

FOOD RECOVERY NETWORK, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022



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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, 2023 and 2022, 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, 2023 and 2022, 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 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.

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.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Exercise professional judgement 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 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Rosen, Sapperstein & Friedlander, LLC

Rosen, Sapperstein & Friedlander, LLC
Baltimore, Maryland
January 12, 2024

FOOD RECOVERY NETWORK, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,449,171	\$ 1,150,574
Pledges receivable	90,000	95,000
Accounts receivable - other	-	48,352
Prepaid expenses	-	5,600
Operating lease right-of-use assets	<u>12,190</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,551,361</u>	<u>\$ 1,299,526</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 7,719	\$ 7,357
Operating lease liabilities	<u>15,069</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	22,788	7,357
NONCURRENT LIABILITIES		
Deferred lease liability	<u>-</u>	<u>19,750</u>
TOTAL LIABILITIES	22,788	27,107
NET ASSETS		
Without donor restrictions	<u>1,528,573</u>	<u>1,272,419</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,551,361</u>	<u>\$ 1,299,526</u>

See Accompanying Notes to Financial Statements

FOOD RECOVERY NETWORK, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT						
Contributions	\$ 1,240,962	\$ -	\$ 1,240,962	\$ 1,076,849	\$ -	\$ 1,076,849
Apparel sales	-	-	-	328	-	328
PPP loan forgiveness income	-	-	-	45,710	-	45,710
Employee retention credit	-	-	-	146,438	-	146,438
Other income	52,038	-	52,038	16,560	-	16,560
TOTAL REVENUES, GAINS AND OTHER SUPPORT	1,293,000	-	1,293,000	1,285,885	-	1,285,885
EXPENSES						
Program services	733,334	-	733,334	548,145	-	548,145
Supporting services						
Management and general	137,536	-	137,536	147,230	-	147,230
Fundraising	165,976	-	165,976	143,369	-	143,369
TOTAL EXPENSES	1,036,846	-	1,036,846	838,744	-	838,744
CHANGE IN NET ASSETS	256,154	-	256,154	447,141	-	447,141
NET ASSETS - BEGINNING OF YEAR	1,272,419	-	1,272,419	825,278	-	825,278
NET ASSETS - END OF YEAR	\$ 1,528,573	\$ -	\$ 1,528,573	\$ 1,272,419	\$ -	\$ 1,272,419

See Accompanying Notes to Financial Statements

FOOD RECOVERY NETWORK, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2023 and 2022

	2023				2022			
	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
Bank fees	\$ -	\$ 2,546	\$ -	\$ 2,546	\$ -	\$ 449	\$ -	\$ 449
Contractors	32,210	-	-	32,210	71,488	-	-	71,488
Employee benefits	23,132	13,442	7,537	44,111	19,476	8,319	8,495	36,290
Event expenses	51,241	-	-	51,241	17,788	-	-	17,788
Insurance	9,500	5,579	-	15,079	4,678	2,747	-	7,425
Marketing and outreach	5,886	-	-	5,886	19,113	-	-	19,113
Miscellaneous	-	6,130	3,551	9,681	-	12,047	-	12,047
Occupancy	55,242	11,049	7,366	73,657	55,239	11,048	7,365	73,652
Office expenses	10,424	605	-	11,029	8,582	1,282	-	9,864
Professional fees	-	24,359	-	24,359	-	27,258	-	27,258
Salaries and payroll taxes	476,106	71,085	141,495	688,686	331,918	81,135	126,287	539,340
Technology	12,725	2,213	-	14,938	10,102	1,723	-	11,825
Travel	56,868	528	6,027	63,423	9,761	1,222	1,222	12,205
TOTAL FUNCTIONAL EXPENSES	\$ 733,334	\$ 137,536	\$ 165,976	\$ 1,036,846	\$ 548,145	\$ 147,230	\$ 143,369	\$ 838,744

See Accompanying Notes to Financial Statements

FOOD RECOVERY NETWORK, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 256,154	\$ 447,141
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in deferred lease liability	-	(14,434)
PPP loan forgiveness	-	(45,710)
Amortization of operating lease right of use assets	71,684	-
Decrease (increase) in operating assets:		
Pledges receivable	5,000	20,000
Accounts receivable - other	48,352	(48,352)
Prepaid expenses	5,600	(5,600)
Increase (decrease) in operating liabilities		
Accounts payable	362	(4,783)
Payroll taxes payable	-	(26,773)
Operating lease liabilities	(88,555)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	298,597	321,489
NET CHANGE IN CASH AND CASH EQUIVALENTS	298,597	321,489
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,150,574	829,085
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,449,171	\$ 1,150,574

See Accompanying Notes to Financial Statements

FOOD RECOVERY NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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 United States. The Organization has chapters at over 200 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.

FOOD RECOVERY NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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 statements of activities as net assets released from restrictions.

Other Income

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, 2023 and 2022, 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 pay 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.

FOOD RECOVERY NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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, 2023 and 2022.

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, 2023, 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, 2020.

FOOD RECOVERY NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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

Recently Adopted Accounting Guidance

In February 2016, the FASB issued Accounting Standards Codification (ASC) 842, Leases, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective July 1, 2022 and recognized and measured leases existing at or entered into after July 1, 2022 through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for its existing operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022, operating lease liabilities of approximately \$103,000 which represents the present value of the remaining operating lease payments of approximately \$106,000 discounted using the risk free rate of 2.79%, and a ROU asset of approximately \$84,000, which represents the operating lease liability of approximately \$103,000 adjusted for the deferred lease liability of approximately \$19,000.

The standard had a material impact on the Organization's statements of financial position but did not have an impact on the statements of activities or cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Leases

The Organization leases office space for its main corporate office. Leases with an initial term of 12 months or less are not recorded on the statements of financial position; the Organization recognizes lease expense for these leases on a straight-line basis over the lease term. The Organization determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Operating leases are included in operating lease ROU assets, current operating lease liabilities, and noncurrent operating lease liabilities on the statements of financial position.

FOOD RECOVERY NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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

Leases (Continued)

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Organization's lease does not provide an implicit rate, a risk-free rate based on the information available at the commencement date is used in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

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.

FOOD RECOVERY NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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

Marketing and Outreach Expense

Marketing and outreach costs are expensed when incurred. Marketing and outreach expenses for the years ended June 30, 2023 and 2022 amounted to \$5,886 and \$19,113, respectively.

Subsequent Events

Events that occurred subsequent to June 30, 2023 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 except as disclosed in Note 4 relating to a new headquarters office space lease.

NOTE 2 – PAYCHECK PROTECTION PROGRAM LOAN (PPP)

On March 23, 2021, the Organization was granted a second loan from Bank of America in the amount of \$95,497, 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, 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.

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, 2022, \$49,787 was recognized as income. During the year ended June 30, 2023, 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, 2023, 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 39% and 33%, respectively, of total revenue for the years ended June 30, 2023 and 2022.

NOTE 4 – LEASES

ASC 842

The Organization leased a space for its corporate office. The lease has a remaining lease term of less than 1 year.

FOOD RECOVERY NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 4 – LEASES (CONTINUED)

ASC 842 (Continued)

The tables below present financial information associated with the Organization's lease presented only as of and for the year ended June 30, 2023 because, as noted above, the Organization adopted Topic 842 using a transition method that does not require application to periods prior to adoption.

The components of lease assets and liabilities are as follows:

<u>Lease related assets and liabilities</u>	<u>Financial statement line item</u>	
<u>Right-of-use assets:</u>		
Operating leases	Operating lease right-of-use assets	<u>\$ 12,190</u>
<u>Lease Liabilities:</u>		
Operating leases - current	Operating lease liability - current	<u>\$ 15,069</u>

The components of lease expense are as follows:

<u>Lease costs</u>	<u>Financial statement line item</u>	
Operating lease expense	Functional expenses - occupancy	<u>\$ 73,657</u>

Future minimum lease payments under non-cancellable operating leases as of June 30, 2023 were as follows:

For the year ending June 30, 2024	\$ 15,122
Less: imputed interest	<u>(18)</u>
Present value of lease liabilities	<u>\$ 15,104</u>

The Organization had the following cash and noncash activities associated with leases during the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows used for operating leases	<u>\$ 90,324</u>
Noncash investing and financing activities:	
Right-of-use assets obtained from new operating lease liabilities	<u>\$ 103,624</u>

As of June 30, 2023, the weighted-average remaining lease term and weighted-average discount rate for operating leases is as follows:

Weighted-average remaining lease term (years)	0.17
Weighted-average discount rate	2.79%

FOOD RECOVERY NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 4 – LEASES (CONTINUED)

ASC 842 (Continued)

The Organization entered into a lease agreement for new headquarters office space commencing in September 2023. The lease has a 7 year term expiring in September 2030. Future rent expense over the term of the lease approximates \$220,000. The estimated lease liability and right of use asset to be recognized at the commencement of the lease approximates \$187,000.

ASC 840

As discussed above, the Organization adopted Topic 842 effective July 1, 2022. Topic 842 is an update to Topic 840, which was the lease accounting standard in place through June 30, 2022. Under Topic 840, the Organization recognized lease expense on a straight-line basis over the life of the lease, whereby the difference between the straight-line expense recorded and the amount paid was charged to deferred rent as an asset or liability. The following information presents historical financial statement information for leases accounted for under Topic 840 as of and for the year ended June 30, 2022.

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 year ended June 30, 2023 amounted to \$73,652.

The lease contains 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 amounted to \$19,750, and is included in noncurrent liabilities in the statements of financial position.

Approximate future minimum lease payments under non-cancelable operating leases as of June 30, 2022 were as follows:

For the year ending June 30, 2023	\$ 90,324
2024	<u>15,122</u>
Total	<u>\$ 105,446</u>

FOOD RECOVERY NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

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, 2023 and 2022 are as follows:

	2023	2022
Cash and cash equivalents	\$ 1,449,171	\$ 1,150,574
Pledges receivable	90,000	95,000
Accounts receivable - other	-	48,352
Financial assets available to meet cash needs for general expenditures within 1 year	\$ 1,539,171	\$ 1,293,926

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. The Organization collected \$98,086 of the credit in 2022 and the remaining \$48,352 was recorded as a receivable as of June 30, 2022. During the year ended June 30, 2023, the remaining amount was collected.