FOODLINK, INC.

Financial Statements as of
June 30, 2024
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Accounting, Consulting & More

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INDEPENDENT AUDITOR'S REPORT

December 6, 2024

To the Board of Directors of
Foodlink, Inc.:

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Foodlink, Inc. (the Organization) (a New York not-for-profit corporation), which comprise the balance sheet as of June 30, 2024, and the related 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, and the changes in the net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2023 financial statements, and we expressed a qualified opinion on those audited financial statements in our report dated November 10, 2023 for the reasons described in the Basis for Qualified Opinion paragraph. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2024, on our consideration of the Organization's 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 the effectiveness of the Organization's 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 Organization's internal control over financial reporting and compliance.

Bonadio & Co., LLP

FOODLINK, INC.

BALANCE SHEET
JUNE 30, 2024
(With Comparative Totals for 2023)

	2024	2023
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	$ 1,114,889	$ 3,283,608
Accounts receivable, net of allowance for credit losses of $15,000	208,300	230,416
Grants receivable	3,089,599	2,185,326
United Way receivable	19,750	19,750
Purchased product inventory	417,825	434,365
Prepaid expenses	27,196	109,926
Total current assets	4,877,559	6,263,391
FINANCE LEASE RIGHT-OF-USE ASSETS	708,344	529,978
DUE FROM FOODLINK FOUNDATION, INC.	140,077	-
PROPERTY AND EQUIPMENT, net	5,990,270	6,021,466
	$ 11,716,250	$ 12,814,835
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 1,099,051	$ 1,253,876
Due to Foodlink Foundation, Inc.	-	68,531
Current portion of finance lease liabilities	241,224	168,788
Deferred revenue	124,425	33,512
Total current liabilities	1,464,700	1,524,707
FINANCE LEASE OBLIGATIONS, net of current portion	498,137	401,610
Total liabilities	1,962,837	1,926,317
NET ASSETS:		
Without donor restrictions	8,939,953	9,920,320
With donor restrictions	813,460	968,198
Total net assets	9,753,413	10,888,518
	$ 11,716,250	$ 12,814,835

The accompanying notes are an integral part of these statements.

FOODLINK, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2024
(With Comparative Totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	Total 2024	Total 2023
PUBLIC SUPPORT AND REVENUE:				
Public support -				
Donated food	$ 32,601,151	$ -	$ 32,601,151	$ 23,472,224
Government grants for nutritious children's meals	615,850	-	615,850	558,211
Check Out Hunger	757,824	-	757,824	693,507
Government grants for shared maintenance	961,522	-	961,522	636,056
Government grants for wholesale food distribution	5,074,575	-	5,074,575	720,500
United Way	279,302	-	279,302	331,718
Other government grants	4,162,468	-	4,162,468	8,074,936
Other contributions	4,823,067	1,298,446	6,121,513	7,626,381
Total public support	49,275,759	1,298,446	50,574,205	42,113,533
Revenue -				
Wholesale food distribution	2,613,741	-	2,613,741	2,843,626
Vended meals	3,880,391	-	3,880,391	3,454,186
Shared maintenance	5,062	-	5,062	134,312
Fees for services	41,246	-	41,246	22,458
Membership fees	-	-	-	27,050
Rental income	58,251	-	58,251	68,375
Other	436,360	-	436,360	299,348
Total revenue	7,035,051	-	7,035,051	6,849,355
Net assets released from restriction	1,453,184	(1,453,184)	-	-
Total public support and revenue	57,763,994	(154,738)	57,609,256	48,962,888
EXPENSES:				
Program services	55,518,048	-	55,518,048	45,769,801
Management and general	1,633,894	-	1,633,894	1,630,864
Fundraising	1,604,883	-	1,604,883	1,539,341
Total expenses	58,756,825	-	58,756,825	48,940,006
CHANGE IN NET ASSETS BEFORE OTHER ITEMS	(992,831)	(154,738)	(1,147,569)	22,882
OTHER ITEMS:				
Gain on disposal of property and equipment	12,464	-	12,464	1,200
CHANGE IN NET ASSETS	(980,367)	(154,738)	(1,135,105)	24,082
NET ASSETS - beginning of year	9,920,320	968,198	10,888,518	10,864,436
NET ASSETS - end of year	$ 8,939,953	$ 813,460	$ 9,753,413	$ 10,888,518

The accompanying notes are an integral part of these statements.

FOODLINK, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024
(With Comparative Totals for 2023)

	2024				2023
	Program Services	Management and General	Fundraising	Total	Total
Donated food	$ 32,601,151	$ -	$ -	$ 32,601,151	$ 23,472,224
Purchased food	10,329,389	-	-	10,329,389	10,788,848
Salaries	5,495,344	637,073	674,873	6,807,290	6,463,788
Employee benefits and payroll taxes	1,719,355	304,025	163,412	2,186,792	1,963,984
Depreciation and amortization	1,080,148	183,827	9,832	1,273,807	1,125,157
Occupancy	1,131,405	63,626	65,737	1,260,768	1,550,046
Supplies	797,400	-	-	797,400	567,967
Transportation and distribution	745,221	709	-	745,930	720,070
Operational support	582,055	40	120,500	702,595	474,588
Information technology	317,674	112,534	70,306	500,514	394,089
Contracted services	190,133	170,968	84,895	445,996	274,772
Professional fees	210,509	97,036	85,573	393,118	418,038
Office expenses	52,358	20,704	206,643	279,705	287,764
Advertising	49,443	3,333	99,534	152,310	111,332
Travel and meetings	58,237	13,735	10,498	82,470	71,649
Interest	23,032	569	-	23,601	65,023
Insurance	40,740	4,791	4,286	49,817	53,006
Dues and subscriptions	32,575	4,837	812	38,224	44,402
Data processing and bank fees	17,811	14,984	4,125	36,920	64,104
Credit losss expenses	12,611	1,011	-	13,622	4,221
Other	31,457	92	3,857	35,406	24,934
	$ 55,518,048	$ 1,633,894	$ 1,604,883	$ 58,756,825	$ 48,940,006

FOODLINK, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024
(With Comparative Totals for 2023)

	2024	2023
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ (1,135,105)	$ 24,082
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Credit loss expenses	13,622	4,221
Depreciation	1,064,738	864,206
Amortization of finance lease right of use assets	209,069	260,951
Gain on disposal of property and equipment	(12,464)	(1,200)
Changes in:		
Accounts receivable	8,494	(170,620)
Grants receivable	(904,273)	52,903
United Way receivable	-	1,083
Purchased product inventory	16,540	(124,168)
Prepaid expenses	82,730	(23,669)
Accounts payable and accrued expenses	(154,825)	490,719
Deferred revenue	90,913	33,512
Due from Foodlink Foundation, Inc.	(208,608)	(28,159)
Net cash flow from operating activities	(929,169)	1,383,861
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,112,708)	(1,779,777)
Proceeds from sale of property and equipment	91,630	1,200
Net cash flow from investing activities	(1,021,078)	(1,778,577)
CASH FLOW FROM FINANCING ACTIVITIES:		
Repayment of finance lease liabilities	(218,472)	(461,809)
Net cash flow from financing activities	(218,472)	(461,809)
CHANGE IN CASH AND EQUIVALENTS	(2,168,719)	(856,525)
CASH AND EQUIVALENTS - beginning of year	3,283,608	4,140,133
CASH AND EQUIVALENTS - end of year	$ 1,114,889	$ 3,283,608

The accompanying notes are an integral part of these statements.

1. THE ORGANIZATION

Foodlink, Inc. (the Organization) is a not-for-profit organization incorporated under New York State not-for-profit corporation laws.

The Organization was created to organize and provide oversight to the emergency food network, including food pantries, soup kitchens, emergency shelters, and other charitable nonprofits in Monroe County, New York and nine surrounding counties. The Organization 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. The Organization also runs nutrition education and community health programs to directly serve food to insecure individuals.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Recently Adopted Accounting Guidance
The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Topic 326, *Financial Instruments – Credit Losses,* which requires certain financial assets to be measured at amortized cost net of an allowance for estimated credit losses. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. The estimated credit loss is required to be based on historical information, current conditions, and forecasts that could impact the collectability of the amounts. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses.

Effective July 1, 2023, the Organization adopted ASC Topic 326 using the modified retrospective approach for all financial assets measured at amortized cost. Results for reporting periods beginning after July 1, 2023, are presented under CECL while prior period amounts continue to be reported and disclosed in accordance with previously applicable accounting standards. The impact of adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

Comparative Information
The 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 GAAP. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2023, from which the summarized information was derived.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets
The Organization reports activities and the related net assets using the following net asset categories:

- **Net Assets Without Donor Restrictions**
  Net assets without donor restrictions represent resources that are generally available for support of the Organization's activities without donor-imposed restrictions.

- **Net Assets With Donor Restrictions**
  Net assets with donor restrictions include resources that have been donated to the Organization subject to restrictions as defined by the donor. When a donor restriction is met, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restrictions. If donor-imposed restrictions were met in the same reporting period as the recognition of the contribution, the contribution was reported as without donor restrictions.

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

The Organization receives revenue from federal, state, county and city governmental grants and classifies these grants as without donor restrictions. The Organization recognizes revenue from grants and contracts when conditions from the grantor are met. Grants receivable is recognized to the extent revenue earned exceeds cash advances. Conversely, deferred revenue is recorded when cash advances exceed support and revenue earned.

Funding sources may, at their discretion, amend the grant and contract amounts. In addition, reimbursement for expenses or return of funds, or both, may be requested as a result of noncompliance by the Organization with the terms of the grants and contracts. The Organization records such amendments, reimbursements, and returns of funds as an adjustment to revenue in the year of the amendment.

Program fees are recognized based on approved contract amounts when the Organization satisfies their performance obligations under contracts by transferring services to not-for-profit agencies. Participating not-for-profit agencies and government grantors fund amounts based on the amount and type of product received. The Organization determines the transaction price based on the volume and or weight of food and related goods distributed in each distribution transaction. This revenue is included in fees for services 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.

Performance obligations for the Organization's services are provided and consumed at a point in time, not over time, and therefore these types of fees allocated to performance obligations are not left unsatisfied or partially unsatisfied at the end of the reporting period. Revenues are charged and collected routinely throughout the month. Amounts that remain uncollected at the end of the month are recorded as accounts receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue, Receivables and Deferred Revenue (Continued)

Receivables are stated at the amount management expects to collect. The Organization provides an allowance for credit losses based on review of the not-for-profit agencies' ability to pay on their account. The Organization expects to collect established net charges. The Organization performs an assessment of a customer's ability to pay for services prior to providing services. Based on this, the Organization has determined that there are no implicit price concessions provided to those the Organization serves. Accounts are written off when customary collection efforts are exhausted.

Allowance for Credit Losses

The Organization operates in the human services industry and its accounts receivables are primarily derived from distributing food to not-for-profit agencies. The Organization recognizes an expected allowance for credit losses that is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist, and receivables evaluated individually when specific customer balances no longer share those risk characteristics and are considered at risk or uncollectible.

The estimated allowance for credit losses is based on historical, current, and expected future conditions. The historical component is derived from a review of the Organization's historical losses based on the aging of receivables. However, the current and expected future economic conditions have improved as compared with the economic conditions included in the historical information. As a result, the Organization had an allowance for credit losses balance of $15,000 at June 30, 2024, 2023 and 2022. The Organization had accounts receivable of $223,300, $245,416, and $79,017 at June 30, 2024, 2023 and 2022, respectively.

Contributions

Contributions are recorded at the time of receipt, or when evidence of a non-conditional promise to give has been received. Promises subject to conditions are not recorded as income until those conditions have been met. Contributions that are expected to be received in future years are recorded at their present value. Contributions are recorded as without donor restrictions, unless they are subject to donor restrictions, or are required to be used or expected to be received in future years.

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 Organization as both public support and program expense on the accompanying statement of activities and change in net assets when distributed.

Volunteers have donated significant amounts of time in support of the Organization's activities. However, the value of these services is not reflected in the financial statements, as they do not meet the criteria for recognition set forth in GAAP.

Rental Income

Rent income primarily is recognized in the period the rental occurs.

Cash and Equivalents

Cash and equivalents include bank demand deposit and money market accounts. At times, the balances in demand deposit accounts may exceed federally insured limits. Balances in cash management and money market accounts are not federally insured. The Organization has not experienced any losses on cash and equivalents and believes it is not exposed to any significant credit risk with respect to cash and equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Purchased Product Inventory

Food that has been purchased by the Organization, 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. All inventory purchased by Organization is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method (FIFO) method.

Leases as a Lessor

The Organization determines if an arrangement is a lease at inception. The Organization reassesses the determination of whether an arrangement is a lease if the terms and conditions of the contract are changed. The Organization recognizes revenue on a straight-line basis over the lease term. The Organization recognizes variable lease payments as revenue in the period incurred.

The Organization elected for all classes of underlying assets to not separate the lease and non-lease components of a contract and to account for as a single lease component. The single lease component is accounted for under GAAP.

At lease commencement, the Organization estimates the residual value of the leased asset at the end of the lease term, considering the asset's remaining useful life, expected market condition, and expected use (e.g., sell or lease). The Organization's ability to realize the residual value at the end of the lease term could be adversely affected by unusual wear and tear of the leased asset. This risk is managed through periodic inspection of the asset for condition and possible misuse.

Leases as a Lessee

The Organization determines if an arrangement is a lease at inception. Right of use (ROU) assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The lease may include renewal and termination options, which are included in the lease term when the Organization is reasonably certain to exercise these options.

For all underlying classes of assets, the Organization elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. the Organization recognizes fixed short-term lease cost on a straight-line basis over the lease term and variable lease cost in the period in which the obligation is incurred.

The Organization elected for all classes of underlying assets, to use the rate implicit in the lease as the discount rate or if not readily available, the incremental borrowing rate. The incremental borrowing rate is a lender quoted collateralized borrowing rate over a similar term as the leased asset and in an amount equal to the payments of the leased asset in a similar economic environment the Organization elected for all classes of underlying assets to not separate the lease and non-lease components of a contract and to account for as a single lease component.

Variable lease costs paid to or on behalf of the lessor, consisting of vehicle maintenance charges, are excluded from the measurement of the right-of-use asset and lease liability, and are expensed in the period incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases as a Lessee (continued)
In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Property and Equipment
Property and equipment are recorded at cost or at the fair value on the date of donation. The Organization's policy is to capitalize all property and equipment purchases greater than $10,000 having an estimated useful life in excess of one year. Amortization of the costs of leasehold improvements, vehicles 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 based on the following estimated useful lives:

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

Advertising
Advertising costs are charged to expense as incurred. Advertising expense in 2024 and 2023 was $152,310 and $111,332, respectively.

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, amortization, and occupancy related expenses are allocated based on square footage used.

Income Taxes
The Organization is a not-for-profit corporation and is exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

Estimates
The preparation of financial statements in conformity with GAAP 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.

Reclassifications
Certain reclassifications have been made to the financial statements for the year ended June 30, 2023. These reclassifications are for comparative purposes only and have no effect on the change in net assets as originally reported.

3. LIQUIDITY

The Organization is substantially supported by grants and contributions without donor restrictions and revenue generated by its 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 Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets reported on the accompanying balance sheet may not be available for general expenditure within one year of the balance sheet date.

The Organization's financial assets available within one year of the balance sheet for general expenditures are as follows at June 30:

	2024	2023
Financial assets at June 30	$ 4,432,538	$ 5,719,100
Less: Financial assets unavailable for general expenditures within one year, due to: Subject to satisfaction of donor restrictions	(813,460)	(968,198)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,619,078	$ 4,750,902

The Organization's ability to meet its cash needs is dependent on timely collection of its grants receivable. The Organization's 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 Organization to incur costs in advance and then vouch for reimbursement from the contractual government payer after the cash outlay has been made. The Organization employs 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 Organization has a line of credit agreement with a bank that allows for total borrowings of $2,000,000 (Note 8). The Organization also engages in significant fundraising efforts and special events to supplement operating cash flow from governmental and third-party funding arrangements.

The Organization's 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, $32,601,151, and $23,472,224 reported as food distribution expense in 2024 and 2023, respectively, represent approximately 56% and 48% of total operating expenses for 2024 and 2023, respectively, does not represent a cash expenditure. The Organization's operating cash receipts and expenditures within the next year are expected to approximate those reported for 2024 and 2023.

4. GRANTS AND GRANTS RECEIVABLE

A significant portion of the Organization's revenue is generated through federal and state, grants and contracts that are renewed periodically. The Organization derives a portion of its revenues from funding provided by the New York State Department of Health Hunger Prevention and Nutrition Assistance Program (HPNAP) and New York State Department of Health Nourish New York Program which are included in governments grants in the statement of activities and changes in net assets. HPNAP funding was approximately 4% and 8% of the Organization's total revenue for the years ended June 30, 2024, and 2023, respectively. Nourish New York funding was approximately 2% and 9% of the Organization's total revenue for the years ended June 30, 2024, and 2023, respectively.

Grants receivable from HPNAP was 46% and 24% of grants receivable at June 30, 2024, and 2023, respectively. Grants receivable from Nourish New York was 14% and 39% of grants receivable at June 30, 2024, and 2023, respectively.

5. RELATED PARTY TRANSACTIONS

Foodlink Foundation, Inc.
Foodlink Foundation, Inc. (the Foundation) was formed to provide funding and support for anti-hunger organizations in the greater Rochester, New York area. The Foundation also includes Foodlink Farm, LLC (Foodlink Farm) and 2011 MT. Read, LLC (MT. Read), wholly owned for-profit subsidiaries. Foodlink Farm and MT. Read hold the property used by Foodlink programs. The Organization and the Foundation have a brother-sister relationship.

Related-party lease
During 2023, The organization entered into a related-party lease with the Foundation for the use of the property at located at 2011 Mt. Read Blvd. Under the related-party lease, the rent payment is based on all required carrying costs, primarily principal and interest, paid under the Foundation's mortgage. The lease payments are calculated annually and are scheduled to terminate on December 31, 2037. During 2024 and 2023, the Organization recognized rent expense charged by the Foundation of $470,559 and $454,961, respectively which is included in occupancy on the statement of activities.

Services Provided by Foodlink
The Organization provides services to the Foundation and costs are charged to the Foundation based on agreed-upon methodologies. For the years ended June 30, 2024, and 2023, $47,710 and $129,106, respectively, was charged for administrative and accounting services.

Due from/to Foodlink Foundation, Inc.
As part of the administrative support functions that the Organization provides to the Foundation, the Organization pays the expenses of the Foundation and the Foundation reimburses the Organization. During 2024 and 2023, the Organization paid $57,356 and $60,044, respectively, of expenses on behalf of the Foundation. The non-interest bearing amount due from the Foundation was $140,077 as of June 30, 2024. The non-interest bearing amount due to the Foundation was $68,531 as of June 30, 2023.

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

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

	2024	2023
Career Empowerment Initiative & Community Kitchen	$ 19,691	$ 50,480
Community Health Programs	204,640	442,719
Foodbank programs	589,129	474,999
	$ 813,460	$ 968,198

Net assets with donor restrictions were released from restriction for the following purposes during the years ended June 30:

	2024	2023
Career Empowerment Initiative & Community Kitchen	$ 132,155	$ 163,430
Community Health Programs	495,710	1,969,269
Foodbank programs	825,319	126,610
	$ 1,453,184	$ 2,259,309

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2024	2023
Leasehold improvements	$ 9,136,225	$ 8,407,258
Vehicles	1,143,697	1,018,754
Furniture and equipment	2,346,714	2,636,716
	12,626,636	12,062,728
Less: Accumulated depreciation and amortization	(6,636,366)	(6,041,262)
	$ 5,990,270	$ 6,021,466

8. DONATED INVENTORY (UNAUDITED)

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

	2024		2023	
	Pounds	Value	Pounds	Value
Donated product inventory, beginning of year	439,755	$ 923,312	466,652	$ 975,223
Donated food received	11,983,494	23,607,483	10,192,029	19,670,616
Less:				
Food distributed to participating agencies	(11,605,668)	(22,863,166)	(9,982,212)	(19,265,669)
Food scrapped	(12,154)	(1,188)	(236,714)	(456,858)
Donated product inventory, end of year	805,427	$ 1,666,441	439,755	$ 923,312

Donated product is included as revenue and expense in the accompanying financial statements and consists of $22,863,166 and $19,265,669 in distributed donated product for the years ending June 30, 2024 and 2023, respectively. Donated product inventory is not recorded in the accompanying balance sheet.

Inventory, End of Year
The Organization's inventory value was determined using a rate of $1.97 and $1.93 per pound at June 30, 2024 and 2023, 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 Organization has 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:

	2024 Pounds	2023 Pounds
Inventory, beginning of year	198,006	20,542
Donated food received	5,539,973	2,871,536
Adjustments	263	-
Less:		
Food distributed to participating agencies	(5,596,544)	(2,694,072)
Inventory, end of year	141,698	198,006

Donated USDA product is included as revenue and expense in the accompanying financial statements and consists of $9,737,985 and $4,206,555 in distributed USDA product for the years ending June 30, 2024 and 2023, respectively.

8. DONATED INVENTORY (UNAUDITED) (continued)

The Organization's value is determined by taking the ending inventory in pounds and multiplying that amount by a rate of $1.74 and $1.57 per pound in 2024 and 2023, 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 $180,184 and $278,618 at June 30, 2024 and 2023, respectively. USDA food inventory is owned by USDA until distributed by the Organization and, therefore, is not recorded as an asset by the Organization.

9. FINANCING ARRANGEMENTS

Line of Credit
The Organization has available an annually renewable line of credit agreement with a bank in the amount of $2,000,000, with interest at the prime rate (8.50% at June 30, 2024) and amounts are collateralized by a general lien on substantially all of the Organization's assets. There were no outstanding borrowings on the line of credit as of June 30, 2024 and 2023.

Guarantee
In September 2022, the Foundation entered into a new mortgage payable due October 2032 in the amount of $2,500,00 and payable in monthly installments of $16,250, including principal and interest at 4.75%. Substantially all fixed assets of the Organization are pledged as collateral to secure the Foundation's mortgage payable.

10. LEASES

The Organization has finance leases for vehicles and equipment that expire at various dates through December 2030. The Organization's leases have remaining terms that vary from one to seven years.

The components of total lease cost are as follows for the years then ended June 30:

	2024	2023
Finance lease cost:		
Amortization of right-of-use assets	$ 209,069	$ 260,951
Interest on lease liabilities	22,959	46,422
Total lease cost	$ 232,028	$ 307,373

Supplemental cash flow information related to leases are as follows for the years then ended June 30:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$ 22,198	$ 43,062
Financing cash flows from finance leases	$ 203,617	$ 208,841
Right-of-use assets obtained in exchange for lease obligations:		
Finance leases	$ 354,713	$ 775,880

10. LEASES (Continued)

Other information related to leases are as follows as of June 30:

	2024	2023
Weighted-average remaining lease term:		
Finance leases	4.3 years	3.3 years
Weighted-average discount rate:		
Finance leases	3.58%	7.14%

Maturities of finance lease liabilities are as follows for the years ended June 30:

2025	$ 241,224
2026	213,024
2027	143,783
2028	59,436
2029	59,436
Thereafter	83,992
Total lease payments	800,895
Less: interest	(61,534)
Total present value of lease liabilities	739,361
Less: current portion	(241,224)
Long-term portion of lease liabilities	$ 498,137

Cash Paid for Interest
Interest paid on financing arrangements totaled approximately $24,000 and $65,000 for the years ended June 30, 2024 and 2023, respectively.

11. RETIREMENT PLAN

The Organization maintains a 401(k) plan that provides for 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 Organization contributed approximately $291,900 and $265,300 to the plan in the years ended June 30, 2024 and 2023, respectively.

12. CONTINGENCIES

The Organization receives various grants from federal and state agencies which are subject to audit by these agencies. Such audits may result in disallowances and a request for a return of funds. Based on past audits the Organization believes disallowances, if any, will not be significant

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 6, 2024, which is the date the financial statements were available to be issued.

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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*

December 6, 2024

To the Board of Directors of
Foodlink, Inc.

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 financial statements of Foodlink, Inc. (the Organization), which comprise the balance sheet as of June 30, 2024, and the related 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 December 6, 2024.

Report on Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Organization's 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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 or significant deficiencies may exist that were not identified.

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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)

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and 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