

Rethink Food NYC, Inc.
**Financial Statements
and Independent Auditor's Report**
December 31, 2020

Rethink Food NYC, Inc.

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Independent Auditor's Report

To the Board of Directors
Rethink Food NYC, Inc.

We have audited the accompanying financial statements of Rethink Food NYC, Inc., a nonprofit organization, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rethink Food NYC, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



New York, New York
November 8, 2021

Rethink Food NYC, Inc.

**Statement of Financial Position
December 31, 2020**

Assets

Cash and cash equivalents	\$ 10,526,473
Restricted cash	115,045
Contributions receivable	11,731,529
Prepaid expenses and other assets	499,803
Fixed assets, net	<u>130,486</u>
Total assets	<u>\$ 23,003,336</u>

Liabilities and Net Assets

Liabilities	
Accounts payable and accrued liabilities	\$ 399,084
Loan payable	124,000
Deferred rent	<u>25,178</u>
Total liabilities	<u>548,262</u>
Commitments and contingencies	
Net assets	
Without donor restrictions	10,955,074
With donor restrictions	<u>11,500,000</u>
Total net assets	<u>22,455,074</u>
Total liabilities and net assets	<u>\$ 23,003,336</u>

See Notes to the Financial Statements.

Rethink Food NYC, Inc.

**Statement of Activities
Year Ended December 31, 2020**

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Contributions	\$ 26,140,838	\$ 11,500,000	\$ 37,640,838
In-kind contributions	244,457	-	244,457
Interest income	10,973	-	10,973
Other income	21,746	-	21,746
Total support and revenue	26,418,014	11,500,000	37,918,014
Expenses			
Program services	14,360,660	-	14,360,660
Supporting services			
General and administrative	1,397,495	-	1,397,495
Fundraising	857,165	-	857,165
Total supporting services	2,254,660	-	2,254,660
Total expenses	16,615,320	-	16,615,320
Change in net assets	9,802,694	11,500,000	21,302,694
Net assets, beginning	1,152,380	-	1,152,380
Net assets, end	\$ 10,955,074	\$ 11,500,000	\$ 22,455,074

See Notes to the Financial Statements.

Rethink Food NYC, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2020**

	Program services	Supporting services		Total supporting services	Total
		General and administrative	Fundraising		
Salaries	\$ 1,686,808	\$ 395,309	\$ 628,528	\$ 1,023,837	\$ 2,710,645
Payroll taxes and benefits	155,785	34,619	56,874	91,493	247,278
Consultants and contractors	-	169,002	-	169,002	169,002
Dues and subscriptions	188,452	33,963	6,589	40,552	229,004
Insurance	63,473	3,158	5,188	8,346	71,819
Kitchen supplies and food items	2,203,782	-	-	-	2,203,782
Travel and entertainment	26,202	4,771	-	4,771	30,973
Office supplies and expenses	54,314	24,048	19,282	43,330	97,644
Professional fees	7,682	691,898	2,805	694,703	702,385
Shipping and delivery	206,036	-	-	-	206,036
Depreciation	25,207	-	-	-	25,207
Grants	51,575	-	-	-	51,575
Rethink Certified meals	9,032,326	-	-	-	9,032,326
Advertising	-	10,861	104,992	115,853	115,853
Rent and utilities	240,109	16,435	26,911	43,346	283,455
Repairs and maintenance	67,170	-	-	-	67,170
Truck rental and maintenance	323,373	-	-	-	323,373
Miscellaneous	28,366	13,431	5,996	19,427	47,793
Total expenses	\$ 14,360,660	\$ 1,397,495	\$ 857,165	\$ 2,254,660	\$ 16,615,320

See Notes to the Financial Statements.

Rethink Food NYC, Inc.
Statement of Cash Flows
Year Ended December 31, 2020

Cash flows from operating activities	\$ 21,302,694
Change in net assets	
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	25,207
Changes in operating assets and liabilities	
Contributions receivable	(11,731,529)
Prepaid expenses and other assets	(410,510)
Accounts payable and accrued expenses	360,916
Deferred rent	25,178
	<u>9,571,956</u>
Net cash provided by operating activities	
	<u>9,571,956</u>
Cash flows from investing activities	
Purchase of fixed assets	<u>(155,693)</u>
Net cash used in investing activities	<u>(155,693)</u>
Cash flows from financing activities	
Proceeds from loan	<u>124,000</u>
Net cash provided by financing activities	<u>124,000</u>
Net increase in cash, cash equivalents, and restricted cash	9,540,263
Cash, cash equivalents, and restricted cash, beginning	<u>1,101,255</u>
Cash, cash equivalents, and restricted cash, end	<u><u>\$ 10,641,518</u></u>

See Notes to the Financial Statements.

Rethink Food NYC, Inc.

Notes to Financial Statements December 31, 2020

Note 1 - Organization

Rethink Food NYC, Inc. ("Rethink Food") is a nonprofit organization with the mission to reduce food insecurity by developing practical models that distribute nutritionally dense, culturally sensitive meals to nourish communities. Launched in 2017, Rethink Food developed a process to transform excess food from restaurants, corporate kitchens, and grocery stores into nutritious meals, and distribute them via community-based organizations ("CBOs"). In 2020, with food insecurity escalating and restaurants facing widespread closures, Rethink Food leveraged its experience in food rescue and distribution to rethink the food system and launch Rethink Certified, a new model that empowers community entrepreneurs to be at the heart of the solution in their neighborhoods.

Rethink Certified is a partnership program that has two purposes: to feed communities and keep restaurants in business. Rethink Food partners with restaurants to prepare meals as part of their daily operations, which are then distributed through CBOs to neighborhoods impacted by food insecurity.

Note 2 - Summary of significant accounting policies

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Classification of net assets

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Rethink Food and the changes therein are classified and reported in two categories of net assets as follows:

Without donor restrictions - Net assets that are not subject to donor-imposed restrictions.

With donor restrictions - Net assets that are restricted by the donor for use for a specific purpose or in a future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Net assets with donor restrictions as of December 31, 2020 amounted to \$11,500,000. Donor restrictions for 2020 were subject to a stipulated time restriction.

Other donor-imposed restrictions on net assets included in this category are permanent in nature. These net assets have been restricted by donors to be maintained by Rethink Food either in perpetuity or until released by specific action by Rethink Food's Board of Directors in accordance with applicable law.

When a donor's restrictions are satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restrictions is reported in the financial statements by reclassifying net assets from net assets with donor restrictions to net assets without donor restrictions.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Rethink Food NYC, Inc.

Notes to Financial Statements December 31, 2020

Cash and cash equivalents

Rethink Food considers all highly liquid investments with original maturities of three months or less on the date of purchase to be cash equivalents.

Restricted cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported on the statement of financial position that sum to the total shown on the statement of cash flows:

Cash and cash equivalents	\$ 10,526,473
Restricted cash	<u>115,045</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 10,641,518</u>

Restricted cash is comprised of an amount that is required to be set aside to secure a letter of credit for Rethink Food's operating lease.

Concentration of credit risk

Financial instruments that potentially subject Rethink Food to concentrations of credit risk consist principally of cash and cash equivalents and contributions receivable. At times during the year, Rethink Food's cash balances may exceed the limits of Federal Deposit Insurance Corporation insurance coverage. Rethink Food monitors its financial institutions and the concentration of credit risk on a regular basis and does not anticipate nonperformance by the financial institutions.

Contributions receivable credit risk is limited due to the nature of the receivables. Rethink Food regularly monitors its receivables and establishes an allowance account for those amounts that are not deemed collectible. Approximately 85% of contributions receivable and approximately 53% of contributions revenue is from one donor for the year ended December 31, 2020.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Fixed assets with original cost (or fair value, if donated), greater than \$5,000 with useful life exceeding three years are capitalized. Such assets are depreciated over their estimated useful lives, which range from 3 to 10 years, using the straight-line method.

Contributions

Rethink Food recognizes contributions when cash, other assets, and/or an unconditional promised to give is received. Conditional promises to give, which have 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 recognized are classified as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as support without donor restrictions and increases in net assets without donor restrictions. When a restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

Rethink Food receives special events revenue which contains both an exchange component and a conditional contribution component. Both components are recognized when the event takes place. Any event revenue received in advance of the event is recorded as deferred revenue.

Rethink Food NYC, Inc.

Notes to Financial Statements December 31, 2020

In-kind contributions

Rethink Food recognizes contribution services if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets and materials are recognized at fair market value when received. During the year ended December 31, 2020, Rethink Food received perishable food with a fair value of \$244,457. The value was determined using an internal methodology which incorporates reductions for processing, food grade, and other elements.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been charged among the programs and supporting services based on a combination of specific identification or allocation as determined by management. Rethink Food allocates salaries and related payroll taxes and benefits based on estimated time and effort. Other expenses relating to more than one function have been allocated based on the ratio of salaries by function to total salaries. Expenses that can be identified with a specific program or supporting service are charged directly to that function. General and administrative expenses include those expenses that are not directly identifiable with any specific program but provide for the overall support of Rethink Food.

Income taxes

Rethink Food has been recognized as an entity exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Rethink Food has no unrecognized tax benefits as of December 31, 2020. Rethink Food's federal and state income tax returns prior to fiscal year 2017 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, Rethink Food will recognize interest and penalties associated with tax matters as general and administrative expenses and include accrued interest and penalties with the related tax liability in the statement of financial position. There were no interest or penalties for the year ended December 31, 2020.

Subsequent events

Rethink Food has evaluated subsequent events through November 8, 2021, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and availability

Rethink Food regularly monitors liquidity required to meet its operating needs and other obligations as they come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Rethink Food considers all expenditures related to its ongoing activities to be general expenditures. Amounts available for general expenditures over a 12-month period include donor-restricted amounts that are available for ongoing programmatic and support expenditures.

Rethink Food NYC, Inc.

**Notes to Financial Statements
December 31, 2020**

The following reflects Rethink Food's financial assets, as of December 31, 2020, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

Financial assets at year end	
Cash and cash equivalents	\$ 10,526,473
Restricted cash	115,045
Contributions receivable	11,731,529
Prepaid expenses and other assets	<u>499,803</u>
 Total financial assets	 22,872,850
 Less amounts not available to meet general expenditures	
Restricted cash	115,045
Prepaid expenses and security deposits	<u>495,060</u>
 Total financial assets available to meet general expenditures over the next 12 months	 <u><u>\$ 22,262,745</u></u>

Note 4 - Related parties

One board member and one employee of Rethink Food are owners of restaurant partners that participate in the Rethink Certified program. During the year ended December 31, 2020, Rethink Food paid \$1,473,217 to these restaurant partners for prepared meals and services provided.

Rethink Food leased kitchen and office facilities co-owned by a board member on a month-to-month basis. The agreement also included janitorial services, porter services, and other utility charges. During the year ended December 31, 2020, the amount paid related to the lease and services provided totaled \$209,130.

Note 5 - Operating leases

Rethink Food leases various facilities under operating leases that expire at various dates through 2024. Rent expense amounted to \$240,275 for the year ended December 31, 2020, including approximately \$1,100 of tax and maintenance charges.

Minimum annual future rental commitments under the non-cancelable operating leases subsequent to December 31, 2020 are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2021	\$ 333,843
2022	313,493
2023	347,499
2024	<u>88,494</u>
	<u><u>\$ 1,083,329</u></u>

Rethink Food NYC, Inc.

Notes to Financial Statements December 31, 2020

Note 6 - Risks and uncertainties

In early 2020 and continuing into 2021, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred, including mandates from federal, state, and local authorities, leading to an overall decline in economic activity. Rethink Food is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly, as well as other cost saving measures, if necessary. If the length of the outbreak and related effects on Rethink Food's operations continues for an extended period of time, Rethink Food may seek alternative measures to finance its operations. Rethink Food is closely monitoring any negative impact to Rethink Food's financial position, results of operations, and cash flows that may occur due to this outbreak. The aggregate effect of the financial impact and duration cannot be reasonably estimated at this time.

Note 7 - Loan payable

In 2020, Rethink Food received loan proceeds in the amount of \$124,000 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (8 or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. In accordance to the promissory note, the PPP loan is payable over two years at an interest rate of 1% per annum, with a deferral of payments for six months from the date of the note. Rethink Food intends to use the respective PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness. Subsequent to the year ended December 31, 2020, Rethink Food was granted forgiveness and legally released from its PPP loan obligation. Accordingly, Rethink Food will recognize \$124,000 of loan forgiveness income for the year ending December 31, 2021.



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