FOODLINK, INC. AND AFFILIATE

Consolidated Financial Statements as of
June 30, 2021
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

November 29, 2021

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, 2021, 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, 2021, 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.

Report on Summarized Comparative Information
We have previously audited the Organizations' 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 1, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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 November 29, 2021 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, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	$ 6,401,720	$ 6,405,517
Accounts receivable, net of allowance for doubtful accounts of $15,000 for 2021 and 2020	102,619	266,614
Grants receivable	1,853,153	1,723,588
United Way receivable	20,833	20,833
Current portion of mortgage receivable	-	40,364
Purchased product inventory	410,245	319,231
Prepaid expenses	125,420	77,813
Total current assets	8,913,990	8,853,960
INVESTMENTS	4,784,424	778,369
MORTGAGE RECEIVABLE, net of current portion	-	443,402
PROPERTY AND EQUIPMENT, net	6,313,438	6,228,192
Total assets	$ 20,011,852	$ 16,303,923
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 1,059,684	$ 908,525
Current portion of capital lease obligations	232,892	234,035
Paycheck Protection Program loan	-	794,788
Deferred revenue	-	549,938
Total current liabilities	1,292,576	2,487,286
CAPITAL LEASE OBLIGATIONS, net of current portion	703,221	799,093
Total liabilities	1,995,797	3,286,379
NET ASSETS:		
Without donor restrictions	16,671,036	11,776,307
With donor restrictions	1,345,019	1,241,237
Total net assets	18,016,055	13,017,544
Total liabilities and net assets	$ 20,011,852	$ 16,303,923

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, 2021
(With Comparative Totals for 2020)

	2021			
	Without Donor Restrictions	With Donor Restrictions	Total	2020 Total
PUBLIC SUPPORT AND REVENUE:				
Public support -				
Donated food	$ 31,264,159	$ -	$ 31,264,159	$ 24,639,725
Contributions	7,709,742	1,218,957	8,928,699	7,906,101
Government grants for nutritious children's meals	1,721,404	-	1,721,404	1,578,210
Check Out Hunger	786,665	-	786,665	764,857
Government grants for shared maintenance	498,409	-	498,409	703,556
Government grants for wholesale distribution	786,074	-	786,074	711,251
Other government grants	6,380,265	-	6,380,265	3,600,348
United Way	156,812	194,410	351,222	936,104
Total public support	49,303,530	1,413,367	50,716,897	40,840,152
Revenue -				
Wholesale food distribution	2,299,316	-	2,299,316	1,931,027
Vended meals	792,760	-	792,760	868,959
Value added processing revenue	256,425	-	256,425	280,142
Shared maintenance	151,935	-	151,935	499,687
Fees for services	238,959	-	238,959	221,353
Membership fees	-	-	-	67,458
Rental income	-	-	-	49,169
Other	1,039,354	-	1,039,354	90,603
Total revenue	4,778,749	-	4,778,749	4,008,398
Net assets released from restriction	1,520,994	(1,520,994)	-	-
	1,520,994	(1,520,994)	-	-
Total public support and revenue	55,603,273	(107,627)	55,495,646	44,848,550
EXPENSES:				
Program services	48,742,465	-	48,742,465	38,760,842
Management and general	896,664	-	896,664	757,503
Fundraising	1,236,884	-	1,236,884	1,058,358
Total expenses	50,876,013	-	50,876,013	40,576,703
CHANGE IN NET ASSETS BEFORE OTHER ITEMS	4,727,260	(107,627)	4,619,633	4,271,847
OTHER ITEMS:				
Investment income, net	174,599	211,409	386,008	71,750
Change in interest in net assets of Foodlink Foundation, Inc.	-	-	-	-
Gain (loss) on disposal of property and equipment	(7,130)	-	(7,130)	396,566
Total other items	167,469	211,409	378,878	468,316
CHANGE IN NET ASSETS	4,894,729	103,782	4,998,511	4,740,163
NET ASSETS - beginning of year	11,776,307	1,241,237	13,017,544	8,277,381
NET ASSETS - end of year	$ 16,671,036	$ 1,345,019	$ 18,016,055	$ 13,017,544

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, 2021
(With Comparative Totals for 2020)

	2021				
	Program Services	Management and General	Fundraising	Total	2020 Total
Donated food	$ 31,264,159	$ -	$ -	$ 31,264,159	$ 24,639,725
Purchased food	8,005,202	-	-	8,005,202	5,095,924
Salaries	3,828,551	317,181	607,642	4,753,374	4,111,570
Employee benefits and payroll taxes	1,126,339	130,220	164,558	1,421,117	1,354,271
Occupancy	1,250,232	35,078	51,309	1,336,619	1,248,011
Depreciation	1,082,447	37,008	4,925	1,124,380	976,462
Operational support	966,878	300	3,593	970,771	672,271
Supplies	307,629	75	-	307,704	542,976
Transportation and distribution	437,087	2,838	82	440,007	447,766
Office expenses	81,349	39,580	195,167	316,096	314,944
Information technology	103,424	161,541	86,219	351,184	288,185
Contracted services	82,093	33,205	11,169	126,467	259,008
Professional fees	41,127	71,784	22,659	135,570	156,683
Advertising	5,466	9,155	55,682	70,303	124,806
Data processing and bank fees	22,018	16,661	28,227	66,906	81,573
Travel and meetings	25,066	13,669	2,873	41,608	70,428
Dues and subscriptions	4,717	4,169	1,572	10,458	51,318
Provision for bad debts	248	-	-	248	45,350
Interest	56,518	742	-	57,260	43,686
Insurance	3,246	23,183	574	27,003	21,368
Other	48,669	275	633	49,577	30,378
	$ 48,742,465	$ 896,664	$ 1,236,884	$ 50,876,013	$ 40,576,703

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, 2021
(With Comparative Totals for 2020)

	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 4,998,511	$ 4,740,163
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Realized and unrealized investment gain, net	(394,716)	(72,411)
Depreciation	1,124,380	976,462
Provision for bad debts	248	44,850
Loss (gain) on disposal of property and equipment	7,130	(396,566)
Gain on forgiveness of Paycheck Protection Program loan payable	(794,788)	-
Changes in:		
Accounts receivable	163,747	(142,777)
Grants receivable	(129,565)	(269,735)
Purchased product inventory	(91,014)	43,817
Prepaid expenses	(47,604)	13,635
Accounts payable and accrued expenses	151,159	154,028
Deferred revenue	(549,938)	386,041
Net cash flow from operating activities	4,437,550	5,477,507
CASH FLOW FROM INVESTING ACTIVITIES:		
Payments received on mortgage receivable	483,766	16,234
Purchases of property and equipment	(1,076,226)	(625,279)
Proceeds from sale of property and equipment	4,249	25,542
Purchases of investments	(7,504,140)	(509,220)
Proceeds from sales of investments	3,892,801	504,381
Net cash flow from investing activities	(4,199,550)	(588,342)
CASH FLOW FROM FINANCING ACTIVITIES:		
Paycheck Protection Program loan	-	794,788
Principal payments on capital lease obligations	(241,797)	(206,577)
Net cash flow from financing activities	(241,797)	588,211
CHANGE IN CASH AND EQUIVALENTS	(3,797)	5,477,376
CASH AND EQUIVALENTS - beginning of year	6,405,517	928,141
CASH AND EQUIVALENTS - end of year	$ 6,401,720	$ 6,405,517
NON-CASH TRANSACTIONS:		
Mortgage receivable in exchange for sale of property and equipment	$ -	$ 500,000
Property and equipment acquired under lease arrangements	$ 144,779	$ 786,928

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. In addition, The Foundation also includes Foodlink Farm, LLC (Foodlink Farm). The Foundation is the sole corporate member of Foodlink Farm. Foodlink Farm holds property that is used by Foodlink programs. 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 and Foodlink Farm. 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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Reporting

The Organizations report 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 as of and for the year ended June 30, 2020, 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Organizations use 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 Organizations. Unobservable inputs are inputs that reflect the Organizations' 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 Organizations have 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 used 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 recognize 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 determine 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 at both June 30, 2021 and 2021.

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, 2021 and 2020 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 $575,000 available to offset future taxable income, if any. The loss carryforwards expire between 2029 and 2038.

Foodlink Farm is also exempt from federal income tax because their sole corporate member is exempt from federal income tax under section 501(a) of the Internal Revenue Code. Foodlink Farm receives the benefit of its sole corporate member's tax-exempt status and is a disregarded entity for income tax purposes.

Reclassifications

Certain reclassifications have been made to the 2020 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:

	2021	2020
Financial assets at June 30	$ 13,162,749	$ 9,235,285
Less: Financial assets unavailable for general expenditures within one year, due to:		
Subject to satisfaction of donor restrictions	(795,955)	(692,173)
Perpetually restricted by donors	(549,064)	(549,064)
Financial assets available to meet cash needs for general expenditures within one year	$ 11,817,730	$ 7,994,048

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 engage 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, $31,264,159 and $24,639,725 reported as food distribution expense in 2021 and 2020, respectively, represent approximately 61% of total operating expenses for 2021 and 2020, does not represent a cash expenditure. The Organizations' operating cash receipts and expenditures within the next year are expected to approximate those reported for 2021 and 2020.

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

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

	2021	2020
Net assets with donor restrictions that can be satisfied by action of the Organizations or the passage of time:		
Career Empowerment Initiative	$ 38,423	$ 100,000
Community Nutrition Programs		
• Food Access Programs	117,245	75,755
• Nutrition Education Programs	-	5,000
Other Foodlink programs	240,248	315,815
Child Nutrition Meal Programs	5,527	12,500
Unappropriated endowment earnings	394,512	183,103
	795,955	692,173
Net assets restricted by donor perpetually:		
Endowment funds	549,064	549,064
	$ 1,345,019	$ 1,241,237

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:

	2021	2020
Career Empowerment Initiative	$ 105,378	$ 208,873
Community Nutrition Programs		
• Food Access Programs	125,359	69,387
• Nutrition Education Programs	5,000	8,750
Child Nutrition Meal Programs	62,999	14,011
Other Foodlink Programs	1,222,258	339,571
Capital campaign	-	500
	$ 1,520,994	$ 641,092

5. INVESTMENTS

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

	2021	2020
Cash and cash equivalents	$ 103,013	$ 4,923
Equity mutual funds	836,368	54,818
Corporate bonds	630,359	198,081
Government bonds	735,466	132,258
Common stock	2,479,218	388,289
	$ 4,784,424	$ 778,369

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, 2021:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Cash and cash equivalents	$ 103,013	$ -	$ -	$ 103,013
Equity mutual funds	836,368	-	-	836,368
Corporate bonds	-	630,359	-	630,359
Government bonds	735,466	-	-	735,466
Common stock	2,479,218	-	-	2,479,218
	$ 4,154,065	$ 630,359	$ -	$ 4,784,424

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, 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

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 had a mortgage receivable from an unrelated third-party of $500,000. The mortgage receivable balance was $483,766 at June 30, 2020. The mortgage receivable was paid off including interest through May 3, 2021. Interest received totaled $19,537 and $10,351 in 2021 and 2020, respectively.

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2021	2020
Land	$ 15,750	$ -
Leasehold improvements	6,620,034	6,160,657
Vehicles	2,284,139	2,136,708
Furniture and equipment	2,389,287	2,225,138
	11,309,210	10,522,503
Less: Accumulated depreciation and amortization	(4,995,772)	(4,294,311)
	$ 6,313,438	$ 6,228,192

8. INVENTORY

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

	2021		2020	
	Pounds	Value	Pounds	Value
Donated product inventory, beginning of year	678,245	$ 1,330,191	829,878	$ 1,594,032
Donated food received	9,011,206	16,130,059	10,451,417	18,185,466
Less:				
Food distributed to participating agencies	(9,175,259)	(16,423,714)	(10,145,392)	(17,652,982)
Food scrapped	(174,502)	(312,359)	(457,658)	(796,325)
Donated product inventory, end of year	339,690	$ 724,177	678,245	$ 1,330,191

Donated product is included as revenue and expense in the accompanying financial statements and consists of $16,423,714 and $17,652,982 in distributed donated product for the years ending June 30, 2021 and 2020, 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 $1.70 and $1.49 per pound at June 30, 2021 and 2020, 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:

	2021 Pounds	2020 Pounds
Inventory, beginning of year	359,295	530,346
Donated food received	9,140,304	4,518,038
Less:		
Food distributed to participating agencies	(8,729,674)	(4,689,089)
Food scrapped	-	-
Inventory, end of year	769,925	359,295

Donated USDA product is included as revenue and expense in the accompanying consolidated financial statements and consists of $14,840,446 and $6,986,743 in distributed USDA product for the years ending June 30, 2021 and 2020, 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 $1.79 and $1.74 per pound in 2021 and 2020, 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 $1,269,294 and $571,223 at June 30, 2021 and 2020, 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, 2021). 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, 2021 and 2020.

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 0.88% to 9.45%.

At June 30, 2021, 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	1,559,330
	2,628,958
Less: Accumulated amortization	(1,338,799)
	$ 1,290,159

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

2022	$ 279,028
2023	219,312
2024	170,338
2025	165,356
2026	153,794
Thereafter	81,190
	1,069,018
Less: Amount representing interest	(132,905)
Present value of net minimum capital lease payments	936,113
Less: Current portion	(232,892)
	$ 703,221

9. FINANCING ARRANGEMENTS (Continued)

Cash Paid for Interest
Interest paid on financing arrangements totaled approximately $57,000 and $44,000 for the years ended June 30, 2021 and 2020, respectively.

Paycheck Protection Program Arrangement
In April 2020, the Organizations entered into a loan payable to a bank for $794,788 as part of the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) under the Coronavirus Aid Relief, and Economic Security (CARES) Act. The PPP provides for the borrowings, or a portion of the borrowings, to be forgiven to the extent the Organizations meet defined requirements related to expenditure of the funds and management of the Organizations' personnel complement. Principal and interest payments can be deferred until the forgiveness process is completed. The loan would have required aggregate monthly payments, including interest at 1%.

The Organization submitted the PPP loan forgiveness application and a notice of forgiveness for the PPP loan was received from the SBA in April 2021. As a result, the Organizations have recorded a gain on forgiveness of the PPP loan payable of $794,788 in the accompanying statement of activities for the year ended June 30, 2021.

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 $226,100 and $182,000 to the plan in the years ended June 30, 2021 and 2020, 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, 2019	549,064	142,187
Unappropriated earnings	-	40,916
Endowment net assets, June 30, 2020	549,064	183,103
Unappropriated earnings	-	211,409
Endowment net assets, June 30, 2021	$ 549,064	$ 394,512

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 classify 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 for each pool of fund assets. In general, the risk tolerance of the Board Designated Investment Fund is moderate, with a stock allocation mid-point selected in the 40-50% range. The endowment is a longer-term asset and therefore may have a relatively higher risk tolerance, with a stock mid-point selected between 50-60%. The Organizations will also invest in Environmental, Social, Governance (ESG) funds, consistent with our organizational values. Investments may include other non-ESG funds as well.

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.

Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or relevant law requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions to the extent accumulated gains are available to absorb such loss, otherwise as net assets without donor restrictions. There were no deficiencies of this nature for the year ended June 30, 2021 and 2020.

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:

2022	$ 331,992
2023	331,992
2024	331,992
2025	339,150
2026	346,308
Thereafter	1,873,590
	$ 3,555,024

13. COVID-19

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Organizations and its future results and financial position is not presently determinable.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 29, 2021, 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*

November 29, 2021

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, 2021, 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 November 29, 2021.

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) as a basis for designing 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.

(Continued)

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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 Organizations' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organizations' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bonadio & Co., LLP