FOOD RECOVERY NETWORK, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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Independent Auditor's Report

To the Board of Directors and Officers of Food Recovery Network, Inc.

Opinion
We have audited the financial statements of Food Recovery Network, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with account principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relation to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that 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 auditing standards generally accepted in the United States of America 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 judgement made by a reasonable user based on the financial statements.

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Independent Auditor's Report (Continued)

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgement an maintain professional skepticism throughout the audit.
- Identify and asses the risk 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.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continues 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.

Rosen, Sapperstein & Friedlander, LLC

Rosen, Sapperstein & Friedlander, LLC
Baltimore, Maryland
November 1, 2022

FOOD RECOVERY NETWORK, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,150,574	$ 829,085
Pledges receivable	95,000	115,000
Accounts receivable - other	48,352	-
Prepaid expenses	5,600	-
TOTAL ASSETS	$ 1,299,526	$ 944,085
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 7,357	$ 12,140
Payroll taxes payable	-	26,773
Refundable advance	-	45,710
TOTAL CURRENT LIABILITIES	7,357	84,623
NONCURRENT LIABILITIES		
Deferred lease liability	19,750	34,184
TOTAL LIABILITIES	27,107	118,807
NET ASSETS		
Without donor restrictions	1,272,419	825,278
TOTAL LIABILITIES AND NET ASSETS	$ 1,299,526	$ 944,085

See Accompanying Notes to Financial Statements

FOOD RECOVERY NETWORK, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT						
Contributions	$ 1,076,849	$ -	$ 1,076,849	$ 922,668	$ -	$ 922,668
Apparel sales - net	328	-	328	1,062	-	1,062
PPP loan forgiveness income	45,710	-	45,710	86,082	-	86,082
Employee retention credit	146,438	-	146,438	-	-	-
Other income	16,560	-	16,560	19,125	-	19,125
TOTAL REVENUES, GAINS AND OTHER SUPPORT	1,285,885	-	1,285,885	1,028,937	-	1,028,937
EXPENSES						
Program services	548,145	-	548,145	576,680	-	576,680
Supporting services						
Management and general	147,230	-	147,230	146,718	-	146,718
Fundraising	143,369	-	143,369	152,059	-	152,059
TOTAL EXPENSES	838,744	-	838,744	875,457	-	875,457
CHANGE IN NET ASSETS	447,141	-	447,141	153,480	-	153,480
NET ASSETS - BEGINNING OF YEAR	825,278	-	825,278	671,798	-	671,798
NET ASSETS - END OF YEAR	$ 1,272,419	$ -	$ 1,272,419	$ 825,278	$ -	$ 825,278

See Accompanying Notes to Financial Statements

FOOD RECOVERY NETWORK, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2022 and 2021

	2022				2021			
	PROGRAM SERVICES	SUPPORTING SERVICES			PROGRAM SERVICES	SUPPORTING SERVICES		
	Food Recovery Program Support	Management and General	Fundraising	Total	Food Recovery Program Support	Management and General	Fundraising	Total
Marketing and outreach	$ 19,113	$ -	$ -	$ 19,113	$ 5,569	$ -	$ -	$ 5,569
Bank fees	-	449	-	449	-	406	-	406
Contractors	71,488	-	-	71,488	157,223	-	-	157,223
Employee benefits	19,476	8,319	8,495	36,290	12,009	5,024	4,168	21,201
Event expenses	17,788	-	-	17,788	14,234	-	-	14,234
Insurance	4,678	2,747	-	7,425	-	7,527	-	7,527
Miscellaneous	-	12,047	-	12,047	-	13,301	-	13,301
Occupancy	55,239	11,048	7,365	73,652	55,732	11,147	7,431	74,310
Office expenses	8,582	1,282	-	9,864	5,213	687	-	5,900
Professional fees	-	27,258	-	27,258	-	22,617	-	22,617
Salaries and payroll taxes	331,918	81,135	126,287	539,340	319,871	84,377	137,071	541,319
Technology	10,102	1,723	-	11,825	6,829	1,594	-	8,423
Travel	9,761	1,222	1,222	12,205	-	38	3,389	3,427
TOTAL FUNCTIONAL EXPENSES	$ 548,145	$ 147,230	$ 143,369	$ 838,744	$ 576,680	$ 146,718	$ 152,059	$ 875,457

See Accompanying Notes to Financial Statements

FOOD RECOVERY NETWORK, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 447,141	$ 153,480
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in deferred lease liability	(14,434)	19,998
PPP loan forgiveness	(45,710)	(86,082)
Decrease (increase) in operating assets:		
Pledges receivable	20,000	8,000
Accounts receivable - other	(48,352)	-
Prepaid expenses	(5,600)	-
Increase (decrease) in operating liabilities		
Accounts payable	(4,783)	5,474
Payroll taxes payable	(26,773)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	321,489	100,870
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from SBA Paycheck Protection Program loan	-	95,497
NET CHANGE IN CASH AND CASH EQUIVALENTS	321,489	196,367
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	829,085	632,718
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,150,574	$ 829,085

See Accompanying Notes to Financial Statements

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Food Recovery Network, Inc. (the Organization) is a national non-profit organization headquartered in Washington, DC founded in 2011, for the purpose of uniting college students, dining providers, food suppliers, and local businesses in the fight against climate change and hunger by recovering perishable food that would otherwise go to waste and donating it to local nonprofits who feed people experiencing hunger across the U.S. The Organization has chapters at over 181 campuses in 46 states and the District of Columbia.

Basis of Presentation

The Organization follows the Presentation of Financial Statements for Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. This pronouncement sets standards for the financial statement presentation for not-for-profit organizations. The Organization is required to report information regarding its financial position and activities according to two (2) classes of net assets: without donor restrictions and with donor restrictions based on the existence or absence of donor-imposed restrictions. Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenue Recognition

The Organization follows both Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) and ASU 2018-08, Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). ASU 2014-09 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The ASU requires that the Organization recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. ASU 2018-08 clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchanged transactions. This guidance is preferable in that it clarifies whether to account for transactions as contributions or as exchanged transactions. In addition, it clarifies whether a contribution is conditional. Contributions should follow the guidance in FASB Accounting Standards Codification (FASB ASC) 958-605, Not-for-Profit Entities—Revenue Recognition, whereas, for exchange transactions, an entity should follow other guidance such as FASB ASC 606, Revenue from Contracts with Customers.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Contributions

Contributions include monies and sponsorships received from various individuals, corporations and foundations. Contributions are recorded as revenue when an unconditional promise to give has been made. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Other Revenue

Other revenues without donor restrictions consist of the sale of apparel and special events. These revenues are recorded when the service is provided, or the apparel is sold. Special event fees are recorded as revenues on the date the program occurs. Apparel sales are recorded as revenues upon transfer of the goods to the purchaser, with a very limited right of return. These sales are covered under FASB ASC 606, Revenue from Contracts with Customers as revenue recognized at a point in time.

Pledges Receivable

Pledges receivable represent unconditional promises to give support over a period of time. Unconditional promises to give are reported as an increase in net assets with or without donor restrictions, depending on the nature of the donor-imposed restriction, if any. The Organization recognizes pledges receivable at estimated net realizable value for pledges due within one year. Pledges receivable that are expected to be collected in future years are recorded at the present value of their net realizable value. As of June 30, 2022 and 2021, no allowance was deemed necessary for pledges receivable as they were deemed fully collectible in one year or less by management.

Accounts Receivable - Other

Receivables represent monies due for the Employee Retention Credit (ERC). See Note 6. The Organization considers various factors as of the date of the financial statements in evaluating the credit quality of these balances, including historical collection experience and assessment of the counterparties' ability to repay their obligations. Based on these factors, management considers all receivables to be fully collectible; therefore, no allowance for doubtful accounts has been reflected in the financial statements.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of reporting cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three (3) months or less to be cash equivalents.

Financial Credit Risk

The Organization maintains its cash accounts at financial institutions located in Maryland and its balances may at times exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. The Organization has not experienced any losses in such accounts and monitors the creditworthiness of the financial institutions with which it conducts business. Management believes that the Organization is not exposed to any significant credit risk with respect to its cash balances.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRS). There were no income taxes paid on unrelated business activities for the years ended June 30, 2022 and 2021.

The Organization received notification from the IRS in January 2020 regarding unpaid payroll taxes from the 2014 tax period totaling $26,773. During the year ended June 30, 2022, the IRS withheld this amount from a payment due to the Organization for an Employee Retention Credit (ERC). As of June 30, 2022 and 2021, $0 and $26,773, respectively, was outstanding as payroll taxes payable.

Accounting for Uncertainty in Income Taxes

The Organization adopted the Accounting for Uncertainty in Income Taxes standard of the FASB Accounting Standards Codification. The standard requires the recognition and measurement of uncertain tax positions taken or expected to be taken by the Organization in the preparation of its tax returns. The Organization determines whether it is more-likely-than-not that a certain tax position will be sustained upon examination by a taxing authority. If an uncertain tax position is less-likely-than-not to be sustained, an estimate of the potential effect is recognized in the financial statements and the uncertain tax position is required to be disclosed. Per the Organization’s evaluation as of June 30, 2022, including all prior tax years subject to examination, it was determined that no adjustments were required in the financial statements for tax positions less-likely-than-not to be sustained upon examination by a taxing authority. The Organization believes it is no longer subject to income tax examinations for years prior to June 30, 2019.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

The Organization has adopted the Revenue Recognition for Not-for-Profit Entities topic of the FASB Accounting Standards Codification in the recognition of donated services. Donated services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Donated services consist of volunteer services. Volunteer services are recorded on the basis of time spent at rates paid by other organizations for comparable services. The volunteer services primarily consist of services for the recovery of food. The volunteer services are recorded as both public support and program services; therefore, there is no effect on the change in net assets. No amounts have been reflected in the financial statements for the volunteer services for recovery of food since they do not meet the criteria for recognition.

Functional Expenses

The financial statements report certain costs that are attributable either to their program function or management and general function or both. Such costs are reported according to their natural expense category and then allocated to the appropriate functional category on a reasonable basis that is consistently applied. Salaries and benefits are allocated on the basis of function performed; physical resources are allocated on the basis of usage; purchased services are allocated on the basis of services received and the remaining general and administrative expenses are allocated on the basis of management identification based on observation and professional evaluation of the direct benefit of the expense to a particular functional category or categories.

Marketing and Outreach Expense

Marketing and outreach costs are expensed when incurred. Marketing and outreach expenses for the years ended June 30, 2022 and 2021 amounted to $19,113 and $5,569, respectively.

New Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statements of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statements of activities. This standard will be effective for the year ending June 30, 2023. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Events that occurred subsequent to June 30, 2022 have been evaluated by the Organization's management for potential recognition or disclosure in the financial statements through the date of the independent auditor's report, which is the date the financial statements were available to be issued. The Organization did not have any material recognizable subsequent events during this period.

NOTE 2 – PAYCHECK PROTECTION PROGRAM LOAN

PPP Loan - Draw 1
On May 5, 2020, the Organization was granted a loan from Bank of America in the amount of $43,887, under the SBA Paycheck Protection Program (PPP). Under the terms of the PPP, certain amounts of the loan may be forgiven if loan proceeds are used for qualifying expenses as described in the CARES Act and maintain employee and compensation levels during a designated 24-week period. Qualifying expenses include amounts paid, during a 24 week period beginning on the loan origination date, for payroll costs, certain payroll benefits, rent and utilities. The unforgiven portion of the PPP loan was payable over two years at an interest rate of 1%, with a deferral of payments until the forgiveness amount had been approved and remitted to the financial institution.

The PPP loan forgiveness is recognized under Topic 958-605 – Not-for-Profit Entities – Revenue Recognition, whereby the transfer of assets that is a conditional contribution is accounted for as a refundable advance until the conditions have been substantially met or explicitly waived by the donor. Where conditions are met over time or in stages, contributions should be recognized as income as the qualifying expenses are incurred and other PPP loan requirements are substantially met. Accordingly, $7,592 was recognized as forgiven during the year ended June 30, 2020. During the year ended June 30, 2021, the Organization received notice from Bank of America that the SBA has forgiven the entire loan balance including accrued interest. For the year ended June 30, 2021, the PPP loan forgiveness amounted to $36,295 and is included in the statements of activities in PPP loan forgiveness income.

PPP Loan – Draw 2
On March 23, 2021, the Organization was granted a loan from Bank of America in the amount of $95,497, under the PPP. Under the terms of the PPP, certain amounts of the loan may be forgiven if loan proceeds are used for qualifying expenses as described in the CARES Act and maintain employee and compensation levels during a designated 24-week period. Qualifying expenses include amounts paid, during a 24 week period beginning on the loan origination date, for payroll costs, certain payroll benefits, rent, utilities, worker protection costs related to COVID-19, and certain supplier costs and expenses for operations. The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments until the forgiveness amount has been approved and remitted to the financial institution.

NOTE 2 – PAYCHECK PROTECTION PROGRAM LOAN (Continued)

PPP Loan – Draw 2 (Continued)

The PPP loan forgiveness is recognized under Topic 958-605 – Not-for-Profit Entities – Revenue Recognition, whereby the transfer of assets that is a conditional contribution is accounted for as a refundable advance until the conditions have been substantially met or explicitly waived by the donor. Where conditions are met over time or in stages, contributions should be recognized as income as the qualifying expenses are incurred and other PPP loan requirements are substantially met. Accordingly, for the year ended June 30, 2021, $49,787 was recognized as income and is included in PPP loan forgiveness income on the statements of activities. During the year ended June 30, 2022, the Organization received notice from Bank of America that the SBA has forgiven the entire loan balance including accrued interest. For the year ended June 30, 2022, the PPP loan forgiveness amounted to $45,710 and is included in the statements of activities in PPP loan forgiveness income.

NOTE 3 – CONCENTRATIONS

Revenue from four sources consisted of approximately 33% and 41%, respectively, of total revenue for the years ended June 30, 2022 and 2021.

NOTE 4 – LEASE COMMITMENTS

The Organization entered into a lease agreement commencing on March 15, 2020 and expiring on August 31, 2023 for the rental of office space in Washington, DC. Monthly base rental payments are due as provided for in the lease agreement. Rent expense incurred for the years ended June 30, 2022 and 2021 amounted to $73,652 and $74,310, respectively.

The leases contain annual rent escalations. In accordance with accounting principles generally accepted in the United States of America, the Organization records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months in the lease term. The difference between rent expense recorded and the amount paid is charged to deferred lease liability. The deferred lease liability balance as of June 30, 2022 and 2021 amounted to $19,750 and $34,184, respectively, and is included in noncurrent liabilities in the statements of financial position.

Future minimum lease payments for the next three years are as follows:

For the year ending June 30, 2023	$ 90,324
2024	15,122
Total	$ 105,446

NOTE 5 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available to meet cash needs for general expenditures within one year of June 30, 2022 and 2021 are as follows:

	2022	2021
Cash and cash equivalents	$ 1,150,574	$ 829,085
Pledges receivable	95,000	115,000
Accounts receivable - other	48,352	-
Financial assets available to meet cash needs for general expenditures within 1 year	$ 1,293,926	$ 944,085

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. General expenditures are expenses the Organization expects to disburse for program and supporting services.

NOTE 6 – EMPLOYEE RETENTION CREDIT

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) signed into law on March 27, 2020, and the subsequent extension of the CARES Act, the Organization was eligible for a refundable retention credit subject to certain criteria. During the year ended June 30, 2022, the Organization applied for the employee retention credit, and recognized a $146,438 employee retention credit as income on the statements of activities. All of the employee retention credit was collected by the Organization except for $48,352 which remains a receivable as of June 30, 2022.