



**FINANCIAL STATEMENTS TOGETHER WITH
REPORT OF INDEPENDENT AUDITORS**

JUNE 30, 2022 AND MARCH 31, 2021

FOOD LINK, INC.

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT	1-2
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statement of Activities <i>(with comparative totals for the year ended March 31, 2021)</i>	4
Statement of Functional Expenses <i>(with comparative totals for the year ended March 31, 2021)</i>	5
Statements of Cash Flows	6
Notes to Financial Statements	7-16

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Food Link, Inc.

Opinion

We have audited the accompanying financial statements of Food Link, Inc. (a Massachusetts nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities functional expenses, and cash flows for the fifteen months 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 Link, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the fifteen months 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 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 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; 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.

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 within one year after the date the financial statements are available to be issued.



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 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.

Report on Summarized Comparative Information

We have previously audited Food Link, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 26, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Topsfield, Massachusetts
February 28, 2023

FOOD LINK, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND MARCH 31, 2021

ASSETS			
		2022	2021
CURRENT ASSETS:			
Cash and cash equivalents	\$	1,238,038	\$ 381,497
Grants and unconditional promises to give, current portion		308,543	64,926
Accounts receivable, net		2,750	-
Inventory		11,474	9,175
Prepaid expenses		8,161	7,912
Total current assets		<u>1,568,966</u>	<u>463,510</u>
PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation		<u>4,581,632</u>	<u>4,717,190</u>
OTHER ASSETS:			
Cash - restricted for long-term use		310,000	220,000
Grants and unconditional promises to give, long-term		160,000	20,000
Total other assets		<u>470,000</u>	<u>240,000</u>
Total assets	\$	<u><u>6,620,598</u></u>	<u><u>\$ 5,420,700</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Current portion long-term debt	\$	39,046	\$ 6,483
Accounts payable		29,243	133,485
Accrued expenses		89,725	51,079
Deferred revenue		5,800	-
Tenant security deposits		5,800	-
Total current liabilities		<u>169,614</u>	<u>191,047</u>
LONG-TERM DEBT, net of current portion		<u>1,479,261</u>	<u>1,524,996</u>
Total liabilities		<u>1,648,875</u>	<u>1,716,043</u>
NET ASSETS:			
Without donor restrictions:			
Undesignated		4,068,924	3,464,657
Designated by the Board for operating reserve		300,000	210,000
Designated by the Board for capital purchases		10,000	10,000
		<u>4,378,924</u>	<u>3,684,657</u>
With donor restrictions		592,799	20,000
Total net assets		<u>4,971,723</u>	<u>3,704,657</u>
Total liabilities and net assets	\$	<u><u>6,620,598</u></u>	<u><u>\$ 5,420,700</u></u>

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

FOOD LINK, INC.

STATEMENT OF ACTIVITIES

FOR THE FIFTEEN MONTHS ENDED JUNE 30, 2022

(with comparative totals for the year ended March 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
OPERATING REVENUES AND SUPPORT:				
Contributions	\$ 1,271,776	\$ 26,000	\$ 1,297,776	\$ 721,238
Private grants	189,378	136,500	325,878	295,234
Government grants	43,854	602,688	646,542	102,526
In-kind revenues	2,845,100	-	2,845,100	2,568,781
Special events, net	56,158	-	56,158	538,733
Rental income	39,391	-	39,391	-
Program service fees	-	-	-	2,500
Investment income, net	1,976	-	1,976	2,461
Other income	1,927	-	1,927	725
Net assets released from restrictions	277,532	(277,532)	-	-
Total operating revenues and support	4,727,092	487,656	5,214,748	4,232,198
PROGRAM AND SUPPORT SERVICES:				
Program services	3,337,773	-	3,337,773	2,712,773
Management and general	413,486	-	413,486	403,721
Fundraising	416,483	-	416,483	215,407
Other supporting activity	90,056	-	90,056	20,139
Total program and support services	4,257,798	-	4,257,798	3,352,040
Change in net assets from operations	469,294	487,656	956,950	880,158
NON-OPERATING ACTIVITIES:				
Capital campaign contributions	-	265,116	265,116	1,550,021
Organization efficiency improvement contributions	-	45,000	45,000	-
Net assets released from restrictions	224,973	(224,973)	-	-
Total non-operating activities	224,973	85,143	310,116	1,550,021
Change in net assets	694,267	572,799	1,267,066	2,430,179
Net assets, beginning of period	3,684,657	20,000	3,704,657	1,274,478
Net assets, end of period	\$ 4,378,924	\$ 592,799	\$ 4,971,723	\$ 3,704,657

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

FOOD LINK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE FIFTEEN MONTHS ENDED JUNE 30, 2022 *(with comparative totals for the year ended March 31, 2021)*

	Program	Management	Fundraising	Other Supporting	2022 Total	2021 Total
Salaries and wages	\$ 273,745	\$ 161,298	\$ 190,799	\$ -	625,842	\$ 462,636
Payroll taxes and benefits	37,977	44,429	26,360	-	108,766	58,155
Total compensation and benefits	311,722	205,727	217,159	-	734,608	520,791
Depreciation - building	38,217	22,518	26,637	33,978	121,350	12,223
Mortgage interest	25,340	14,931	17,662	22,530	80,463	46,964
Repairs and maintenance contract	19,898	11,725	13,869	17,691	63,183	470
Utilities	7,552	4,450	5,264	6,714	23,980	2,582
Rent and relocation costs (reimbursements)	2,834	1,670	1,976	2,520	9,000	1,896
Property insurance	2,379	1,402	1,659	2,116	7,556	9,788
Total occupancy costs	96,220	56,696	67,067	85,549	305,532	73,923
In-kind food rescue	2,830,444	-	-	-	2,830,444	2,405,333
Transportation and vehicle depreciation	52,920	-	-	-	52,920	31,214
Program supplies and volunteers	16,684	-	-	-	16,684	2,833
Program insurance	4,683	2,759	3,264	4,164	14,870	6,609
Total program expenses	2,904,731	2,759	3,264	4,164	2,914,918	2,445,989
Professional fees	14,820	127,025	94,345	-	236,190	208,678
Administrative and office	2,456	3,853	27,636	174	34,119	72,318
Technology	4,122	13,799	1,385	-	19,306	13,934
Special event costs	-	-	5,292	-	5,292	12,527
Bank and credit card fees	-	34	4,809	169	5,012	11,115
Telephone and communications	1,869	2,832	35	-	4,736	3,369
Payroll processing fees	1,038	611	723	-	2,372	1,619
Travel and training	795	150	60	-	1,005	304
Total other expenses	25,100	148,304	134,285	343	308,032	323,864
Total expense by function	3,337,773	413,486	421,775	90,056	4,263,090	3,364,567
Less expenses included with revenues on the statement of activities: Events	-	-	(5,292)	-	(5,292)	(12,527)
Total expenses	\$ 3,337,773	\$ 413,486	\$ 416,483	\$ 90,056	\$ 4,257,798	\$ 3,352,040

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

FOOD LINK, INC.**STATEMENTS OF CASH FLOWS****FOR THE FIFTEEN MONTHS ENDED JUNE 30, 2022 AND YEAR ENDED MARCH 31, 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets from operations	\$ 956,950	\$ 835,158
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
In-kind securities donation	(11,901)	-
Depreciation	141,661	20,813
Accretion of debt issuance costs	-	32,564
Realized gain on sale of investments	197	-
Cash provided by (used in) changes in:		
Grants and unconditional promises to give	(383,617)	60,814
Accounts receivable	(2,750)	-
Inventory	(2,299)	(6,086)
Prepaid expenses	(249)	5,551
Accounts payable	(104,242)	68,728
Accrued expenses	38,646	(45,301)
Deferred revenue	5,800	-
Tenant security deposits	5,800	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	643,996	972,241
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(6,104)	(3,076,752)
Proceeds from sale of investments	11,705	135,647
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	5,601	(2,941,105)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital campaign contributions	265,116	1,550,021
Organization efficiency improvement contributions	45,000	-
Proceeds (principal payments) of long-term debt	(13,172)	733,022
NET CASH PROVIDED BY FINANCING ACTIVITIES	296,944	2,283,043
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	946,541	314,179
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	601,497	287,318
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	\$ 1,548,038	\$ 601,497
RECONCILIATION TO CASH AND CASH EQUIVALENTS AND RESTRICTED CASH ON THE STATEMENTS OF FINANCIAL POSITION:		
Cash and cash equivalents	\$ 1,238,038	\$ 381,497
Cash - restricted for long-term use	310,000	220,000
Cash and cash equivalents and restricted cash on the Statement of Cash Flows	\$ 1,548,038	\$ 601,497
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the periods for mortgage interest	\$ 80,463	\$ 14,755

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

FOOD LINK, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND MARCH 31, 2021

1. BUSINESS ACTIVITY:

Food Link, Inc. ("Food Link") 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. Food Link rescues high-quality fresh fruit, vegetables, 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 nutritious 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Change of Fiscal Year

The Board of Directors voted to change the fiscal year from March 31st to June 30th. As such, the 2022 financial statements represent activity for the period April 1, 2021 through June 30, 2022; while the 2021 financial statements represent activity for the period April 1, 2020 through March 31, 2021.

Method of Accounting

Food Link's policy is to maintain its books and prepare its combined financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Net Assets

Food Link 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:

- i. 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.
- ii. 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.

Use of Estimates

The presentation 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 disclosures 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.

(Continued)

FOOD LINK, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND MARCH 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*:

Management's Review

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through February 27, 2023, the date the financial statements were available to be issued.

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 Food Link's financial statements for the year ended March 31, 2021, from which the summarized information was derived. In addition, the 2022 financial statements represent fifteen (15) months of business activity while the 2021 financial statement represent twelve (12) months of business activity due to the change in Food Link's fiscal year end.

Implementation of Recent Accounting Pronouncements

Food Link adopted ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 requires entities to present contributed nonfinancial assets as a separate line item in the Statement of Activities and provide additional disclosures about contributions of nonfinancial assets, included disaggregated by category the types of contributed nonfinancial assets an entity has received. Adoption of this standard had no significant impact on the financial statements.

Pending Accounting Pronouncements

In 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and liabilities on the Statement of Financial Position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the Statement of Activities. The new standard is effective for the fiscal year 2023 financial statements. Food Link is currently evaluating the impact of adopting ASU 2016-02, *Leases*, on its results of operations and financial position.

Revenue Recognition

Food Link 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.

Food Link recognizes program services fees associated with additional services provided to a client.

(Continued)

FOOD LINK, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND MARCH 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*:

Revenue Recognition *(continued)*

Food Link reports gifts of food, securities, property and equipment 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 Food Link and its tenants are operating leases.

In-Kind Goods and Services

Food Link rescues thousands of pounds of fresh food and, on a daily basis, distributes it to social service agencies participating in the food rescue program. Food Link 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. During the fifteen months ended June 30, 2022 and the year ended March 31, 2021, Food Link distributed approximately 1,170,000 and 1,013,000 pounds, respectively, of donated product. The approximate average wholesale value of one pound of donated product at the national level, which was determined range from \$1.92 to \$1.68, respectively, during 2022 and 2021, was based on an annual study performed by Feeding America. The dollar value of these pounds distributed is \$2,352,043 and \$2,338,854 (net of spoilage loss of \$478,401 and \$66,479 in 2022 and 2021, respectively) for the fifteen months ended June 30, 2022 and the year ended March 31, 2021, respectively, and is included in-kind food rescue in the accompanying Statement of Functional Expenses.

Food Link receives in-kind contributions of investment securities throughout the year. Contributed securities are valued at fair market value on the date of receipt. The fair market value of contributed securities was \$11,901 for the fifteen months ended June 30, 2022. There were no contributed securities for the year ended March 31, 2021.

Food Link records donated professional services at the respective fair values of the services received. In addition, a number of individuals (including the former Executive Director) volunteer their services to Food Link, (see Note 9). In-kind contributed services are included in salaries and wages expense and professional fees in the accompanying Statement of Functional Expenses. 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.

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 Food Link's indirect cost allocation plan. Supporting services are those costs related to operating and managing Food Link 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.

(Continued)

FOOD LINK, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND MARCH 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*:

Cash and Cash Equivalents

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

Accounts Receivable, Net

Accounts receivable is comprised of program services and rental income and related receivables. Food Link uses the allowance method for recognizing allowances for doubtful accounts. Food Link's 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, 2022 and March 31, 2021.

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. Food Link 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 provided 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

Food Link 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

(Continued)

FOOD LINK, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND MARCH 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*:

Investments *(continued)*

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. 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

Food Link 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 \$5,800 at June 30, 2022.

Income Taxes

Food Link is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable Massachusetts state law. Food Link is not a private foundation and contributions are tax deductible. However, should Food Link have net unrelated business income it would be taxable.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by Food Link and recognize a tax liability (or asset) if Food Link has taken an uncertain tax position that more likely than not would be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by Food Link, and has concluded that as of June 30, 2022 and March 31, 2021, there were no material uncertain tax positions to report.

No provision for unrelated business income taxes was provided for at June 30, 2022 and March 31, 2021. Tax filings may be subject to audit by tax authorities generally for three years after its filings were submitted.

(Continued)

FOOD LINK, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND MARCH 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*:

Financial Instruments and Credit Risk

Food Link manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, Food Link 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 Food Link's mission.

Advertising

Food Link's policy is to expense advertising costs as incurred. There were no advertising costs incurred for the fifteen months ended June 30, 2022 and the year ended March 31, 2021.

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:

	2022	2021
Cash and cash equivalents	\$ 1,238,038	\$ 381,497
Grants receivable, current portion	308,543	64,926
Cash - restricted for operating reserve	300,000	210,000
	<u>\$ 1,846,581</u>	<u>\$ 656,423</u>

Management has a policy to structure Food Link's financial assets to be available as its general expenditures, current liabilities and mortgage debt obligations come due. To help manage unanticipated liquidity needs, Food Link has available a \$5,000 line of credit with a bank. In addition, 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.

4. GRANTS RECEIVABLE:

Grants receivable are expected to be collected as follows at June 30, 2022 and March 31, 2021:

	2022	2021
Within one year	\$ 308,543	\$ 64,926
In one to five years	160,000	20,000
Total grants receivable	<u>\$ 468,543</u>	<u>\$ 84,926</u>

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

(Continued)

FOOD LINK, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND MARCH 31, 2021

5. INVESTMENTS:

Net investment income for the fifteen months ended June 30, 2022 and the year ended March 31, 2021 is comprised of the following:

	2022	2021
Interest	\$ 1,892	\$ 2,461
Realized gain on investments	197	-
	<u>2,089</u>	<u>2,461</u>
Investment fees	(113)	-
	<u>\$ 1,976</u>	<u>\$ 2,461</u>

Investments were liquidated at June 30, 2022.

6. PROPERTY AND EQUIPMENT:

Net property and equipment consists of the following at June 30, 2022 and March 31, 2021:

	2022	2021
Land	\$ 700,565	\$ 700,565
Building	3,897,393	3,891,289
Transportation vehicles	162,484	162,484
	<u>4,760,442</u>	<u>4,754,338</u>
Less accumulated depreciation	(178,810)	(37,148)
Net property and equipment	<u>\$ 4,581,632</u>	<u>\$ 4,717,190</u>

On November 13, 2018, Food Link purchased two (2) adjoining parcels of land and a building located in, Arlington, Massachusetts for its future operations and distribution center, administrative offices and certain commercial rental offices. Building renovations began in the fall of 2019 and were substantially completed by February, 2021. Funds expended for acquisition costs, as well as, site development were capitalized as part of the building during the fiscal year ended March 31, 2021.

Depreciation expense was \$141,661 and \$20,813 for the fifteen months ended June 30, 2022 and the year ended March 31, 2021, respectively.

(Continued)

FOOD LINK, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND MARCH 31, 2021

7. LONG-TERM DEBT:

Long-term debt consists of the following:

	2022	2021
Mortgage note payable to a bank, with interest only through January, 2022, then payable in monthly installments of \$7,868 including interest at the 5 year FHLB Classic rate plus 2% (3.69% at June 30, 2022) through January 2027, and adjusting every 5 years, through July 2035; secured by real estate	\$ 1,518,307	\$ 1,531,479
Less current portion	39,046	6,483
	<u>\$ 1,479,261</u>	<u>\$ 1,524,996</u>

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

June, 2023	\$ 39,046
2024	40,512
2025	42,032
2026	43,609
2027	45,246
Thereafter	1,321,034

On April 7, 2020, Food Link received a \$45,000 loan under the Paycheck Protection Program ("PPP"), and on February 3, 2021, received a complete discharge of this loan together with accrued interest. Discharge of indebtedness income is included as a government grant on the Statement of Activities for the year ended March 31, 2021.

(Continued)

FOOD LINK, INC.**NOTES TO THE FINANCIAL STATEMENTS****JUNE 30, 2022 AND MARCH 31, 2021****8. NET ASSETS WITH DONOR RESTRICTIONS:**

Net assets with donor restrictions consist of:

	2022	2021
Subject to expenditure for specified purpose -		
Capital purchases	\$ 45,143	\$ -
Organization efficiency improvements	45,000	-
Subject to the passage of time:		
Food rescue program	487,636	-
Capital purchases	15,000	20,000
	<u>\$ 592,779</u>	<u>\$ 20,000</u>

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

	2022	2021
Capital purchases	\$ 224,973	\$ 2,136,083
Food rescue program	277,532	275,000
	<u>\$ 502,505</u>	<u>\$ 2,411,083</u>

9. IN-KIND REVENUES:

In-kind revenues are comprised of the following:

	2021				
	Program Services	Management and General	Fundraising	Other Supporting Activity	Total
Compensation	22,000	36,000	40,000	2,000	100,000
Legal services	21,108	9,432	-	8,183	38,723
	<u>\$ 43,108</u>	<u>\$ 45,432</u>	<u>\$ 40,000</u>	<u>\$ 10,183</u>	<u>\$ 138,723</u>

Capitalized legal services relating to the building renovation totaled \$18,639 for the year ended March 31, 2021. There were no capitalized legal services for the fifteen months ended June 30, 2022.

(Continued)

FOOD LINK, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND MARCH 31 2021

10. LEASE:

Food Link leased office space on a month-to-month basis for a monthly rental of \$450 through February, 2021. Food Link also shared and leased its operational space on a month-to-month basis at a monthly rental of \$1,000 through February, 2021. Food Link also leased a parking lot starting in November 2019 and pays \$600 a month. Total rent expense was \$9,000 and \$24,650 for the fifteen months ended June 30, 2022 and the year ended March 31, 2021, respectively.

11. FUNDRAISING EVENTS:

Food Link sponsored a Hullabaloo BBQ special event and a Home Cook-In special event during the fifteen months ended June 30, 2022 and fiscal year ended March 31, 2021, respectively, 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. Home Cook-In and Rescue to Table had gross proceeds \$61,450 and \$551,260 with corresponding direct costs of \$5,292 and \$12,527, respectively; resulting in net event revenue of \$56,158 and \$538,733, respectively for the fifteen months ended June 30, 2022 and the year ended March 31, 2021.

12. RELATED PARTY TRANSACTIONS:

A member of Food Link's Board of Directors holds a loan officer position with a bank. Food Link maintains deposit balances with this bank and obtained its SBA Paycheck Protection Program loan and promissory note through this bank.

13. OTHER SUPPORTING ACTIVITY:

Food Link leases dedicated desk and office spaces in its building under short term license agreements to several individuals. At the end of each term, the licenses automatically renew for a successive term under generally the same existing terms. Rental income from these agreements ranges from \$300 to \$2,450 per month. The costs associated with the rental activity have been functionally recorded as an "Other Supporting Activity" in the Statement of Functional Expenses.

14. RETIREMENT PLAN:

Food Link 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 \$15,232 and \$7,270 for the fifteen months ended June 30, 2022 and the year ended March 31, 2021, respectively.