

Rethink Food NYC, Inc.
**Financial Statements
and Independent Auditor's Report**
December 31, 2021 and 2020

Rethink Food NYC, Inc.

Index

Page

Independent Auditor's Report

2

Financial Statements

Statements of Financial Position

4

Statements of Activities

5

Statements of Functional Expenses

6

Statements of Cash Flows

8

Notes to Financial Statements

9

Independent Auditor's Report

To the Board of Directors
Rethink Food NYC, Inc.

Opinion

We have audited the financial statements of Rethink Food NYC, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, 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 present fairly, in all material respects, the financial position of Rethink Food NYC, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rethink Food NYC, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rethink Food NYC, 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 Rethink Food NYC, 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.

CohnReznick LLP

New York, New York
September 21, 2022

Rethink Food NYC, Inc.

**Statements of Financial Position
December 31, 2021 and 2020**

	<u>Assets</u>	
	2021	2020
Cash and cash equivalents	\$ 7,748,392	\$ 10,526,473
Restricted cash	115,045	115,045
Contributions receivable, net	16,337,148	11,731,529
Prepaid expenses and other assets	427,650	499,803
Fixed assets, net	87,956	130,486
Total assets	\$ 24,716,191	\$ 23,003,336
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued liabilities	\$ 385,429	\$ 399,084
Loan payable	-	124,000
Deferred rent	37,276	25,178
Total liabilities	422,705	548,262
Commitments and contingencies		
Net assets		
Without donor restrictions	8,414,051	10,955,074
With donor restrictions	15,879,435	11,500,000
Total net assets	24,293,486	22,455,074
Total liabilities and net assets	\$ 24,716,191	\$ 23,003,336

See Notes to Financial Statements.

Rethink Food NYC, Inc.

**Statements of Activities
Years Ended December 31, 2021 and 2020**

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue						
Contributions	\$ 11,611,268	\$ 15,879,435	\$ 27,490,703	\$ 26,140,838	\$ 11,500,000	\$ 37,640,838
In-kind contributions	1,231,889	-	1,231,889	244,457	-	244,457
Special events revenue, net of direct cost of \$29,232 in 2021 and \$0 in 2020	708,619	-	708,619	-	-	-
Other income	131,363	-	131,363	32,719	-	32,719
Net assets released from restrictions	11,500,000	(11,500,000)	-	-	-	-
Total support and revenue	25,183,139	4,379,435	29,562,574	26,418,014	11,500,000	37,918,014
Expenses						
Program services	24,030,863	-	24,030,863	14,360,660	-	14,360,660
Supporting services						
General and administrative	2,152,232	-	2,152,232	1,397,495	-	1,397,495
Fundraising	1,541,067	-	1,541,067	857,165	-	857,165
Total supporting services	3,693,299	-	3,693,299	2,254,660	-	2,254,660
Total expenses	27,724,162	-	27,724,162	16,615,320	-	16,615,320
Change in net assets	(2,541,023)	4,379,435	1,838,412	9,802,694	11,500,000	21,302,694
Net assets, beginning	10,955,074	11,500,000	22,455,074	1,152,380	-	1,152,380
Net assets, end	<u>\$ 8,414,051</u>	<u>\$ 15,879,435</u>	<u>\$ 24,293,486</u>	<u>\$ 10,955,074</u>	<u>\$ 11,500,000</u>	<u>\$ 22,455,074</u>

See Notes to Financial Statements.

Rethink Food NYC, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2021**

	Program services	Supporting services			Total supporting services	Total
		General and administrative	Fundraising	Direct costs - special event		
Salaries	\$ 1,811,323	\$ 917,480	\$ 1,108,622	\$ -	\$ 2,026,102	\$ 3,837,425
Payroll taxes and benefits	306,425	156,473	189,071	-	345,544	651,969
Consultants and contractors	46,654	18,569	-	19,676	38,245	84,899
Dues and subscriptions	388,651	29,253	-	-	29,253	417,904
Insurance	157,603	59,781	72,236	-	132,017	289,620
Kitchen supplies and food items	1,360,425	-	-	5,162	5,162	1,365,587
Travel and entertainment	45,603	36,715	-	-	36,715	82,318
Office supplies and expenses	32,995	10,920	13,195	-	24,115	57,110
Professional fees	38,113	789,270	33,456	-	822,726	860,839
Shipping and delivery	533,792	-	-	-	-	533,792
Depreciation	31,016	-	-	-	-	31,016
Grants	97,768	-	-	-	-	97,768
Rethink Certified meals	18,416,058	-	-	-	-	18,416,058
Advertising	25,090	-	25,090	-	25,090	50,180
Rent and utilities	556,783	77,228	93,317	-	170,545	727,328
Repairs and maintenance	31,805	-	-	-	-	31,805
Truck rental and maintenance	126,619	-	-	-	-	126,619
Miscellaneous	24,140	31,664	6,080	4,394	42,138	66,278
Bad debt	-	24,879	-	-	24,879	24,879
Total	24,030,863	2,152,232	1,541,067	29,232	3,722,531	27,753,394
Less expenses included with support and revenue on the statements of activities	-	-	-	(29,232)	(29,232)	(29,232)
Total expenses	\$ 24,030,863	\$ 2,152,232	\$ 1,541,067	\$ -	\$ 3,693,299	\$ 27,724,162

See Notes to 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 Financial Statements.

Rethink Food NYC, Inc.

**Statements of Cash Flows
Years Ended December 31, 2021 and 2020**

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 1,838,412	\$ 21,302,694
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	31,016	25,207
Donated fixed assets	(21,500)	-
Bad debt expense	24,879	-
Loss on disposal of fixed assets	43,894	-
Discount on contributions receivable	90,854	-
Forgiveness of debt	(124,000)	-
Changes in operating assets and liabilities		
Contributions receivable	(4,721,352)	(11,731,529)
Prepaid expenses and other assets	72,153	(410,510)
Accounts payable and accrued expenses	(13,655)	360,916
Deferred rent	12,098	25,178
	<u>(2,767,201)</u>	<u>9,571,956</u>
Cash flows from investing activities		
Purchase of fixed assets	(10,880)	(155,693)
	<u>(10,880)</u>	<u>(155,693)</u>
Cash flows from financing activities		
Proceeds from loan	-	124,000
	<u>-</u>	<u>124,000</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	(2,778,081)	9,540,263
Cash, cash equivalents, and restricted cash, beginning	10,641,518	1,101,255
Cash, cash equivalents, and restricted cash, end	\$ 7,863,437	\$ 10,641,518
Supplemental disclosure of noncash investing and financing activities		
Forgiveness of debt	\$ 124,000	\$ -
Donated fixed assets	\$ 21,500	\$ -

See Notes to Financial Statements.

Rethink Food NYC, Inc.

Notes to Financial Statements December 31, 2021 and 2020

Note 1 - Organization

Rethink Food NYC, Inc. ("Rethink Food") is a nonprofit organization with the mission of creating a more sustainable and equitable food system. Founded in 2017, Rethink Food seeks to bridge the gap between an estimated 108 billion pounds of excess food and the estimated 38 million people who struggle with food insecurity in the U.S. every year. As part of its Rethink Certified program, Rethink Food works with restaurants and food establishments to provide nutritious and culturally celebrated meals for their neighbors and processes millions of pounds of donated food excess from partners across the food system to convert into free community meals at its commissary kitchen. During the year ended December 31, 2021, Rethink Food provided over 3.7 million meals to local communities across New York, City, Chicago, San Francisco, Nashville, Washington D.C., and Miami; directed \$18 million to restaurants and food establishments.

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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as without donor restrictions. Net assets with donor restrictions as of December 31, 2021 and 2020 amounted to \$15,879,435 and \$11,500,000, respectively. As of December 31, 2021, donor-restricted contributions in the amount of \$170,289 of was subject to purpose restriction and \$15,709,146 was subject to a stipulated time restriction. As of December 31, 2020, donor-restricted contributions in the amount of \$11,500,000 was 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.

Rethink Food NYC, Inc.

Notes to Financial Statements December 31, 2021 and 2020

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.

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 statements of financial position that sum to the total shown on the statements of cash flows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 7,748,392	\$ 10,526,473
Restricted cash	<u>115,045</u>	<u>115,045</u>
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 7,863,437</u>	<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. There were no allowances for uncollectible contributions receivable as of December 31, 2021 and 2020. Approximately 94% of contributions receivable and approximately 55% of contributions revenue is from one donor for the year ended December 31, 2021.

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

Rethink Food NYC, Inc.

Notes to Financial Statements December 31, 2021 and 2020

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.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

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.

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 years ended December 31, 2021 and 2020, Rethink Food received perishable food, kitchen equipment, and rent with a fair value of \$1,231,889 and \$244,457, respectively. The value of perishable food was determined using an internal methodology which incorporates reductions for processing, food grade, and other elements. Rethink Food estimated the fair value of kitchen equipment based on wholesale values that would be received for selling a similar product. The estimated fair value of donated rent was based on comparable rental prices in a similar real estate market. Rethink Food only uses the donated services, goods and facilities for its own program or supporting service activities.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. The statements 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, such as rent, utilities, and office expenses, 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, 2021 and 2020. Rethink Food's federal and state income tax returns prior to fiscal year 2018 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

Rethink Food NYC, Inc.

Notes to Financial Statements December 31, 2021 and 2020

liability in the statements of financial position. There were no interest or penalties for the years ended December 31, 2021 and 2020.

Reclassifications

Certain prior year numbers have been reclassified for consistency with current year presentation.

Subsequent events

Rethink Food has evaluated subsequent events through September 21, 2022, 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.

The following reflects Rethink Food's financial assets, as of December 31, 2021 and 2020, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

	<u>2021</u>	<u>2020</u>
Financial assets at year end		
Cash and cash equivalents	\$ 7,748,392	\$ 10,526,473
Restricted cash	115,045	115,045
Contributions receivable, net	16,337,148	11,731,529
Prepaid expenses and other assets	<u>427,650</u>	<u>499,803</u>
Total financial assets	24,628,235	22,872,850
Less amounts not available to meet general expenditures		
Restricted cash	115,045	115,045
Donor imposed restrictions	8,229,435	-
Prepaid expenses and security deposits	<u>376,768</u>	<u>495,060</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 15,906,987</u>	<u>\$ 22,262,745</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 years ended December 31, 2021 and 2020, Rethink Food paid \$525,737 and \$1,473,217, respectively, to these restaurant partners for prepared meals and services provided.

Rethink Food NYC, Inc.

**Notes to Financial Statements
December 31, 2021 and 2020**

Note 5 - Contributions receivable, net

Contributions receivable are estimated to be collected as follows at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Within one year	\$ 8,278,002	\$ 11,731,529
In one to five years	<u>8,150,000</u>	<u>-</u>
Total contributions receivable	16,428,002	11,731,529
Less: Discount to present value	<u>90,854</u>	<u>-</u>
Contributions receivable, net	<u><u>\$ 16,337,148</u></u>	<u><u>\$ 11,731,529</u></u>

Note 6 - Operating leases

Rethink Food leases various facilities under operating and month to month leases. Operating leases expire at various dates through 2025. Rent expense amounted to \$697,043 and \$240,275 for the years ended December 31, 2021 and 2020, respectively. Approximately \$600 and \$1,100 of tax and other service charges are included in rent expense for the years ended December 31, 2021 and 2020, respectively.

Minimum annual future rental commitments under the noncancelable operating leases subsequent to December 31, 2021 are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2022	\$ 313,493
2023	347,499
2024	<u>88,494</u>
	<u><u>\$ 749,486</u></u>

Note 7 - Risks and uncertainties

The unpredictability and uncertainty of future global events such as the COVID-19 pandemic or the recent turmoil in Europe and the related government regulatory responses, could have a material effect on Rethink Food's business, results of operations, and financial condition. The extent of the impact on Rethink Food's operational and financial performance will depend on certain developments, including the duration and its impacts on Rethink Food's donors and vendors, all of which at present, cannot be determined. Rethink Food is closely monitoring any negative impact to the organization's financial position, results of operations, and cash flows that may occur as a result of these events. The aggregate effect of the financial impact and duration cannot be reasonably estimated at this time.

Rethink Food NYC, Inc.

**Notes to Financial Statements
December 31, 2021 and 2020**

Note 8 - 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" (eight 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 0.98% per annum, with a deferral of payments for six months from the date of the note. On July 12, 2021, Rethink Food was granted forgiveness and legally released from its first PPP loan obligation. Accordingly, Rethink Food recognized \$124,000 of loan forgiveness income as other income on the statements of activities and changes in net assets for the year ended December 31, 2021.



Independent Member of Nexia International

cohnreznick.com