FOODLINK, INC. AND AFFILIATE

Consolidated Financial Statements as of
June 30, 2020
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

October 1, 2020

To the Boards of Directors of
Foodlink, Inc. and Affiliate:

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Foodlink, Inc. and Affiliate (New York not-for-profit corporations) (the Organizations) which comprise the consolidated balance sheet as of June 30, 2020, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organizations as of June 30, 2020, and the changes in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle
As described in Note 2 to the consolidated financial statements, the Organizations implemented Accounting Standards Codification Section (ASC) 606*, Revenue from Contracts with Customers*, and Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of July 1, 2019, and the effects have been included in these consolidated financial statements. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information
We have previously audited the Organizations' 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued our report dated September 25, 2019 on our consideration of the Organizations' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organizations' internal control over financial reporting and compliance.

Bonadio & Co., LLP

FOODLINK, INC. AND AFFILIATE

CONSOLIDATED BALANCE SHEET
JUNE 30, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	$ 6,405,517	$ 931,637
Accounts receivable, net of allowance for doubtful accounts of $15,000 for 2020 and 2019	266,614	169,187
Grants receivable	1,723,588	1,454,353
United Way receivable	20,833	20,833
Current portion of mortgage receivable	40,364	-
Purchased product inventory	319,231	363,048
Prepaid expenses	77,813	91,448
Total current assets	8,853,960	3,030,506
INVESTMENTS	778,369	701,119
MORTGAGE RECEIVABLE, net of current portion	443,402	-
PROPERTY AND EQUIPMENT, net	6,228,192	5,926,027
Total assets	$ 16,303,923	$ 9,657,652
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 908,525	$ 754,497
Current portion of capital lease obligations	234,035	139,989
Paycheck Protection Program loan	794,788	-
Deferred revenue	549,938	172,997
Total current liabilities	2,487,286	1,067,483
CAPITAL LEASE OBLIGATIONS, net of current portion	799,093	312,788
Total liabilities	3,286,379	1,380,271
NET ASSETS:		
Without donor restrictions	11,776,307	7,199,124
With donor restrictions	1,241,237	1,078,257
Total net assets	13,017,544	8,277,381
Total liabilities and net assets	$ 16,303,923	$ 9,657,652

The accompanying notes are an integral part of these statements.

FOODLINK, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for 2019)

	2020			
	Without Donor Restrictions	With Donor Restrictions	Total	2019 Total
PUBLIC SUPPORT AND REVENUE:				
Public support -				
Donated food	$ 24,639,725	$ -	$ 24,639,725	$ 23,808,096
Contributions	7,606,770	299,331	7,906,101	3,209,426
Government grants for nutritious children's meals	1,578,210	-	1,578,210	685,223
Check Out Hunger	764,857	-	764,857	756,080
Government grants for shared maintenance	703,556	-	703,556	812,922
Government grants for wholesale distribution	711,251	-	711,251	489,971
Other government grants	3,600,348	-	3,600,348	2,434,282
United Way	472,279	463,825	936,104	338,978
Total public support	40,076,996	763,156	40,840,152	32,534,978
Revenue -				
Wholesale food distribution	1,931,027	-	1,931,027	2,470,747
Vended meals	868,959	-	868,959	1,040,811
Value added processing revenue	280,142	-	280,142	294,902
Shared maintenance	499,687	-	499,687	293,034
Fees for services	221,353	-	221,353	158,223
Membership fees	67,458	-	67,458	66,475
Rental income	49,169	-	49,169	79,942
Other	90,603	-	90,603	48,272
Total revenue	4,008,398	-	4,008,398	4,452,406
Net assets released from restriction	641,092	(641,092)	-	-
Total public support and revenue	44,726,486	122,064	44,848,550	36,987,384
EXPENSES:				
Program services	38,760,842	-	38,760,842	34,938,813
Management and general	757,503	-	757,503	710,433
Fundraising	1,058,358	-	1,058,358	1,109,320
Total expenses	40,576,703	-	40,576,703	36,758,566
CHANGE IN NET ASSETS BEFORE OTHER ITEMS	4,149,783	122,064	4,271,847	228,818
OTHER ITEMS:				
Investment income, net	30,834	40,916	71,750	43,544
Gain on disposal of property and equipment	396,566	-	396,566	-
Total other items	427,400	40,916	468,316	43,544
CHANGE IN NET ASSETS	4,577,183	162,980	4,740,163	272,362
NET ASSETS - beginning of year	7,199,124	1,078,257	8,277,381	8,005,019
NET ASSETS - end of year	$ 11,776,307	$ 1,241,237	$ 13,017,544	$ 8,277,381

The accompanying notes are an integral part of these statements.

FOODLINK, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for 2019)

	2020				
	Program Services	Management and General	Fundraising	Total	2019 Total
Donated food	$ 24,639,725	$ -	$ -	$ 24,639,725	$ 23,808,096
Purchased food	5,095,924	-	-	5,095,924	3,692,434
Salaries	3,454,811	230,722	426,037	4,111,570	3,609,835
Employee benefits and payroll taxes	1,096,916	139,410	117,945	1,354,271	1,174,948
Occupancy	1,172,002	30,894	45,115	1,248,011	1,215,396
Depreciation	939,236	35,620	1,606	976,462	904,494
Operational support	667,791	-	4,480	672,271	439,126
Supplies	542,976	-	-	542,976	331,915
Transportation and distribution	446,970	796	-	447,766	406,843
Office expenses	38,934	36,397	239,613	314,944	307,682
Information technology	79,348	168,238	40,599	288,185	180,431
Contracted services	230,295	12,478	16,235	259,008	121,414
Professional fees	142,559	11,772	2,352	156,683	157,576
Advertising	17,132	3,299	104,375	124,806	125,709
Data processing and bank fees	23,419	21,686	36,468	81,573	59,057
Travel and meetings	40,277	18,317	11,834	70,428	73,411
Dues and subscriptions	16,520	29,747	5,051	51,318	31,523
Provision for bad debts	40,452	-	4,898	45,350	6,280
Interest	42,580	1,106	-	43,686	29,724
Insurance	2,597	17,021	1,750	21,368	17,587
Other	30,378	-	-	30,378	65,085
	$ 38,760,842	$ 757,503	$ 1,058,358	$ 40,576,703	$ 36,758,566

The accompanying notes are an integral part of these statements.

FOODLINK, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for 2019)

	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 4,740,163	$ 272,362
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Realized and unrealized investment gain, net	(72,411)	(32,037)
Depreciation	976,462	904,494
Provision for bad debts	44,850	6,280
Gain on disposal of property and equipment	(396,566)	-
Changes in:		
Accounts receivable	(142,777)	12,160
Grants receivable	(269,735)	(606,382)
Purchased product inventory	43,817	(59,162)
Prepaid expenses	13,635	(6,660)
Accounts payable and accrued expenses	154,028	78,951
Deferred revenue	386,041	104,599
Net cash flow from operating activities	5,477,507	674,605
CASH FLOW FROM INVESTING ACTIVITIES:		
Payments received on notes receivable	16,234	-
Purchases of property and equipment	(625,279)	(735,304)
Proceeds from sale of property and equipment	25,542	-
Purchases of investments	(509,220)	(337,293)
Proceeds from sales of investments	504,381	332,078
Net cash flow from investing activities	(588,342)	(740,519)
CASH FLOW FROM FINANCING ACTIVITIES:		
Paycheck Protection Program loan	794,788	-
Principal payments on capital lease obligations	(206,577)	(166,908)
Net cash flow from financing activities	588,211	(166,908)
CHANGE IN CASH AND EQUIVALENTS	5,477,376	(232,822)
CASH AND EQUIVALENTS - beginning of year	928,141	1,164,459
CASH AND EQUIVALENTS - end of year	$ 6,405,517	$ 931,637
NON-CASH TRANSACTIONS:		
Mortgage receivable in exchange for sale of property and equipment	$ 500,000	$ -
Property and equipment acquired under lease arrangements	$ 786,928	$ 3,499

The accompanying notes are an integral part of these statements.

1. THE ORGANIZATIONS

Foodlink, Inc. (Foodlink) and Foodlink Foundation, Inc. (the Foundation) are not-for-profit organizations incorporated under New York State not-for-profit corporation laws.

Foodlink was created to organize and provide oversight to the emergency food network, including food pantries, soup kitchens, emergency shelters, and other charitable non-profits in Monroe County, New York and nine surrounding counties. Foodlink purchases and solicits donations of nutritious surplus food from the food industry and distributes these products to qualified 501(c)(3) charities for feeding the ill, the needy, and children. A significant portion of the food product is obtained through local food distributors, local farms and retailers, which provides the food industry with a way to avoid the waste of edible but unsaleable products. Foodlink also runs nutrition education and community health programs to directly serve food insecure individuals.

The Foundation was formed to provide funding and support for anti-hunger organizations in the greater Rochester, New York area. The Foundation also includes FreshLink, LLC (FreshLink) a wholly-owned for-profit subsidiary. FreshLink leases real estate property and subleases this property to Foodlink. Foodlink is the sole corporate member of the Foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Foodlink and the Foundation (collectively, the Organizations). The accounts of the Foundation include the accounts of FreshLink. All significant inter-company balances and transactions have been eliminated in consolidation.

Basis of Accounting

The financial statements of the Organizations have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

Change in Accounting Principle

ASC 606, *Revenue from Contracts with Customers*

The Financial Accounting Standards Board (FASB) issued new guidance that created Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. Topic 606 outlines a five-step framework that supersedes the previously effective principles for recognizing revenue (ASC Topic 605) and eliminates industry-specific guidance. The core principle of the guidance in Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Note that the recognition of contribution income and income from investments is not within the scope of Topic 606.

The Organizations' adopted Topic 606 for the year ended June 30, 2020, using a modified retrospective application. Adopting Topic 606 had no effect on the consolidated net assets or changes in net assets. Topic 606 requires new disclosures related to the Organizations' methodology for recognition of revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle (Continued)

ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*

In June 2018, the FASB issued ASU 2018-08*, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in order to clarify and improve the scope and the accounting guidance for contributions received and contributions made. ASU 2018-08 clarifies the determination of whether a grant or contract is a contribution or an exchange transaction subject to Topic 606. The Organizations' adopted ASU 2018-08 as of July 1, 2019, using a modified prospective application. There was no effect on consolidated total net assets or changes in net assets.

Financial Reporting

The Organizations' reports its net assets and changes therein in the following classifications:

- Net Assets Without Donor Restrictions are net assets that are not subject to donor imposed stipulations.

- Net Assets With Donor Restrictions are net assets whose use by the Organizations are limited by donor imposed stipulations. This includes stipulations that can be fulfilled or removed by actions of the Organizations pursuant to the stipulations or by the passage of time, as well as donor imposed stipulations that do not expire. In cases where the donor imposed stipulation does not expire, generally the donor of these net assets permits the Organizations to use all or part of the investment return on the related assets to support program activities.

Comparative Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organizations' consolidated financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Cash and Equivalents

Cash and equivalents include bank demand deposit and money market accounts. At times, the balances in the demand deposit accounts may exceed federally insured limits. Balances in money market accounts are not federally insured. The Organizations have not experienced any losses in such accounts and believe they are not exposed to any significant credit risk with respect to cash and equivalents.

Mortgage Receivable

Mortgage receivable is stated at the unpaid principal and interest balance, less an allowance for mortgage losses. Management periodically evaluates the mortgage for collectability based on inherent collection risks and adverse situations that may affect the borrower's ability to repay. Mortgages for which no contractual payments have been received for a period of time are considered delinquent. After all collection efforts are exhausted, any amounts deemed uncollectible based on an assessment of the debtor's financial condition are written off. At June 30, 2020, the mortgage receivable was not past due and was not deemed to be impaired. The Organizations' determined that an allowance is not necessary at June 30, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are recorded at fair value, based on quoted market prices. Investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amount reported in the accompanying financial statements.

Fair Value Measurement - Definition and Hierarchy

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Organization uses various valuation techniques in determining fair value. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability, developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions that market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The input hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Purchased Product Inventory

Food that has been purchased by the Organizations', which has not been distributed or used in preparation of nutritional meals is reported as inventory. This inventory is distributed at no charge, at cost, or at cost plus a small markup to qualified organizations. Inventory is also in the Organizations' nutritional meals programs. All inventory purchased by the Organizations' is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method (FIFO) method.

Property and Equipment

Property and equipment are recorded at cost or at the fair value on the date of donation. The Organizations' policy is to capitalize all property and equipment purchases greater than $2,500 having an estimated useful life in excess of one year. Amortization of the costs of property and equipment is provided using the straight-line method over the remaining term of the lease or the estimated useful life of the asset. Depreciation is computed on the straight-line method based on the following estimated useful lives:

Buildings	40 years
Leasehold improvements	15 years
Furniture and equipment	5 years
Vehicles	5 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program Service Revenue and Accounts Receivable

The Organizations' recognizes program service revenue in the period in which the performance obligations defined by the terms of contracts with customers are satisfied. The Organizations' performance obligations fall under its overall mission to develop and operate programs that address the problem of hunger and food insecurity. The Organizations' performance obligations include distributing quality food through community organizations.

Program fees revenue are recognized at the amount to which the Organizations' expect to be entitled. Participating not-for-profit agencies and government grantors fund amounts based on the amount and type of product received. This revenue is included in program fees on the accompanying statement of activities and change in net assets. Program services also include revenue related to wholesale distribution of food throughout the community. The performance obligation related to program service fees is satisfied as the food and other goods are distributed.

The Organizations' determines the transaction price based on the volume and/or weight of food and related goods distributed in each distribution transaction. The Organizations' expect to collect established net charges. The Organizations' perform an assessment of a customer's ability to pay for services prior to providing services. Based on this, the Organizations' have determined that there are no implicit price concessions provided to those the Organizations' serve.

Because performance obligations are met as program services are provided, there are no service fees allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Program service revenue is charged and collected periodically. Amounts that remain uncollected at the end of a reporting period are recorded as accounts receivable. Amounts for which no payments have been received for several months are considered delinquent and when appropriate collection efforts are exhausted, the account is written-off. The Organizations' recorded an allowance for doubtful accounts of $15,000 for both years ended June 30, 2020 and 2019.

Deferred revenue consists of cash received in advance of program service provision.

Noncash Donations

Contributions of noncash assets, except donated food, are recorded at their fair values on the date received. The majority of food product that is distributed has been donated. Donated food is recorded by the Organizations' as both public support and program expense when distributed.

Advertising

Advertising costs are charged to expense as incurred.

Allocation of Certain Expenses

The statement of functional expenses presents expenses by both functional and natural classification. Certain categories of expenses are attributable to one or more program or supporting functions, and these expenses are allocated to the reported functional columns. These expenses include salaries, employee benefits and payroll taxes, depreciation and occupancy related costs. Salaries, employee benefits and payroll taxes are allocated based on time spent in the various programs in accordance with time and effort reports completed by employees. Depreciation and occupancy related expenses are allocated based on square footage used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income Taxes

Foodlink and the Foundation are not-for-profit corporations and are exempt from income taxes as organizations qualified under Section 501(c)(3) of the Internal Revenue Code. Foodlink and the Foundation have also been classified by the Internal Revenue Service as entities that are not private foundations.

FreshLink is a for-profit limited liability corporation. No income tax expense has been accrued for the years ended June 30, 2020 and 2019 due to FreshLink's net operating losses. In addition, no deferred income tax assets have been recognized because the timing of realization of such assets is not estimable. FreshLink has available net operating loss carryforwards of approximately $657,000 available to offset future taxable income, if any. The loss carryforwards expire between 2028 and 2037.

Reclassifications

Certain reclassifications have been made to the 2019 amounts in order to conform with the current year presentation.

3. LIQUIDITY

The Organizations are substantially supported by grants and contributions without donor restrictions and revenue generated by their operations. In addition, some support is received in the form of restricted contributions from donors. Because a donor restriction requires resources to be used in a particular manner or in a future period, the Organizations must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets reported on the accompanying consolidated balance sheet may not be available for general expenditure within one year.

The Organizations' financial assets available to meet cash needs for general expenditures within one year are:

	2020	2019
Financial assets at June 30	$ 9,235,285	$ 3,277,129
Less: Financial assets unavailable for general expenditures within one year, due to:		
Subject to satisfaction of donor restrictions	(692,173)	(529,193)
Perpetually restricted by donors	(549,064)	(549,064)
Financial assets available to meet cash needs for general expenditures within one year	$ 7,994,048	$ 2,198,872

3. LIQUIDITY (Continued)

The Organizations' ability to meet its cash needs is dependent on timely collection of its grants receivable. The Organizations' grants receivable are due primarily from government funders, such as New York State, various New York Counties, and third-party payers including the United States Department of Agriculture. Many of these funding arrangements require the Organizations' to incur costs in advance and then vouch for reimbursement from the contractual government payer after the cash outlay has been made. The Organizations' employ procedures specifically designed to collect from these payers as quickly as possible. However, timeliness of payment from these payers varies and is sometimes difficult to predict. Should the need for additional cash availability arise, the Organizations' have lines-of-credit agreements with a bank that allows for total borrowings of $2,500,000 (Note 9). The Organizations' also engages in significant fundraising efforts and special events to supplement operating cash flow from governmental and third-party funding arrangements.

The Organizations' general cash expenditures within one year do not include the amounts reported as donated food income or expense. Donated food represents the estimated value of food received and distributed without cash outlay. Therefore, $24,639,725 and $23,808,096 reported as food distribution expense in 2020 and 2019, respectively, represent approximately 61% and 65% of total operating expenses for 2020 and 2019, respectively, does not represent a cash expenditure. The Organizations' operating cash receipts and expenditures within the next year are expected to approximate those reported for 2020 and 2019.

4. NATURE, PURPOSE AND AMOUNT OF RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are available for the following at June 30:

	2020	2019
Net assets with donor restrictions that can be satisfied by action of the Organizations or the passage of time:		
Career Empowerment Initiative	$ 100,000	$ 208,874
Community Nutrition Programs		
• Food Access Programs	75,755	57,199
• Nutrition Education Programs	5,000	8,750
Other Foodlink programs	315,815	97,672
Child Nutrition Meal Programs	12,500	14,011
Capital campaign	-	500
Unappropriated endowment earnings	183,103	142,187
	692,173	529,193
Net assets restricted by donor perpetually:		
Endowment funds	549,064	549,064
	$ 1,241,237	$ 1,078,257

4. NATURE, PURPOSE AND AMOUNT OF RESTRICTIONS ON NET ASSETS (Continued)

Net assets with donor restrictions were released from restriction as follows during the years ended June 30:

	2020	2019
Career Empowerment Initiative	$ 208,873	$ 296,244
Community Nutrition Programs		
• Food Access Programs	69,387	195,786
• Nutrition Education Programs	8,750	8,097
Child Nutrition Meal Programs	14,011	40,930
Other Foodlink Programs	339,571	349,405
Capital campaign	500	80,763
	$ 641,092	$ 971,225

5. INVESTMENTS

The Organizations' investments consisted of the following at June 30:

	2020	2019
Cash and cash equivalents	$ 4,923	$ 9,511
Equity mutual funds	54,818	52,147
Corporate bonds	198,081	122,529
Government bonds	132,258	214,474
Common stock	388,289	302,458
	$ 778,369	$ 701,119

The Organizations' investments are measured at fair value on a recurring basis. Investments are segregated by the level of valuation inputs within the fair value hierarchy utilized to measure fair value as follows as of June 30, 2020:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Cash and cash equivalents	$ 4,923	$ -	$ -	$ 4,923
Equity mutual funds	54,818	-	-	54,818
Corporate bonds	-	198,081	-	198,081
Government bonds	132,258	-	-	132,258
Common stock	388,289	-	-	388,289
	$ 580,288	$ 198,081	$ -	$ 778,369

5. INVESTMENTS (Continued)

Investments are segregated by the level of valuation inputs within the fair value hierarchy utilized to measure fair value as follows as of June 30, 2019:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Cash and cash equivalents	$ 9,511	$ -	$ -	$ 9,511
Equity mutual funds	52,147	-	-	52,147
Corporate bonds	-	122,529	-	122,529
Government bonds	214,474	-	-	214,474
Common stock	302,458	-	-	302,458
	$ 578,590	$ 122,529	$ -	$ 701,119

The Organizations' corporate bonds are valued using Level 2 inputs. Fair value of the Organizations' bonds is determined by entering observable inputs, including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, bids and offers into a pricing model.

6. MORTGAGE RECEIVABLE

The Organizations have a mortgage receivable from an unrelated third-party $500,000. The mortgage receivable balance was $483,766 and $0 at June 30, 2020 and 2019, respectively. The mortgage is receivable in monthly installments of $5,303, including principal and interest at 5.00%, with a balloon payment due January 2025. Interest received totaled $10,351 and $0 in 2020 and 2019, respectively. Future scheduled receipts under the terms of the agreement are as follows for the years ending June 30:

2021	$ 40,364
2022	42,429
2023	44,600
2024	46,882
2025	309,490
	$ 483,766

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2020	2019
Buildings	$ -	$ 625,575
Leasehold improvements	6,160,657	7,075,568
Vehicles	2,136,708	1,597,859
Furniture and equipment	2,225,138	2,038,163
	10,522,503	11,337,165
Less: Accumulated depreciation and amortization	(4,294,311)	(5,411,138)
	$ 6,228,192	$ 5,926,027

8. INVENTORY

The following table presents a summary of donated and distributed food as of and for the years ended June 30:

	2020		2019	
	Pounds	Value	Pounds	Value
Donated product inventory, beginning of year	829,878	$ 1,594,032	528,143	$ 1,105,221
Donated food received	10,451,417	18,185,466	12,090,226	19,586,166
Less:				
Food distributed to participating agencies	(10,145,392)	(17,652,982)	(11,678,202)	(18,918,688)
Food scrapped	(457,658)	(796,325)	(110,289)	(178,667)
Donated product inventory, end of year	678,245	$ 1,330,191	829,878	$ 1,594,032

Donated product is included as revenue and expense in the accompanying financial statements and consists of $17,652,982 and $18,918,688 in distributed donated product for the years ending June 30, 2020 and 2019, respectively. Donated product inventory is not recorded in the accompanying consolidated balance sheet.

Inventory, End of Year

The Organizations' inventory value was determined using a rate of $1.74 and $1.62 per pound in 2020 and 2019, respectively. The rate per pound was estimated by Feeding America, a national organization, as being the average value of one pound of donated food and non-food products.

Donated USDA Product

The Organizations' have an agreement with the New York State Bureau of Government Donated Food Distribution to deliver food received from the United States Department of Agriculture (USDA) free of charge to qualifying centers.

The following table presents a summary of USDA food donated and distributed for the years ended June 30:

	2020 Pounds	2019 Pounds
Inventory, beginning of year	530,346	399,267
Donated food received	4,518,038	3,347,818
Less:		
Food distributed to participating agencies	(4,689,089)	(3,216,716)
Food scrapped	-	(23)
Inventory, end of year	359,295	530,346

Donated USDA product is included as revenue and expense in the accompanying consolidated financial statements and consists of $6,986,743 and $4,889,408 in distributed USDA product for the years ending June 30, 2020 and 2019, respectively.

8. INVENTORY (Continued)

Donated USDA Product (Continued)

The Organizations' value is determined by taking the ending inventory in pounds and multiplying that amount by a rate of $1.49 and $1.52 per pound in 2020 and 2019, respectively. The rate per pound was estimated by Feeding America as being the average value of one pound of donated food products only. The value of the USDA inventory was $571,223 and $826,089 at June 30, 2020 and 2019, respectively. USDA food inventory is owned by USDA until distributed by the Organizations' and, therefore, is not recorded as an asset by the Organizations'.

9. FINANCING ARRANGEMENTS

Lines-of-Credit

The Organizations have available annually renewable line-of-credit agreements with a bank allowing maximum borrowings of $2,500,000, with interest at the prime rate (3.25 % at June 30, 2020). Amounts borrowed on the lines-of-credit are collateralized by a general lien on substantially all of the Organizations' assets. There were no outstanding borrowings on the lines-of-credit as of June 30, 2020 and 2019.

Capital Leases

The Organizations' have financed leasehold improvements, equipment and vehicles under the terms of capital lease agreements which expire at various dates through February 2027 and bear interest at rates ranging from 1.24% to 9.45%.

At June 30, 2020, cost and accumulated amortization of capital lease assets included in property and equipment on the accompanying consolidated balance sheet are as follows:

Leasehold improvements	$ 596,757
Furniture and equipment	472,871
Vehicles	1,686,130
	2,755,758
Less: Accumulated amortization	(1,344,546)
	$ 1,411,212

Future scheduled payments on capital leases are as follows for the years ending June 30:

2021	$ 288,795
2022	252,186
2023	192,786
2024	145,032
2025	139,128
Thereafter	193,066
	1,210,993
Less: Amount representing interest	(177,865)
Present value of net minimum capital lease payments	1,033,128
Less: Current portion	(234,035)
	$ 799,093

9. FINANCING ARRANGEMENTS (Continued)

Cash Paid for Interest
Interest paid on financing arrangements totaled approximately $44,000 and $30,000 for the years ended June 30, 2020 and 2019, respectively.

Paycheck Protection Program Arrangement
In April 2020, the Organizations' entered into an arrangement with a bank under the auspices of the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief & Economic Security Act (CARES Act) under which the Organizations' received $794,788. The PPP loan agreement includes provisions whereby the loan balance can be fully or partially forgiven based on The Organizations' use of the funds, maintenance of its personnel complement, and compliance with certain reporting elements to the bank in accordance with the requirements of the PPP Program. Forgiveness will be adjudicated by the bank and approved by the U.S. Small Business Administration. The final outcome of whether this arrangement will be forgiven has not been determined as of the date these consolidated financial statements were available to be issued.

10. RETIREMENT PLANS

The Organizations' maintain a 401(k) plan that provides employer contributions of 2% of eligible compensation for employees having at least one year of service, as well as employer match of employee contributions up to 5% of eligible compensation. The Organizations' contributed approximately $182,000 and $159,600 to the plan in the years ended June 30, 2020 and 2019, respectively.

11. ENDOWMENT

The Organizations' endowment includes contributions perpetually restricted by donors as well as accumulated unappropriated earnings on those amounts. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. The Organizations' endowment net asset balance consists of donor imposed restrictions stating that the funds must be held in perpetuity and accumulated unappropriated earnings on these amounts, and are included in net assets with donor restrictions in the accompanying consolidated balance sheet. The changes during the years ended June 30 were as follows:

	Donor Contributed Corpus	Accumulated Unappropriated Earnings
Endowment net assets, July 01, 2018	$ 549,042	$ 104,936
Unappropriated earnings	-	37,251
Endowment net assets, June 30, 2019	549,064	142,187
Unappropriated earnings	-	40,916
Endowment net assets, June 30, 2020	$ 549,064	$ 183,103

11. ENDOWMENT (Continued)

Interpretation of Relevant Laws

The Organizations' Board of Directors has interpreted the applicable provisions of the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organizations' classifies as endowment net assets (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations of investment income of the endowment are added to the fund in accordance with the direction of the donor gift instrument. Any unappropriated earnings or appreciation are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by New York State law.

Return Objectives and Risk Parameters

The Organizations' have adopted investment and spending policies for endowment assets that provides for long-term growth for possible support of the Organizations' budget when other funding sources may not be adequate. A secondary objective is to minimize volatility so that assets are available when they are needed.

Strategies Employed for Achieving Objectives

The Organizations' have adopted target asset allocations of no more than 70% in equity securities and no less than 30% in fixed income securities at the time of purchase.

Spending Policy and Related Investment Objectives

The Organizations' have adopted a target spending policy whereby 3%-5% of the average value over the trailing 20 quarters will be available for annual withdrawal from the fund. The Organizations' will rely on a total return strategy in which assets available for withdrawal will come from either capital appreciation and/or income. The amount to be withdrawn will be calculated as of the last day of the fiscal year. This amount will be available, if needed, to support the operating budget and capital expenses. The policy permits spending on underwater endowments.

12. COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Organizations lease space in a building on Mt. Read Boulevard in Rochester, New York from an unrelated third party for $19,912 per month plus common area maintenance costs, with increases every 5 years through the expiration of the lease on December 31, 2031.

Expected payments under the terms of this lease are as follows for the years ending June 30:

2021	$ 331,992
2022	331,992
2023	331,992
2024	331,992
2025	339,150
Thereafter	2,219,898
	$ 3,887,016

13. SUBSEQUENT EVENTS

The global pandemic caused by the virus commonly known as COVID-19 is currently disrupting world-wide economic activity. The overall short and long-term consequences of COVID-19 on a national, regional and local level are unknown, but there is the potential of a noteworthy negative economic impact. The impact of this situation specific to the Organizations and its future results and financial position is not presently determinable.

Subsequent events have been evaluated through October 1, 2020, which is the date the consolidated financial statements were available to be issued.

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

October 1, 2020

To the Board of Directors of
Foodlink, Inc. and Affiliate:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Foodlink, Inc. and Affiliate (New York not-for-profit corporations) (the Organizations), which comprise the consolidated balance sheet as of June 30, 2020, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 1, 2020.

Internal Control Over Financial Reporting
In planning and performing our audit of the consolidated financial statements, we considered the Organizations' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Organizations' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organizations' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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(Continued)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Organizations' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bonadio & Co., LLP