	1,479,261
Long term lease liability, net of current portion	15,738	-
Total long term liabilities	1,456,072	1,479,261
NET ASSETS		
Without donor restrictions		
Undesignated	4,477,289	4,068,924
Board designated - operating reserve	300,000	300,000
Board designated - capital reserve	100,000	10,000
	4,877,289	4,378,924
With donor restrictions	293,585	592,799
Total net assets	5,170,874	4,971,723
TOTAL LIABILITIES AND NET ASSETS	\$ 6,804,149	\$ 6,620,598

The accompanying notes are an integral part of these financial statements.

FOOD LINK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(with comparative totals for the fifteen months ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
OPERATING REVENUES AND SUPPORT				
Contributions	\$ 908,245	\$ -	\$ 908,245	\$ 1,297,776
Private grants	132,200	122,400	254,600	325,878
Government grants	-	200,000	200,000	646,542
In-kind revenue	2,457,234	-	2,457,234	2,845,100
Special events, net	24,611	-	24,611	56,158
Rental income	68,345	-	68,345	39,391
Investment income, net	13,530	-	13,530	1,976
Other revenue	70	-	70	1,927
Net assets released from restrictions	624,321	(624,321)	-	-
Total operating revenue	<u>4,228,556</u>	<u>(301,921)</u>	<u>3,926,635</u>	<u>5,214,748</u>
PROGRAM AND SUPPORT SERVICES				
Program services	3,135,443	-	3,135,443	\$ 3,337,773
Management and general	390,982	-	390,982	413,486
Fundraising	208,468	-	208,468	416,483
Other supporting activity	56,500	-	56,500	90,056
Total program and support services	<u>3,791,393</u>	<u>-</u>	<u>3,791,393</u>	<u>4,257,798</u>
Change in net assets from operations	<u>437,163</u>	<u>(301,921)</u>	<u>135,242</u>	<u>956,950</u>
NON-OPERATING ACTIVITIES				
Capital campaign contributions	-	-	-	265,116
Organization efficiency improvement contributions	-	63,909	63,909	45,000
Net assets released from restrictions	61,202	(61,202)	-	-
Total non-operating activities	<u>61,202</u>	<u>2,707</u>	<u>63,909</u>	<u>310,116</u>
CHANGE IN NET ASSETS	498,365	(299,214)	199,151	1,267,066
NET ASSETS, beginning	<u>4,378,924</u>	<u>592,799</u>	<u>4,971,723</u>	<u>3,704,657</u>
NET ASSETS, ending	<u>\$ 4,877,289</u>	<u>\$ 293,585</u>	<u>\$ 5,170,874</u>	<u>\$ 4,971,723</u>

The accompanying notes are an integral part of these financial statements.

FOOD LINK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

(with comparative totals for the fifteen months ended June 30, 2022)

	2023					2022
	Program Services	Management and General	Fundraising	Other Supporting	Total	Total
Salaries and wages	\$ 349,833	\$ 149,630	\$ 101,735	\$ -	\$ 601,198	\$ 625,842
Payroll taxes	44,634	42,730	18,902	-	106,266	108,766
Total compensation and benefits	<u>394,467</u>	<u>192,360</u>	<u>120,637</u>	<u>-</u>	<u>707,464</u>	<u>734,608</u>
Depreciation	42,398	18,170	12,114	28,265	100,947	121,350
Interest	36,921	6,028	4,019	9,377	56,345	80,463
Repairs and maintenance	17,745	11,435	5,910	13,790	48,880	63,183
Utilities	16,735	1,079	719	1,678	20,211	23,980
Rent	6,000	373	248	579	7,200	9,000
Property Insurance	4,931	1,632	1,088	2,539	10,190	7,556
Total occupancy costs	<u>124,730</u>	<u>38,717</u>	<u>24,098</u>	<u>56,228</u>	<u>243,773</u>	<u>305,532</u>
In-kind food rescue	2,391,418	-	-	-	2,391,418	2,830,444
Transportation and vehicle depreciation	41,814	-	-	-	41,814	52,920
Program supplies and volunteers	9,536	3,901	31	-	13,468	16,684
Program insurance	5,726	2,139	-	-	7,865	14,870
Bad debt	15,000	-	2,400	-	17,400	-
Total program expenses	<u>2,463,494</u>	<u>6,040</u>	<u>2,431</u>	<u>-</u>	<u>2,471,965</u>	<u>2,914,918</u>
Professional fees	52,634	128,941	32,565	-	214,140	236,190
Administrative and office	1,417	15,664	23,297	-	40,378	34,119
Technology	93,384	4,539	1,954	-	99,877	19,306
Event cost	-	-	825	-	825	5,292
Bank charges	-	40	3,454	272	3,766	5,012
Telephone	2,860	1,921	-	-	4,781	4,736
Payroll processing and administrative fees	-	2,205	-	-	2,205	2,372.00
Travel and training	2,457	555	32	-	3,044	1,005
Total other expenses	<u>152,752</u>	<u>153,865</u>	<u>62,127</u>	<u>272</u>	<u>369,016</u>	<u>308,032</u>
Total expense by function	<u>3,135,443</u>	<u>390,982</u>	<u>209,293</u>	<u>56,500</u>	<u>3,792,218</u>	<u>4,263,090</u>
Less expenses included with revenues on the statement of activities: events	-	-	(825)	-	(825)	(5,292)
Total expenses	<u>\$ 3,135,443</u>	<u>\$ 390,982</u>	<u>\$ 208,468</u>	<u>\$ 56,500</u>	<u>\$ 3,791,393</u>	<u>\$ 4,257,798</u>

The accompanying notes are an integral part of these financial statements.

FOOD LINK, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
(with comparative totals for the fifteen months ended June 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets from operations	\$ 135,242	\$ 956,950
Adjustments to reconcile change in net assets to net cash provided by operating activities		
In-kind securities donation	(1,055)	(11,901)
Depreciation	117,195	141,661
Realized gain on sale of investments	(4)	197
(Increase) decrease in operating assets:		
Grants and unconditional promises to give	73,930	(383,617)
Accounts receivable	(2,558)	(2,750)
Inventory	(12,981)	(2,299)
Prepaid expenses	(7,810)	(249)
Increase (decrease) in operating liabilities		
Accounts payable	6,973	(104,242)
Accrued expenses	(6,568)	38,646
Deferred revenue	(65)	5,800
Tenant security deposits	(65)	5,800
Net cash provided by operating activities	302,234	643,996
INVESTING ACTIVITIES		
Additions to property and equipment	(91,557)	(6,104)
Proceeds from sale of investments	1,069	11,705
Net cash provided by (used for) investing activities	(90,488)	5,601
FINANCING ACTIVITIES		
Capital campaign contributions	-	265,116
Organization efficiency improvement contributions	63,909	45,000
Principal payments of long-term debt	(38,256)	(13,172)
Net cash provided by financing activities	25,653	296,944
NET INCREASE IN CASH	237,399	946,541
CASH, beginning	1,548,028	601,487
CASH, ending	\$ 1,785,427	\$ 1,548,028
RECONCILIATION TO CASH EQUIVALENTS AND RESTRICTED CASH ON THE STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 1,384,547	\$ 1,238,038
Cash - restricted for long-term use	400,880	310,000
Cash and cash equivalents and restricted cash on the statement of cash flows	\$ 1,785,427	\$ 1,548,038
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for Interest	\$ 56,345	\$ 80,463
<u>SUPPLEMENTAL DISCLOSURE OF NON CASH FINANCING ACTIVITIES</u>		
Right of use assets obtained for lease liabilities	\$ 22,381	\$ -

The accompanying notes are an integral part of these financial statements.

FOOD LINK, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND BASIS FOR PRESENTATION

Nature of Activities

Food Link, Inc. (the "Organization") is a non-profit organization founded in 2012 that delivers surplus, nutritious foods to social service programs serving low-income individuals in the greater Boston, Massachusetts area. The Organization rescues high-quality fresh fruit, vegetable, meat, dairy, bread, and prepared foods that would otherwise be wasted from local grocers, prepared food stores, public schools, and warehouses and then delivers the food to social service agencies in communities serving people in need, including after school programs, programs for at-risk youth, low-income housing facilities, homeless shelters, food pantries, and senior centers.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Under this method, revenue is recorded when earned and when the timing of revenue can be reasonably estimated and expenses when incurred.

Comparative Financial Information

The financial statements include 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived. The 2022 comparative financial information presented represent 15 months of activity for the period April 1, 2021, through June 30, 2022 as the fiscal year was changed from March 31st to June 30th in 2022 by Board vote.

Net Assets

The Organization classifies net assets, revenues, gains and losses based on the existence or absence of donor or grantor-imposed restrictions. Consequently, net assets and changes therein are classified and reported as follows:

Net assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. The governing board has designated, from assets without donor restrictions, net assets for an operating reserve and for capital purchases.

Net assets With Donor Restrictions: Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources be maintained in perpetuity. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. The estimates are based on management's best knowledge of current events, historical experience, and various other factors that are believed to be reasonable under current conditions. Therefore, actual results may differ from those estimates.

FOOD LINK, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Organization recognizes contributions when cash or other assets; an unconditional promise to give; or a notification of 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 met. Contributions are recorded as net assets without donor restrictions and net assets with donor restrictions, depending on the existence and nature of any donor restrictions. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction, until the restrictions expire, at which time net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

The Organization recognizes program services fees associated with additional services provided to a client.

The Organization reports gifts of food, securities, property and equipment at their fair values as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions and released when the asset is placed in service.

Rental income is recognized as rentals become due. Rent payments received in advance are deferred until earned. All leases between the Organization and its tenants are operating leases.

In-Kind Contributions and Services

The Organization rescues thousands of pounds of fresh food and, on a daily basis, distributes it to social service agencies participating in the food rescue program. The Organization reports the fair value of contributions of donated food and grocery products as unrestricted public support and, shortly thereafter, as expense when distributed to local social service programs. The fair value of the contributed and distributed food is determined by the Organization based upon a study performed by Feeding America. The approximate average wholesale value of one pound of donated product at the national level ranged from \$1.92 to \$1.79, respectively during 2023 and 2022.

Contributed services are reflected as contributions at their fair value of the services received and are reported as support without restriction unless stipulated otherwise by the donor. For those services not requiring special expertise, the estimated value of such donated services has not been recorded in the financial statements as they do not meet the recognition criteria prescribed by generally accepted accounting principles.

Cash and Cash Equivalents

Cash and cash equivalents consist of money market accounts. For the purpose of presentation in the Statements of Cash Flows, the Organization considers liquid temporary investments with original maturities of 90 days or less to be cash equivalents.

FOOD LINK, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable, Net

Accounts receivable is comprised of program services and rental income and related receivables. The Organization uses the allowance method for recognizing allowances for doubtful accounts. The policy is to charge off uncollectible accounts receivable when management determines the receivable will not be collected. There was no allowance for doubtful accounts at June 30, 2023 and the fifteen months ended June 30, 2022, respectively, however a bad debt expense of \$17,400 and \$0 was recognized for the fiscal year ended June 30, 2023 and the fifteen months ended June 30, 2022, respectively.

Grants and Unconditional Promises to Give

Grants and unconditional promises to give are classified as current if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year. These amounts are considered fully collectible by management, and consequently, these financial statements do not contain a provision for uncollectible promises to give. Therefore, if promises to give become uncollectible, they will be charged as an expense when that determination is made.

Inventory

Inventory consists of rescued food that has not yet been distributed. The Organization values inventory using the average wholesale value of one pound of donated product at the national level, as determined by a study performed by Feeding America.

Property and Equipment

Property and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. Purchases of property and equipment in excess of \$5,000 are capitalized. Expenditures for major renewals and improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Upon retirement or sale, the asset cost and related accumulated depreciation are removed from the accounts and any gain or loss is credited to or charged against income. Depreciation of transportation vehicles and the building is calculated on a straight-line basis over 10 and 39 years, respectively.

Cash and Cash Equivalents - Restricted for Long-Term Use

Restricted cash represents capital campaign contributions and grant awards restricted for long-term property improvements.

Investments

The Organization has adopted generally accepted accounting principles in the United States of America and established a framework for measuring fair value and provided expanded disclosures about fair value measurements. Under generally accepted accounting principles in the United States of America, fair value refers to the price that would be received to sell an asset or to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. It clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

FOOD LINK, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

In support of this principle, generally accepted accounting principles in the United States of America establishes a fair value hierarchy that prioritizes the information used to develop those assumptions.

Investments measured at fair value are classified and disclosed in one of the following categories:

Level I: Quoted prices are available in active markets for identical investments as of the reporting date.

Level II: Pricing inputs are other than quoted prices in active markets of comparable investments, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment.

Purchases and sales of securities are recorded on a trade date basis. Investment income, primarily interest and dividends, is recorded when earned and considered available for unrestricted use unless otherwise restricted by the donor. Realized and unrealized gains and losses are determined on the basis of specific identification and recognized on a trade-date basis.

Debt Issuance Costs

Debt issuance costs are amortized over the terms of the mortgage loan using the straight-line method which was not materially different than the effective yield method required by accounting principles generally accepted in the United States of America.

Deferred Revenue

The Organization recognizes rental income as rentals become due. Rent payments received in advance are deferred until earned. Tenants had paid advance rent and a security deposit of \$5,735 and \$5,800 at June 30, 2023 and June 30, 2022, respectively.

Income Taxes

The Organization is a not-for-profit corporation exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) as determined by the Internal Revenue Service. Management is not aware of any circumstances that would impair the original determination.

In the preparation of income tax returns, management takes tax positions based on interpretation of federal and state income tax laws for which the outcome is uncertain. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts ultimately due or owed. Changes in the tax-exempt status may result from closing of the statute of limitations on tax returns, new legislation, clarification of existing legislation through government pronouncements, the courts, and through the examination process.

Management believes that all tax positions taken on its federal and state income tax returns would more likely than not be sustained upon examination. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no income tax audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations prior to 2019.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. To mitigate the risk of higher than FIDC-insured limits on bank accounts the Organization uses Insured Cash Sweep Services provided by Leader Bank. To date,

FOOD LINK, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments and Credit Risk (continued)

The Organization has not experienced losses in any of these accounts. Credit risk associated with receivables is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from foundations, governmental agencies and donors supportive of the Organizations mission.

Functional Expense Allocations

Management allocates expenses on a functional basis amongst its programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly to those classifications. The cost of providing for the programs and other activities has been summarized on a functional basis in the Statement of Functional Expenses. Expenses common to several functions are allocated in accordance with the Organization's indirect cost allocation plan. Supporting services are those costs related to operating and managing the Organization and its programs on a day-to-day basis. The expenses that are allocated include salaries, occupancy and certain professional services, which are allocated on the basis of estimates of time and effort and utilized square footage space.

Advertising

The Organization's policy is to expense advertising costs as incurred. There were no advertising costs incurred for the year ended June 30, 2023 and the fifteen months ended June 30, 2022, respectively.

Newly Adopted Accounting Pronouncement

Effective July 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, Leases (Topic 842). The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing operating lease as an operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Under ASC 842, the Organization determines if an arrangement contains a lease at inception and records right-of-use assets which represent the Organization's right to use an underlying asset for the lease term. Operating lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right of use assets and operating lease liabilities are recognized at the lease commencement date based on the present value of fixed lease payments using the treasury risk free rate since the Organization's leases do not include an implicit rate. The lease terms include options to extend the lease when the Organization is reasonable certain to exercise the option. Lease expense is recognized on a straight-line basis over the lease term. Non-lease components are excluded from the Organization's calculation of right-of-use assets and lease liabilities and are expensed as incurred. The Organization's operating leases do not contain residual value guarantees.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2023	2022
Cash and cash equivalents	\$ 1,483,147	\$ 1,238,038
Grants receivable, current portion	344,613	308,543
Cash - restricted for operating reserve	300,000	300,000
Total cash and liquid assets	\$ 2,127,760	\$ 1,846,581

FOOD LINK, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – LIQUIDITY AND AVAILABILITY (CONTINUED)

Management has a policy to structure the Organization's financial assets to be available as its general expenditures, current liabilities and mortgage debt obligations come due. To help manage unanticipated liquidity needs, the board-designated operating reserve (above) is subject to spending limitations and, although management does not intend to spend from this reserve for general expenditures, these amounts could be made available, if necessary.

NOTE 4 – GRANTS RECEIVABLE

Grants receivables are expected to be collected as follows at June 30, 2023 and June 30, 2022, respectively:

	2023	2022
Within one year	\$ 344,613	\$ 308,543
In one to five years	50,000	160,000
Total grants receivable	<u>\$ 394,613</u>	<u>\$ 468,543</u>

At June 30, 2023 and 2022, the discounted net present value of long-term grants receivable approximates the realizable value.

NOTE 5- INVESTMENTS

Net investment income for the year ended June 30, 2023 and the fifteen months ended June 30, 2022, comprised of the following:

	2023	2022
Interest	\$ 13,591	\$ 1,892
Realized gain (loss) on investments	(4)	197
	<u>13,587</u>	<u>2,089</u>
Investment fees	(57)	(113)
	<u>\$ 13,530</u>	<u>\$ 1,976</u>

Investments were liquidated at June 30, 2023 and 2022.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2023 and June 30, 2022, respectively:

	2023	2022
Land	\$ 700,565	\$ 700,565
Building	3,970,876	3,897,393
Transportation vehicles	162,484	162,484
Equipment	18,074	
	<u>4,851,999</u>	<u>4,760,442</u>
Less accumulated depreciation	(296,005)	(178,810)
Net property and equipment	<u>\$ 4,555,994</u>	<u>\$ 4,581,632</u>

Depreciation expense was \$117,195 and \$141,661 for the year ended June 30, 2023 and the fifteen months ended June 30, 2022, respectively.

FOOD LINK, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - LONG TERM DEBT

Long term debt consists of the following:

	2023	2022
Mortgage note payable to a bank, payable in monthly installments of \$7,868 including interest at the 5 year FHLB Classic rate plus 2% (3.69% at June 30, 2023) through January 2027, and adjustable every 5 years, through July 2035; secured by real estate.	\$ 1,480,051	\$ 1,518,307
Less current portion	(39,717)	(39,046)
Total	\$ 1,440,334	\$ 1,479,261

Aggregate annual principal payments of long-term debt are as follows:

2024	\$	39,717
2025		41,229
2026		42,798
2027		44,427
2028		46,118
Thereafter		1,265,763
	\$	1,480,051

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	2023	2022
Subject to expenditure for specified purpose -		
Capital Purchases	\$ 894	\$ 45,143
Organization efficiency improvements	-	45,000
Subject to the passage of time:		
Food rescue program	292,691	487,636
Capital Purchases	-	15,000
Total restricted net assets	\$ 293,585	\$ 592,779

The Organization was awarded a conditional grant in the amount of \$43,000 by the Commonwealth of Massachusetts Dept. of Environment to be used for purchasing software that will allow the Organization to increase food collection for which revenue recognition will occur in fiscal year 2024 when the conditions of the grant are met.

FOOD LINK, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets are released from restrictions when expenses incurred satisfied the restricted purpose or when time has elapsed. Net assets were released as follows:

	<u>2023</u>	<u>2022</u>
Capital purchases	\$ 129,171	\$ 224,973
Organizational efficiency improvements	55,000	-
Food rescue program	501,352	277,532
Total release of restricted assets	<u>\$ 685,523</u>	<u>\$ 502,505</u>

NOTE 9 – IN KIND REVENUES

The Organization received the following in kind contributions for the year ended June 30, 2023:

	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Technique</u>
Food	\$2,404,400	Program related in-kind food rescue	No-donor restrictions	Value based upon Feeding America national study of per pound value of donated foods.
Legal Services	52,834	Program related professional services	No-donor restrictions	Value based upon current billing rates for similar legal services.
	<u>\$2,457,234</u>			

The Organization received the following in kind contribution for the fifteen months ended June 30, 2022:

	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Technique</u>
Food	\$ 2,845,100	Program related in-kind food rescue	No-donor restrictions	Value based upon Feeding America national study of per pound value of donated foods.

During the year ended June 30, 2023 and the fifteen months ended June 30, 2022, the Organization distributed approximately 1,049,000 and 1,170,000 pounds of donated product which were valued at \$2,047,731 and \$2,352,043 (net of spoilage loss of \$343,687 and \$478,401) respectively and is included in-kind food rescue in the accompanying Statement of Functional Expenses.

**FOOD LINK, INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 10 – RELATED PARTY TRANSACTIONS

A member of the Organization’s Board of Directors holds a loan officer position with a bank. The Organization maintains deposit balances with this bank and obtained its promissory note through this bank.

NOTE 11 – FUNDRAISING EVENTS

The Organization sponsored a Ride for Food special event during the year ended June 30, 2023 and a Hullabaloo BBQ, Ride for Food, and Walk for Hunger special events during the fifteen months ended June 30, 2022 to generate contributions as well as to raise public awareness of its programs. Revenues from the events are reported on the Statement of Activities net of the direct costs of each event, while indirect costs and the costs with direct mail campaigns and annual appeal letters are reported as fundraising expenses in the Statements of Functional Expenses. The special events had gross proceeds of \$25,436 and \$61,450 with corresponding direct costs of \$825 and \$5,292, respectively, resulting in net event revenue of \$24,611 and \$56,158, respectively for the year ended June 30, 2023 and the fifteen months ended June 30, 2022.

NOTE 12– COMMITMENTS AND CONTINGENCIES

Operating Lease

The Organization leases a parking lot under a non-cancelable operating lease agreement ending on December 31, 2026. The lease requires monthly payments of \$600. Total rent expense was \$7,200 and \$9,000 for the year ended June 30, 2023 and fifteen months ended June 30, 2022, respectively. Cash paid under the operating lease agreement was \$7,200 for the year ended June 30, 2023. At June 30, 2023, the weighted average remaining lease term was 3.6 years and the weighted average discount rate was 5.23%.

The following is a schedule of future minimum rental payments required under the operating lease agreements:

2024	\$	6,990
2025		7,080
2026		7,380
2027		3,690
Total undiscounted cash flow		25,140
Less: present value discount		(2,759)
Total lease liabilities	\$	22,381

NOTE 13 – OTHER SUPPORTING ACTIVITY

The Organization leases dedicated desk and office spaces in its building mostly under short term license agreements to several individuals. At the end of each term, the licenses automatically renew for a successive term under similar existing terms. The monthly rental income from these agreements ranges from \$210 to \$2,450. The costs associated with the rental activity have been functionally recorded as an “Other Supporting Activity” in the Statement of Functional Expenses.

FOOD LINK, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 – RETIREMENT PLAN

The Organization offers a SIMPLE-IRA (Savings Incentive Match Plan for Employees) Plan under section 408(p) of the Internal Revenue Code to all eligible employees. All contributions to the plan are fully vested and non-forfeitable. Contributions made to the plan were \$12,898 and \$15,232 for the year ended June 30, 2023 and the fifteen months ended June 30, 2022, respectively.

NOTE 15 – SUBSEQUENT EVENTS

Transactions subsequent to June 30, 2023 have been evaluated through January 7, 2024, the date the financial statements were available to be issued. No events were noted that could have a material impact on the financial statements.