

412 Food Rescue, Inc.

Financial Statements

Years Ended December 31, 2023 and 2022
with Independent Auditor's Report

MaherDuessel

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412 FOOD RESCUE, INC.

YEARS ENDED DECEMBER 31, 2023 AND 2022

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Independent Auditor's Report

**Board of Directors
412 Food Rescue, Inc.**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of 412 Food Rescue, Inc. (412 Food Rescue), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 412 Food Rescue as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 412 Food Rescue and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 412 Food Rescue's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 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, 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 412 Food Rescue'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 412 Food Rescue'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.

Maher Duessel

Pittsburgh, Pennsylvania
September 23, 2024

412 FOOD RESCUE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 1,389,067	\$ 5,595,461
Investments	3,451,021	-
Accounts receivable	92,386	190,302
Grants receivable	178,500	771,500
Prepaid expenses	7,650	8,551
Operating lease right-of-use assets	91,122	78,861
Financing lease right-of-use assets	69,005	112,051
Fixed assets, net	<u>183,278</u>	<u>218,652</u>
Total Assets	<u>\$ 5,462,029</u>	<u>\$ 6,975,378</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 103,620	\$ 95,312
Loans payable	91,193	91,193
Operating lease liabilities	91,271	79,190
Financing lease liabilities	110,832	141,809
Deferred revenue	<u>-</u>	<u>1,500</u>
Total Liabilities	<u>396,916</u>	<u>409,004</u>
Net Assets:		
Without donor restrictions	4,736,835	5,554,173
With donor restrictions	<u>328,278</u>	<u>1,012,201</u>
Total Net Assets	<u>5,065,113</u>	<u>6,566,374</u>
Total Liabilities and Net Assets	<u>\$ 5,462,029</u>	<u>\$ 6,975,378</u>

See accompanying notes to financial statements.

412 FOOD RESCUE, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Contributed nonfinancial assets	\$ 13,076,394	\$ -	\$ 13,076,394
Contributions	1,407,834	593,586	2,001,420
Food rescue conference	34,939	-	34,939
Special events	18,413	-	18,413
Software licensing	187,900	-	187,900
Net appreciation (depreciation) on investments	49,467	-	49,467
Interest and investment income	155,196	-	155,196
Other income	4,852	-	4,852
Total revenues and support	14,934,995	593,586	15,528,581
Net assets released from restrictions	1,277,509	(1,277,509)	-
	16,212,504	(683,923)	15,528,581
Expenses:			
Program services	15,902,551	-	15,902,551
General and administrative	826,836	-	826,836
Fundraising	300,455	-	300,455
Total expenses	17,029,842	-	17,029,842
Change in Net Assets	(817,338)	(683,923)	(1,501,261)
Net Assets:			
Beginning of year	5,554,173	1,012,201	6,566,374
End of year	\$ 4,736,835	\$ 328,278	\$ 5,065,113

See accompanying notes to financial statements.

412 FOOD RESCUE, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Contributed nonfinancial assets	\$ 12,538,121	\$ -	\$ 12,538,121
Contributions	1,741,340	2,059,700	3,801,040
Gain on sale of fixed assets	17,000	-	17,000
Food rescue conference	47,302	-	47,302
Special events	28,188	-	28,188
Software licensing	145,250	-	145,250
Net appreciation (depreciation) on investments	-	-	-
Interest income	4,562	-	4,562
Other income	141,353	-	141,353
	<u>14,663,116</u>	<u>2,059,700</u>	<u>16,722,816</u>
Total revenues and support			
	14,663,116	2,059,700	16,722,816
Net assets released from restrictions	<u>1,144,888</u>	<u>(1,144,888)</u>	<u>-</u>
	<u>15,808,004</u>	<u>914,812</u>	<u>16,722,816</u>
Expenses:			
Program services	15,217,478	-	15,217,478
General and administrative	741,081	-	741,081
Fundraising	311,587	-	311,587
	<u>16,270,146</u>	<u>-</u>	<u>16,270,146</u>
Total expenses			
	16,270,146	-	16,270,146
Change in Net Assets	(462,142)	914,812	452,670
Net Assets:			
Beginning of year	<u>6,016,315</u>	<u>97,389</u>	<u>6,113,704</u>
End of year	<u>\$ 5,554,173</u>	<u>\$ 1,012,201</u>	<u>\$ 6,566,374</u>

See accompanying notes to financial statements.

412 FOOD RESCUE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

	Program	General and Administrative	Fundraising	Total
Food distributed	\$ 13,076,394	\$ -	\$ -	\$ 13,076,394
Salaries and wages	2,111,079	258,543	248,557	2,618,179
Contracted services	350,856	428,361	4,473	783,690
Facilities	10,872	44,164	-	55,036
Office equipment	14,152	2,000	-	16,152
Catering and hospitality	11,387	-	56	11,443
Telephone	19,566	1,719	-	21,285
Postage and printing	352	924	1,415	2,691
Office supplies	3,146	4,113	1,670	8,929
Advertising and marketing	52,526	1,390	8,585	62,501
Program supplies	23,573	725	1,057	25,355
Software development	11,937	7,188	1,159	20,284
Travel and meetings	28,635	26,508	12,690	67,833
Vehicle	45,503	3,978	46	49,527
Professional development	3,744	3,910	72	7,726
Bank and registration fees	338	11,725	6,731	18,794
Loan interest	9,627	25	-	9,652
Membership dues	48,044	7,126	13,944	69,114
Depreciation	80,820	-	-	80,820
Insurance	-	24,437	-	24,437
Total expenses	<u>\$ 15,902,551</u>	<u>\$ 826,836</u>	<u>\$ 300,455</u>	<u>\$ 17,029,842</u>

See accompanying notes to financial statements.

412 FOOD RESCUE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program	General and Administrative	Fundraising	Total
Food distributed	\$ 12,538,121	\$ -	\$ -	\$ 12,538,121
Salaries and wages	1,925,343	307,238	217,418	2,449,999
Contracted services	349,898	260,622	31,068	641,588
Facilities	28,624	43,235	-	71,859
Office equipment	2,986	2,551	477	6,014
Catering and hospitality	13	262	3,137	3,412
Telephone	10,573	3,529	-	14,102
Postage and printing	7,724	4,780	8,278	20,782
Office supplies	13,003	6,015	968	19,986
Advertising and marketing	73,600	6,895	6,313	86,808
Program supplies	91,129	327	7,750	99,206
Software development	6,734	23,269	14,340	44,343
Travel and meetings	15,207	18,019	20,156	53,382
Vehicle	49,075	30	20	49,125
Professional development	2,687	7,900	-	10,587
Bank and registration fees	-	11,022	1,278	12,300
Loan interest	7,881	-	-	7,881
Membership dues	12,087	2,629	384	15,100
Depreciation	82,793	-	-	82,793
Insurance	-	42,758	-	42,758
Total expenses	<u>\$ 15,217,478</u>	<u>\$ 741,081</u>	<u>\$ 311,587</u>	<u>\$ 16,270,146</u>

See accompanying notes to financial statements.

412 FOOD RESCUE, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	\$ (1,501,261)	\$ 452,670
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Gain on the sale of equipment	-	(17,000)
Depreciation	80,820	82,793
Net (appreciation) depreciation in fair value of investments	(49,467)	-
Change in:		
Accounts receivable	97,916	(165,254)
Grants receivable	593,000	1,406,658
Prepaid expense	901	(901)
Operating lease right-of-use assets	(12,261)	42,796
Accounts payable	8,308	2,216
Operating lease liabilities	12,081	(42,467)
Deferred revenue	(1,500)	1,500
Total adjustments	729,798	1,310,341
Net cash provided by (used in) operating activities	(771,463)	1,763,011
Cash Flows From Investing Activities:		
Sale of fixed assets	-	17,000
Purchase of fixed assets	(2,400)	-
Purchases of investments	(3,710,830)	-
Proceeds from disposition on investments	309,276	-
Net cash provided by (used in) investing activities	(3,403,954)	17,000
Cash Flows From Financing Activities:		
Payments on note payable	-	(8,807)
Payments on finance lease liabilities	(30,977)	(32,907)
Net cash provided by (used in) financing activities	(30,977)	(41,714)
Net Increase (Decrease) in Cash and Cash Equivalents	(4,206,394)	1,738,297
Cash and Cash Equivalents:		
Beginning of year	5,595,461	3,857,164
End of year	\$ 1,389,067	\$ 5,595,461
Supplemental Disclosures:		
Interest paid - financing leases	\$ 2,575	\$ 3,588
Cash paid during the year for interest	\$ 7,077	\$ 4,293
Addition of right-of-use asset for operating leases	\$ 55,211	\$ -

See accompanying notes to financial statements.

412 FOOD RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

1. Organization and Purpose

412 Food Rescue, Inc. (412 Food Rescue), incorporated on March 17, 2015, is a non-profit corporation founded to directly impact hunger and sustainability by saving fresh, healthy food from going to waste, and to develop an innovative technology-based reverse logistics model that aims to fight hunger and promote sustainability.

412 Food Rescue works with food retailers, wholesalers, restaurants, caterers, universities, and other food providers to rescue un-sellable but perfectly good food. These providers often do not have the operations resources to consistently redirect food to community organizations. 412 Food Rescue only rescues fresh, perishable food - healthy food - and directly distributes it to organizations. It does not store or bank the food.

Food is delivered to agencies that serve low-income, homeless, and other needy people in Allegheny County, Pennsylvania and surrounding areas. Agencies currently include soup kitchens, public school backpack programs, community organizations, governmental agencies, and other nonprofits that serve those who are food insecure. 412 Food Rescue will accept beneficiary applications from organizations that can redistribute food directly to those who are hungry.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

412 FOOD RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Cash and Cash Equivalents

412 Food Rescue considers all highly liquid investments with original maturities of less than three months as cash equivalents. Account balances at December 31, 2023 and 2022 exceeded the Federal Deposit Insurance Corporation limit. 412 Food Rescue believes it has placed its cash and cash equivalents with high credit quality financial institutions and does not believe it is exposed to any significant credit risk on its cash and cash equivalents.

Investments

Investments consist of mutual and treasury bond funds. Investments are reported at fair value. Investments are reported at fair value in the statements of financial position. Those investments received as gifts or donations are recorded at their fair value on the date received. Net appreciation or depreciation in the fair value of investments is reflected in the statements of activities.

412 Food Rescue's 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 values of investment securities will occur in the near-term and that such changes could materially affect the amount reported in the statements of financial position.

Fair Value Measurements

412 Food Rescue has adopted a framework for measuring fair value under current accounting pronouncements that require fair value measurements and enhanced disclosures about fair value measurements. This framework defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. Disclosures include a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.

The three levels of the fair value hierarchy under accounting principles generally accepted in the United States of America are:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the 412 Food Rescue for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

412 FOOD RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include inputs that are generally less observable from objective sources.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Opening and closing accounts receivables are \$190,302 and \$92,386, respectively, for the year ended December 31, 2023 and \$25,048 and \$190,302, respectively, for the year ended December 31, 2022.

Accounts receivable primarily consists of amounts due from events and other program services and are reported at their net realizable value. Management has considered factors impacting the need for an allowance given historical experience and current conditions, as well as reasonable and supportable forecasts, and has determined that any allowance computed would be immaterial to the financial statements at December 31, 2023, and 2022.

Grants Receivable

Grants receivable represent amounts awarded by donors that have not been received. The effect of a present valuation of the donations and grants receivable has been deemed by management as immaterial.

412 FOOD RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Unconditional grants receivable consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Amounts due in one year	\$ 178,500	\$ 671,500
Amounts due in one to five years	-	100,000
	<u>\$ 178,500</u>	<u>\$ 771,500</u>

Fixed Assets

Fixed assets are recorded at cost when purchased and fair value at the date of the gift when received as a contribution. Depreciation of fixed assets is provided by the straight-line method over the estimated useful lives of the assets.

Maintenance and repairs which are not considered to extend the useful lives of assets are charged to operations as incurred. Expenditures for additions and improvements are capitalized.

Leases

412 Food Rescue determines if an arrangement is a lease at inception. Leases are included as operating and finance lease right-of-use (ROU) assets and operating and finance lease liabilities, respectively, on the statements of financial position.

ROU assets represent 412 Food Rescue's right to use an underlying asset for the lease term and lease liabilities represent 412 Food Rescue's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. In determining the discount rate used to measure the right-of-use asset and lease liability, 412 Food Rescue uses rates implicit in the lease, or if not readily available, the risk-free Treasury rate is used in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. 412 Food Rescue's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

412 Food Rescue's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

412 FOOD RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Software Development Costs

Costs for the continuing maintenance and enhancements of 412 Food Rescue application are expensed as incurred.

Net Assets

The assets, liabilities, and net assets of 412 Food Rescue are reported in net asset classes as follows:

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

With Donor Restrictions – Net assets subject to donor-imposed or other legal restrictions that the principal be maintained permanently by 412 Food Rescue. Some donor restrictions are temporary in nature; those restrictions will be met by actions of 412 Food Rescue or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue Recognition

Contributions received, including unconditional promises to give, are recorded as support with or without donor restrictions, depending on the existence or nature of any donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of December 31, 2023 and 2022, there are no conditional promises to give.

Software licensing fees are recognized over the term of the agreement.

412 FOOD RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Contributed Nonfinancial Assets

412 Food Rescue recognizes contributed services and materials in accordance with accounting principles generally accepted in the United States of America if the services create or enhance non-financial assets, require specialized skills, and are performed by individuals with those skills, or if the services and goods would otherwise be purchased by 412 Food Rescue.

In addition, many individuals volunteer their time and perform a variety of tasks that assist 412 Food Rescue, but these services do not meet the criteria for recognition as contributed services. 412 Food Rescue benefited from 23,167 and 30,324 volunteer hours for the years ended December 31, 2023 and 2022, respectively, representing a dollar value of approximately \$775,863 (\$33.49/hr) and \$964,303 (\$31.80/hr), respectively, in volunteer services based on the Bureau of Labor Statistics Dollar Value of a Volunteer Hour.

Liquidity and Availability

The primary source of liquid resources for 412 Food Rescue is the collection of grants and contributions. 412 Food Rescue manages its liquid resources by focusing on fundraising efforts to ensure 412 Food Rescue has adequate grants and contributions to cover the programs that are being conducted.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2023</u>	<u>2022</u>
Financial assets, at year-end (cash, cash equivalents, investments, and receivables)	\$ 5,110,974	\$ 6,557,263
Less: those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	<u>(328,278)</u>	<u>(1,012,201)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,782,696</u>	<u>\$ 5,545,062</u>

412 FOOD RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Expense Allocation

The costs of providing programs are presented on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and support services benefited. Management's functional expense allocation method is primarily based on a combination of direct cost allocation and an analysis of payroll expenses per employee.

Income Tax Status

412 Food Rescue is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1). Further, 412 Food Rescue annually files a Form 990.

Adopted Accounting Standards

The provisions of these Standards Updates have been adopted and incorporated into these financial statements:

ASU 2016-02, "*Allowance for Credit Losses (Topic 326)*." In June 2016, the FASB issued guidance (FASB 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. 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. Financial assets held by 412 Food Rescue that are subject to the guidance in FASB ASC 326 were trade accounts receivables. We adopted the standard effective January 1, 2023. The standard had no significant impact to the financial statements.

Reclassification

Certain items for 2022 have been reclassified to conform to the 2023 presentation. The reclassification had no effect on the change in net assets.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

412 FOOD RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

3. Investments

At December 31, 2023 and 2022, investments, at fair value, consist of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 38,616	\$ -
U.S. Government Securities:		
Fixed income	<u>3,412,405</u>	<u>-</u>
Total	<u>\$ 3,451,021</u>	<u>\$ -</u>

Cash and cash equivalents, reported with investments on the statements of financial position, are available to be invested, with the assistance of external advisors, in equity or longer-term debt instruments. Since there is no intent to liquidate the cash and cash equivalents for short-term operating needs, they are presented as long-term investments. Fixed income (Level 1) is valued at fair value based on quoted market prices for identical securities in active markets that 412 Food Rescue has the ability to access at the measurement date. 412 Food Rescue had no investments valued using Level 2 or Level 3 inputs.

Investment income for the years ended December 31, 2023 and 2022 is summarized below:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 52,326	\$ -
Net appreciation (depreciation) on investments	<u>(49,467)</u>	<u>-</u>
	<u>\$ 2,859</u>	<u>\$ -</u>

412 FOOD RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

4. Fixed Assets

A summary of fixed assets at December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Equipment	\$ 295,195	\$ 295,195
Leasehold improvements	40,270	40,270
Less: accumulated depreciation	<u>(152,187)</u>	<u>(116,813)</u>
Net fixed assets	<u>\$ 183,278</u>	<u>\$ 218,652</u>

5. Loan Payable

412 Food Rescue received a loan in the amount of \$100,000, secured by the Millvale Kitchen project assets, payable in quarterly installments of interest-only at a rate of 4% from October 2018 through April 2020, followed by quarterly installments of interest and principal based on revenue performance of the Millvale Kitchen through maturity as follows; 10% of quarterly gross sales less than or equal to \$20,000, 8% of quarterly gross sales greater than \$20,000, in 32 quarterly installments which matures on July 30, 2028. At December 31, 2023 and 2022, \$91,193 was outstanding.

6. Leases

412 Food Rescue has operating and finance leases for office space, kitchen space, and equipment, respectively. The leases have remaining lease terms of two to five years, some of which may include options to extend the leases for up to one year. As of December 31, 2023, assets recorded under finance leases were \$69,005 (\$215,231 net of accumulated amortization associated with the leases of \$146,226). As of December 31, 2022, assets recorded under finance leases were \$112,051 (\$215,231 net of accumulated amortization associated with the leases of \$103,180).

The office space operating lease provides for a renewal option for two additional three year terms at the then fair rental value negotiated in good faith. Since 412 Food Rescue is not reasonably certain as of December 31, 2023 that the renewal options will be exercised, the periods after October 2024 are excluded in the right-of-use asset and lease liability on the statements of net position.

412 FOOD RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

The kitchen space operating lease provides for a renewal option for two additional three year terms at the then fair rental value negotiated in good faith. Since 412 Food Rescue is not reasonably certain as of December 31, 2023 that the renewal options will be exercised, the periods after January 2029 are excluded in the right-of-use asset and lease liability on the statements of net position.

Future minimum lease payments under non-cancellable leases as of December 31, 2023 are as follows:

Year Ending December 31,	Operating Leases	Finance Leases
2024	\$ 48,120	\$ 33,552
2025	12,000	30,902
2026	12,000	17,652
2027	12,000	17,652
2028	12,000	14,710
Thereafter	1,000	-
Total future minimum lease payments	97,120	114,468
Less: interest	(5,848)	(3,636)
Total	<u>\$ 91,272</u>	<u>\$ 110,832</u>

412 FOOD RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

Other information related to leases was as follows:

	<u>2023</u>	<u>2022</u>
Weighted average remaining lease term:		
Operating leases	3.40 years	1.83 years
Finance leases	4.07 years	4.93 years
Weighted average discount rate:		
Operating leases	2.15%	0.36%
Finance leases	2.62%	2.62%
Lease Cost		
Operating leases	\$ 43,165	\$ 43,165
Finance leases	33,322	37,152
Cash Paid		
Operating leases	\$ 43,344	\$ 43,344
Finance leases	33,552	36,494

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
App development and tech growth	\$ 100,000	\$ 549,990
Expansion	51,536	111,211
Millvale kitchen	110,742	-
Food recovery operations	51,000	301,000
General operating - time restricted	15,000	50,000
Total net assets with donor restrictions	<u>\$ 328,278</u>	<u>\$ 1,012,201</u>

412 FOOD RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

8. Contributed Nonfinancial Assets

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statement of activities consisted of Food in the amounts of \$13,076,394 and \$12,538,121, respectively.

412 Food Rescue recognized contributed nonfinancial assets within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Contributed food was utilized in the food recovery operations program, therefore, increasing program expenses on the financial statements.

Donated food is valued at the approximate estimated retail food value of one pound of food wasted as well as food waste diverted, based on 2016 data from the Bureau of Labor Statistics on monthly average food prices to estimated retail food value, which is updated yearly based upon the Consumer Price Index for food at home. 412 Food Rescue rescued approximately 4,390,000 and 4,320,000 pounds of food during 2023 and 2022, respectively, at an estimated value of \$2.94 and \$2.89 per pound in 2023 and 2022, respectively.