



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

FOOD FORWARD, INC.

December 31, 2021 and 2020

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Report of Independent Auditors

The Board of Directors
Food Forward, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Food Forward, Inc., which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Food Forward, Inc. as of December 31, 2021, and the change in its 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Food Forward, Inc. 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.

Other Matter – Prior Year Financial Statements

The financial statements of Food Forward, Inc. for the year ended December 31, 2020, were audited by another auditor, who expressed an unmodified opinion on those statements on May 17, 2021.

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 Food Forward, Inc.'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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Food Forward, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Food Forward, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Moss Adams LLP

Irvine, California
September 8, 2022

Food Forward, Inc.
Statements of Financial Position

ASSETS		December 31,	
		<u>2021</u>	<u>2020</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	1,521,958	\$ 7,305,806
Investments		10,057,438	4,866
Contributions receivable		581,389	749,350
Prepaid expenses		36,833	-
		<u>12,197,618</u>	<u>8,060,022</u>
NON-CURRENT ASSETS			
Property and equipment, net		748,666	765,519
Deposits		9,383	9,383
		<u>758,049</u>	<u>774,902</u>
Total assets	\$	<u>12,955,667</u>	\$ <u>8,834,924</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$	87,388	\$ 46,168
Employee related accrued expenses		202,780	105,128
Other accrued expenses		11,075	-
		<u>301,243</u>	<u>151,296</u>
Total liabilities		<u>301,243</u>	<u>151,296</u>
COMMITMENTS (Note 7)			
NET ASSETS			
Without donor restrictions		10,317,007	5,127,494
With donor restrictions		2,337,417	3,556,134
		<u>12,654,424</u>	<u>8,683,628</u>
Total net assets		<u>12,654,424</u>	<u>8,683,628</u>
Total liabilities and net assets	\$	<u>12,955,667</u>	\$ <u>8,834,924</u>

Food Forward, Inc.
Statements of Activities (with prior year summarized comparative information)

	Year Ended December 31, 2021			Year Ended
	Without Donor Restrictions	With Donor Restrictions	Total	December 31, 2020
REVENUE AND SUPPORT				
Operating revenue				
Grants and contributions	\$ 6,513,315	\$ 1,326,642	\$ 7,839,957	\$ 9,798,750
Paycheck Protection Program grant income	-	-	-	289,800
Private picks	3,000	-	3,000	16,374
Investment income	2,241	-	2,241	2,948
Other income	3,046	-	3,046	9,561
Net assets released from restrictions	2,545,359	(2,545,359)	-	-
Total operating revenue	9,066,961	(1,218,717)	7,848,244	10,117,433
In-kind revenue				
Recovered produce and other in-kind	120,190,005	-	120,190,005	108,921,872
Total in-kind revenue	120,190,005	-	120,190,005	108,921,872
Special events				
Special events revenue	148,583	-	148,583	232,006
Special events expense	(29,611)	-	(29,611)	(47,559)
Total special events, net	118,972	-	118,972	184,447
Total revenue and support	129,375,938	(1,218,717)	128,157,221	119,223,752
EXPENSES				
Program services				
Wholesale Produce Recovery	120,422,311	-	120,422,311	109,249,373
Backyard Harvest	1,014,396	-	1,014,396	1,367,154
Farmers Market Recovery	1,201,908	-	1,201,908	954,913
Total program services	122,638,615	-	122,638,615	111,571,440
Supporting services				
Management and general	963,409	-	963,409	364,344
Fundraising	584,401	-	584,401	400,001
Total supporting services	1,547,810	-	1,547,810	764,345
Total expenses	124,186,425	-	124,186,425	112,335,785
CHANGE IN NET ASSETS	5,189,513	(1,218,717)	3,970,796	6,887,967
NET ASSETS AT BEGINNING OF YEAR	5,127,494	3,556,134	8,683,628	1,795,661
NET ASSETS AT END OF YEAR	\$ 10,317,007	\$ 2,337,417	\$ 12,654,424	\$ 8,683,628

Food Forward, Inc.
Statements of Activities (Continued)

	Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Operating revenue			
Grants and contributions	\$ 4,095,421	\$ 5,703,329	\$ 9,798,750
Paycheck Protection Program grant income	289,800	-	289,800
Private picks	16,374	-	16,374
Investment income	2,948	-	2,948
Other income	9,561	-	9,561
Net assets released from restrictions	<u>2,511,253</u>	<u>(2,511,253)</u>	<u>-</u>
Total operating revenue	<u>6,925,357</u>	<u>3,192,076</u>	<u>10,117,433</u>
In-kind revenue			
Recovered produce and other in-kind	<u>108,921,872</u>	<u>-</u>	<u>108,921,872</u>
Total in-kind revenue	<u>108,921,872</u>	<u>-</u>	<u>108,921,872</u>
Special events			
Special events revenue	232,006	-	232,006
Special events expense	<u>(47,559)</u>	<u>-</u>	<u>(47,559)</u>
Total special events, net	<u>184,447</u>	<u>-</u>	<u>184,447</u>
Total revenue and support	<u>116,031,676</u>	<u>3,192,076</u>	<u>119,223,752</u>
EXPENSES			
Program services			
Wholesale Produce Recovery	109,249,373	-	109,249,373
Backyard Harvest	1,367,154	-	1,367,154
Farmers Market Recovery	<u>954,913</u>	<u>-</u>	<u>954,913</u>
Total program services	<u>111,571,440</u>	<u>-</u>	<u>111,571,440</u>
Supporting services			
Management and general	364,344	-	364,344
Fundraising	<u>400,001</u>	<u>-</u>	<u>400,001</u>
Total supporting services	<u>764,345</u>	<u>-</u>	<u>764,345</u>
Total expenses	<u>112,335,785</u>	<u>-</u>	<u>112,335,785</u>
CHANGE IN NET ASSETS	3,695,891	3,192,076	6,887,967
NET ASSETS AT BEGINNING OF YEAR	<u>1,431,603</u>	<u>364,058</u>	<u>1,795,661</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,127,494</u>	<u>\$ 3,556,134</u>	<u>\$ 8,683,628</u>

See accompanying notes.

Food Forward, Inc.

Statement of Functional Expenses (with summarized comparative information)

	Year Ended December 31, 2021						
	Program Services				Supporting Services		Total Expenses
	Wholesale Produce Recovery	Backyard Harvest	Farmers Market Recovery	Total Program Services	Management and General	Fundraising	
PERSONNEL EXPENSES							
Salaries and wages	\$ 762,163	\$ 317,003	\$ 213,700	\$ 1,292,866	\$ 401,299	\$ 352,064	\$ 2,046,229
Employee benefits and taxes	185,961	81,432	43,899	311,292	126,042	80,828	518,162
Total personnel expenses	948,124	398,435	257,599	1,604,158	527,341	432,892	2,564,391
OTHER EXPENSES							
Accounting	-	-	-	-	119,857	-	119,857
Automobile	108,001	20,572	4,169	132,742	3,008	-	135,750
Bank and merchant fees	2	-	-	2	6,781	16,002	22,785
Conferences and meetings	3,102	885	606	4,593	18,145	174	22,912
Depreciation and amortization	116,760	-	-	116,760	23,197	-	139,957
Equipment	45,431	8,104	6,991	60,526	22,596	10,541	93,663
Gifts	616	160	106	882	248	245	1,375
Grant expenses	11,577	-	-	11,577	-	-	11,577
Insurance	14,244	5,845	3,989	24,078	19,431	6,600	50,109
Licenses and fees	988	-	-	988	155	-	1,143
Meals and beverages	2,875	854	590	4,319	4,363	152	8,834
Occupancy	74,139	19,572	9,837	103,548	17,509	16,307	137,364
Office supplies	6,970	948	354	8,272	4,265	548	13,085
Outreach and advertising	167	5,370	3,113	8,650	528	11,612	20,790
Outside consultants	280,493	21,545	14,363	316,401	161,157	69,636	547,194
Postage and shipping	96	31	54	181	231	1,445	1,857
Recruitment	547	1,129	1,607	3,283	5,155	3,366	11,804
Repairs and maintenance	38,700	1,025	8	39,733	3,305	-	43,038
Stewardship	1,923	2,729	2,589	7,241	97	2,686	10,024
Telephone and internet	2,607	2,454	-	5,061	6,479	-	11,540
Travel	233	591	2,012	2,836	473	114	3,423
Utilities	31,816	1,954	860	34,630	1,205	1,413	37,248
Total other expenses	741,287	93,768	51,248	886,303	418,185	140,841	1,445,329
Produce and other in-kind	118,732,900	522,193	893,061	120,148,154	17,883	10,668	120,176,705
Total 2021 expenses	\$ 120,422,311	\$ 1,014,396	\$ 1,201,908	\$ 122,638,615	\$ 963,409	\$ 584,401	\$ 124,186,425
Allocation of expenses between program services and supporting services				99%	1%	0%	
Total 2020 expenses	\$ 109,249,373	\$ 1,367,154	\$ 954,913	\$ 111,571,440	\$ 364,344	\$ 400,001	\$ 112,335,785
Allocation of expenses between program services and supporting services in 2020				99%	1%	0%	

Food Forward, Inc. Statement of Functional Expenses (Continued)

	Year Ended December 31, 2020						
	Program Services				Supporting Services		Total Expenses
	Wholesale Produce Recovery	Backyard Harvest	Farmers Market Recovery	Total Program Services	Management and General	Fundraising	
PERSONNEL EXPENSES							
Salaries and wages	\$ 1,025,270	\$ 363,409	\$ 178,339	\$ 1,567,018	\$ 91,918	\$ 291,635	\$ 1,950,571
Employee benefits and taxes	202,081	77,371	38,244	317,696	22,132	49,063	388,891
Total personnel expenses	<u>1,227,351</u>	<u>440,780</u>	<u>216,583</u>	<u>1,884,714</u>	<u>114,050</u>	<u>340,698</u>	<u>2,339,462</u>
OTHER EXPENSES							
Accounting	-	-	-	-	27,640	-	27,640
Automobile	111,830	20,544	5,386	137,760	3,823	-	141,583
Bank and merchant fees	-	-	-	-	16,476	-	16,476
Conferences and meetings	4,176	216	102	4,494	4,794	113	9,401
Depreciation and amortization	98,801	3,939	2,246	104,986	26,363	-	131,349
Equipment	54,551	8,689	5,450	68,690	1,217	10,081	79,988
Gifts	533	579	67	1,179	2,663	117	3,959
Grant expenses	80,199	-	-	80,199	-	-	80,199
Insurance	1,661	996	664	3,321	42,283	-	45,604
Interest expense	-	-	-	-	1,727	-	1,727
Licenses and fees	-	-	-	-	221	78	299
Meals and beverages	21,262	958	428	22,648	134	471	23,253
Occupancy	105,760	20,129	6,543	132,432	5,124	17,010	154,566
Office supplies	6,573	907	421	7,901	267	1,139	9,307
Outreach and advertising	6,426	2,459	1,429	10,314	22	2,877	13,213
Outside consultants	164,411	4,675	4,171	173,257	31,085	141	204,483
Payroll fees	221	133	88	442	6,922	-	7,364
Postage and shipping	171	165	321	657	250	2,129	3,036
Recruitment	2,368	818	331	3,517	268	17,292	21,077
Repairs and maintenance	23,741	554	176	24,471	142	432	25,045
Stewardship	927	2,115	3,468	6,510	-	515	7,025
Telephone and internet	14,128	7,730	2,824	24,682	1,093	4,639	30,414
Travel	1,235	1,080	1,324	3,639	117	445	4,201
Utilities	27,869	2,207	742	30,818	600	1,824	33,242
Total other expenses	<u>726,843</u>	<u>78,893</u>	<u>36,181</u>	<u>841,917</u>	<u>173,231</u>	<u>59,303</u>	<u>1,074,451</u>
Produce and other in-kind	<u>107,295,179</u>	<u>847,481</u>	<u>702,149</u>	<u>108,844,809</u>	<u>77,063</u>	<u>-</u>	<u>108,921,872</u>
Total expenses	<u>\$ 109,249,373</u>	<u>\$ 1,367,154</u>	<u>\$ 954,913</u>	<u>\$ 111,571,440</u>	<u>\$ 364,344</u>	<u>\$ 400,001</u>	<u>\$ 112,335,785</u>

Food Forward, Inc.
Statements of Cash Flows

	Years Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,970,796	\$ 6,887,967
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	139,957	131,349
Donated food received	120,190,005	108,921,872
Donated food distributed	(120,190,005)	(108,921,872)
Non-cash contributions of securities	(102,248)	(98,556)
Forgiveness of PPP loan	-	(289,800)
Change in operating assets and liabilities		
Contributions receivable	167,961	(575,416)
Prepaid expenses	(36,833)	-
Accounts payable and accrued liabilities	41,220	26,788
Employee related accrued expenses	97,652	38,033
Other accrued expenses	11,075	-
Net cash provided by operating activities	<u>4,289,580</u>	<u>6,120,365</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(10,053,689)	-
Proceeds from sale of investments	103,364	93,690
Purchases of property and equipment	(123,103)	(334,013)
Net cash used in investing activities	<u>(10,073,428)</u>	<u>(240,323)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	-	289,800
Net cash provided by financing activities	<u>-</u>	<u>289,800</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,783,848)	6,169,842
CASH AND CASH EQUIVALENTS, beginning of year	<u>7,305,806</u>	<u>1,135,964</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,521,958</u>	<u>\$ 7,305,806</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash financing transactions	<u>\$ -</u>	<u>\$ 289,800</u>

Note 1 – Organization

Food Forward, Inc. (the “Organization”) is a California public benefit corporation whose mission is to fight hunger and prevent food waste by rescuing fresh surplus produce, connecting this abundance with people in need, and inspiring others to do the same.

Programs include:

- The Wholesale Produce Recovery program collects large lots of produce from wholesale produce vendors, distributors, and growers and donates it to hunger relief agencies. These food banks, pantries, soup kitchens, and other programs then distribute the produce free of charge to people experiencing hunger.
- The Backyard Harvest program mobilizes groups of volunteers to harvest excess fruit from private residences, commercial orchards, and public orchards and then donates the harvest to organizations serving people experiencing food insecurity.
- The Farmers Market Recovery program organizes volunteers to collect unsold produce from local farmers markets to donate to organizations serving people experiencing food insecurity.

The Organization’s programs supply produce to agency partners, who in turn distribute that food to people 100% free of charge. Collectively, the programs regularly served organizations in twelve counties in California in 2021, as well as occasional distributions to partners in neighboring states.

In response to the health and economic crises of 2020, the Organization scaled up its capacity for food recovery and distribution, partnering with a growing number of additional hunger relief agencies to help address community needs. In 2021, the Organization continued to operate efficiently, providing more than \$120 million of in-kind produce free of charge to people experiencing food insecurity, which is 30 times greater than the Organization’s operating budget of approximately \$4 million.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation of financial statements – The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles (U.S. GAAP). The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Cash and cash equivalents – All cash and highly liquid financial instruments with an original maturity of three months or less when purchased, and which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

Food Forward, Inc.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Investments – Investments consist of certificates of deposit and marketable securities and are reported in the statements of financial position at fair value, with any realized or unrealized gains and losses reported net within investment income in the statements of activities. Investment income and gains and losses on investments with or without donor restrictions, net of related expenses, are reported as increases or decreases in net assets without donor restrictions. The date of record for investments is the trade date.

Fair value of financial instruments – The fair value of the Organization’s financial instruments represents management’s best estimates for the amounts that would be received to sell those assets in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. Future confirming events could affect the estimates of fair value when realized upon the liquidations of the investments. The estimate methods used by the Organization to determine fair value are further described in Note 4.

Contributions receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. Conditional promises to give are not included as support until the conditions are substantially met. For the years ended December 31, 2021 and 2020, the Organization received conditional grant commitments from governmental entities totaling \$224,416 and \$445,165, respectively.

Property and equipment – The Organization’s policy is to capitalize asset additions over \$3,000. Property and equipment are stated at cost, with the exception of donated property and equipment, which are recorded at fair market value on the date received. Depreciation and amortization have been provided on the straight-line method over the estimated useful lives of the assets, which are generally three to fifteen years. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated lives or the term of the lease. Expenditures for repairs and maintenance are expensed as incurred.

Accounting for the impairment of long-lived assets and for the disposal of long-lived assets – The Organization reviews plant, property, and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. During the years ended December 31, 2021 and 2020, there were no events or changes in circumstances indicating that the carrying amounts of the property, plant, and equipment may not be recoverable.

Note 2 – Summary of Significant Accounting Policies (continued)

Classification of net assets – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net assets with donor restrictions – Net assets subject to donor or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, for example, contributed assets that may or will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. There were no amounts required to be held in perpetuity at December 31, 2021 or 2020. Law may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, laws extend to donor-imposed restrictions. The expirations of donor-imposed restrictions are recognized when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue recognition – Revenue is recognized when earned. Grants and contributions and private picks are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Event sponsorships received in advance are deferred to the applicable period in which the related services are performed or event occurs.

Approximately 45% of total grants and contributions revenue for the year ended December 31, 2021, was provided by one funder. Approximately 48% of total grants and contributions revenue for the year ended December 31, 2020, was provided by three funders.

In-kind contributions – Contributed goods and services are recorded at fair value at the date of donation. Contributed services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. Volunteers contribute significant amounts of time to the Organization and its programs; however, the financial statements do not reflect the value of their contributed time as they do not meet the requirements for recognition as prescribed by U.S. GAAP. See Note 9.

Outreach and advertising – Outreach, advertising, and marketing expenditures are charged to operations when incurred. Outreach and advertising expense for the years ended December 31, 2021 and 2020, was \$21,692 and \$13,213, respectively.

Functional expenses – The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that are identified with a specific program or support service are charged directly according to their natural expenditure classification. Expenses that are common to specific programs or support services are allocated to those services based on estimated level of effort or level of use. Certain shared costs are allocated. Occupancy and related costs are allocated based on the basis of estimates of time and effort by program and support service departments.

Food Forward, Inc.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Income tax status – The Organization has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and under Revenue and Taxation Code Section 23701d, respectively. The Organization files an exempt return in the U.S. federal jurisdiction and the State of California.

Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income taxes. The Organization uses the same accounting methods for tax and financial reporting. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization returns are more-likely-than-not to be sustained upon examination. To date, the Organization has not recorded any uncertain tax positions. During the years ended December 31, 2021 and 2020, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions.

Use of estimates – Management uses estimates and assumptions in preparing financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could differ from such estimates and those differences could be material.

Credit risk – Deposit concentrations are managed by placing cash and investments with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with contributions receivable are considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from the organizations supportive of the mission.

Recent accounting pronouncements – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. ASU 2016-02 requires entities to recognize all leased assets on the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosures regarding the nature and extent of leasing activities. ASU 2016-02 is effective for nonpublic business entities for the annual reporting period beginning after December 15, 2021. The Organization is in the process of evaluating the impact of this statement and potential effects on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is aimed to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. ASU 2020-07 is effective for nonpublic business entities for the annual reporting period beginning after June 15, 2021. The Organization is in the process of evaluating the impact of this statement and potential effects on the financial statements.

Reclassifications – Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation. The reclassifications have no impact on previously reported net assets.

Note 2 – Summary of Significant Accounting Policies (continued)

Subsequent events – Subsequent events are events or transactions that occur after the statements of financial position date but before the financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statements of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statements of financial position but arose after the statements of financial position date and before the financial statements are available to be issued.

The Organization has evaluated subsequent events through September 8, 2022, which is the date the financial statements were available to be issued.

Note 3 – Liquidity and Availability

Financial assets available to meet cash needs for general expenditures within one year are as follows as of December 31:

	2021	2020
Cash and cash equivalents	\$ 1,521,958	\$ 7,305,806
Investments	10,057,438	4,866
Contributions receivable	581,389	749,350
 Total financial assets	 12,160,785	 8,060,022
Less: amounts unavailable for general expenditures within one year as a result of		
Funds subject to donor restrictions	(2,337,417)	(3,556,134)
Board-designated operating reserve	(1,913,072)	(1,425,259)
	(4,250,489)	(4,981,393)
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 7,910,296	 \$ 3,078,629

The Organization’s liquidity management plan includes maintaining its financial assets in checking and savings accounts and certificates of deposit (CDs) to manage short-term liquidity needs. During 2020, the Organization’s financial position was strengthened by several large grants and gifts. As a result, the Board of Directors approved the Organization’s first formal Operating Reserve Policy, establishing a designated fund to ensure longer-term financial health and stability of ongoing operations. Additionally, to help manage unanticipated liquidity needs, the Organization has a line of credit with a commercial bank. As of December 31, 2021 and 2020, the full amount of the \$500,000 line of credit was available for borrowing (Note 7).

Food Forward, Inc.

Notes to Financial Statements

Note 4 – Investments and Fair Value

Investments stated at fair value consist of the following at December 31:

Described by Asset Class	2021	2020
Certificates of deposit	\$ 10,051,457	\$ -
U.S. marketable equities	5,981	4,866
Total investments	<u>\$ 10,057,438</u>	<u>\$ 4,866</u>

The *Fair Value Measurements and Disclosures* topic of the FASB Accounting Standards Codification (ASC) defines fair value, establishes a framework for measuring fair value, and requires disclosure of fair value measurements. The fair value hierarchy set forth in the topic is as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Investments – Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include marketable equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow and are classified within Level 2 of the valuation hierarchy. In certain cases, securities are measured using the net asset value (NAV) per share practical expedient, an estimate of fair value, and are excluded from the fair value hierarchy. Consideration is given to the type of investment, risks, marketability, restrictions, dispositions, and quotations from other market participants. Adjustments may be determined by management.

The following tables present the Organization's valuation levels as of December 31, 2021:

	2021			Total Fair Value
	Fair Value Measurements Using			
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Certificates of deposit	\$ -	\$ 10,051,457	\$ -	\$ 10,051,457
U.S. marketable equities	5,981	-	-	5,981
Total assets in fair value hierarchy	<u>\$ 5,981</u>	<u>\$ 10,051,457</u>	<u>\$ -</u>	<u>\$ 10,057,438</u>

Food Forward, Inc.
Notes to Financial Statements

Note 4 – Investments and Fair Value (continued)

The following tables present the Organization’s valuation levels as of December 31, 2020:

	2020			Total Fair Value
	Fair Value Measurements Using			
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
U.S. marketable equities	\$ 4,866	\$ -	\$ -	\$ 4,866
Total assets in fair value hierarchy	<u>\$ 4,866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,866</u>

There were no transfers between levels of the fair value hierarchy during the years ended December 31, 2021 and 2020.

Note 5 – Contributions Receivable

Contributions receivable are summarized as follows at December 31:

	2021	2020
Unconditional promises expected to be collected in less than one year	\$ 581,389	\$ 749,350

There was no allowance for doubtful accounts or net present value discount deemed necessary by management at December 31, 2021 or 2020.

Note 6 – Property and Equipment

Property and equipment are summarized as follows at December 31:

	2021	2020
Leasehold improvements	\$ 469,932	\$ 463,092
Machinery and equipment	268,932	211,187
Vehicles	421,381	381,987
Furniture and fixtures	8,609	8,609
Software	<u>157,454</u>	<u>157,454</u>
	1,326,308	1,222,329
Less: accumulated depreciation and amortization	(602,067)	(467,110)
Assets not yet placed in service	<u>24,425</u>	<u>10,300</u>
Total	<u>\$ 748,666</u>	<u>\$ 765,519</u>

Depreciation and amortization expense for the years ended December 31, 2021 and 2020, was \$139,957 and \$131,349, respectively.

Food Forward, Inc.

Notes to Financial Statements

Note 7 – Commitments

Paycheck Protection Program (PPP) loan payable – In June 2020, the Organization received loan proceeds under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organizations. The loans and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its full time equivalent (FTE) headcount levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight or twenty-four-week period following loan funding. In November 2020, the Organization's application for forgiveness was approved in full and recognized as revenue on the statements of activities.

Line of credit – During the year ended December 31, 2021, the Organization renewed their \$500,000 line of credit with a commercial lending institution for an additional one-year term. Borrowings under the line bear variable interest based on the Prime Rate as published in the Western Edition Wall Street Journal. The rates were 3.25% and 3.75% at December 31, 2021 and 2020, respectively. There were no amounts drawn in 2021 or 2020. There was no balance outstanding at December 31, 2021 or 2020. Borrowings under the line are subject to Board oversight and approval by the Chairperson of the Board of Directors and are secured by real and intangible property of the Organization.

Leases – The Organization is committed under a facility lease agreement through January 2024 that requires monthly payments of \$6,000. The Organization also leases office space in Los Angeles and Ventura Counties that operated under a month-to-month basis until March 31, 2022. New lease agreements were entered into for both locations on April 1, 2022, with 36-month lease terms and monthly escalating base rents between \$1,804 and \$3,132. The future minimum payments due on all lease agreements are as follows:

Years Ending December 31,	
2022	\$ 139,310
2023	144,313
2024	80,483
2025	18,757
	<hr/>
	\$ 382,863
	<hr/>

Lease expense for the years ended December 31, 2021 and 2020, was \$137,364 and \$154,566, respectively.

Food Forward, Inc.
Notes to Financial Statements

Note 8 – Net Assets

Net Assets Without Donor Restrictions

Board-Designated Operating Reserve Fund

The Organization's Board of Directors established an Operating Reserve Policy and fund in 2020 to ensure the stability of the mission, programs, employment, and ongoing operations of the Organization. The target operating reserve fund balance is six months of average operating costs for the current year's operating budget and is re-calculated after approval of the annual operating budget. The balance of the operating reserve at December 31, 2021, is \$1,913,072 and is based on the annual operating budget for the year ended December 31, 2021. The balance of the operating reserve at December 31, 2020, is \$1,425,259 and is based on the annual operating budget for the year ended December 31, 2020.

Net assets without donor restrictions were as follows as of December 31:

	<u>2021</u>	<u>2020</u>
Board-designated operating reserve fund	\$ 1,913,072	\$ 1,425,259
Undesignated	<u>8,403,935</u>	<u>3,702,235</u>
Total	<u>\$ 10,317,007</u>	<u>\$ 5,127,494</u>

Net Assets With Donor Restrictions

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose		
Backyard Harvest program	\$ -	\$ 8,000
Capital projects	202,000	-
Capacity building	50,552	769,700
Farmers Market Recovery program	-	69,134
General recovery and distribution	110,022	12,570
Information technology and computers	-	16,000
Environmental impact	72,854	-
Wholesale Produce Recovery program	1,070,600	1,556,380
Contributions receivable, the proceeds from which have been restricted by donors for		
Capacity building	75,000	498,326
Wholesale Produce Recovery program	<u>-</u>	<u>140,000</u>
	<u>1,581,028</u>	<u>3,070,110</u>
Subject to the passage of time		
Contributions receivable that are not restricted by donors, but are unavailable for expenditure until received	506,389	111,024
Restricted by donor to be spent at a future date	<u>250,000</u>	<u>375,000</u>
	<u>756,389</u>	<u>486,024</u>
Total	<u>\$ 2,337,417</u>	<u>\$ 3,556,134</u>

Food Forward, Inc.

Notes to Financial Statements

Note 8 – Net Assets (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or the passage of time or other events specified by donors.

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	<u>2021</u>	<u>2020</u>
Expiration of time restrictions	\$ 452,774	\$ 91,000
Satisfaction of purpose restrictions		
Backyard Harvest program	8,000	30,000
Capital projects	20,000	-
Capacity building	1,069,148	1,746,674
Farmers Market Recovery program	69,134	11,866
General recovery and distribution	67,548	51,555
Information technology and computers	16,000	10,000
Environmental impact	33,975	-
Non-personnel	1,000	-
Wholesale Produce Recovery program	<u>807,780</u>	<u>570,158</u>
	<u>\$ 2,545,359</u>	<u>\$ 2,511,253</u>

Note 9 – In-Kind Contributions

The Organization receives in-kind produce from corporate and individual donors that is granted to other local organizations and agencies that distribute the produce to people in need. In-kind revenue is recognized in circumstances in which the Organization has sufficient discretion over the use and disposition of the items to recognize a contribution in conformity with FASB ASC 958-605-25.

Accordingly, the recognition of gifts in-kind revenue is limited to circumstances in which the Organization takes constructive possession of the gifts in-kind and the Organization is the recipient of the gift, rather than an agent or intermediary (as defined by accounting standards). Gifts in-kind received through donations are valued and recorded as revenue at their fair value at the time the contribution is received.

The Organization used the industry standard rates of \$1.79 and \$1.74 per pound to value recovered and donated produce during the years ended December 31, 2021 and 2020, respectively. The industry standard rates are evaluated and revised annually by Feeding America, the nation's largest domestic hunger-relief organization, and are based on analysis of data collected from USDA and other publicly available sources. Total recovered and donated produce was \$120,148,139 and \$108,815,424 for the years ended December 31, 2021 and 2020, respectively. Total other in-kind contributions were \$34,866 and \$87,585 for the years ended December 31, 2021 and 2020, respectively. Other in-kind contributions included program and office supplies that were used as part of operations, donated advertising, and auction items that were used as part of the annual Spring Melt event.

Note 9 – In-Kind Contributions (continued)

The Organization recognizes contributed services at their fair value if the services add value to the programs or enhance physical assets of the Organization, require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors. The Organization received \$7,072 and \$18,863 of contributed services during the years ended December 31, 2021 and 2020, respectively.

Approximately 28% and 39% of the total recovered produce for the years ended December 31, 2021 and 2020, respectively, was provided by five produce providers.

Note 10 – Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural and functional classification detail of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, employee benefits and taxes, automobile, conferences and meetings, depreciation and amortization, equipment, gifts, insurance, meals and beverages, occupancy, office supplies, outreach and advertising, outside consultants, payroll fees, postage and shipping, recruitment, repairs and maintenance, stewardship, telephone and internet, travel, and utilities, which are allocated on the basis of estimates of time and effort.

Note 11 – Retirement Plan

The Organization maintains a defined contribution retirement plan covering all eligible employees. The Organization matches employee contributions up to 3%. Employees who received at least \$5,000 in annual compensation in the immediately preceding plan year and are expected to be paid at least \$5,000 in the current plan year are eligible to participate. Retirement expense for the years ended December 31, 2021 and 2020, was \$40,669 and \$33,731, respectively.

Note 12 – Related-Party Transactions

The Organization rents office spaces and remits payments to a trust. The Executive Director of the Organization and the grantor of the trust are related. The Organization incurred rent expense for the office spaces of \$57,072 and \$50,598 for the years ended December 31, 2021 and 2020, respectively.

Food Forward, Inc.

Notes to Financial Statements

Note 13 – Risks and Uncertainties

The ongoing coronavirus (COVID-19) pandemic has had a significant impact on daily life in the U.S., including in Southern California where the Organization is headquartered. The economic impacts caused a dramatic increase in food insecurity, as well as major disruptions to the food supply chain. Increased public attention to the need to address food insecurity put the Organization in a unique position to respond to the crisis. As a result, the Organization recovered and distributed more produce than ever in its history in 2021, building on its expansion in 2020 in immediate response to increased access to surplus produce, increase in community need, and increased financial support. The Organization maintained its emergency expansion of staff, space, and program output in 2021 while its COVID-19 policies and protocols have kept staff safe.

Looking forward, uncertainty exists regarding the timeline for economic recovery, particularly for the communities that the Organization serves. The Organization cannot anticipate all of the ways in which the effects of the COVID-19 pandemic or the ongoing economic turmoil will impact the Organization's funding streams, expenses, or produce rescue efforts. After again scaling up its produce distribution in 2021, the Organization is dedicated to maintaining its high-volume food recovery and service to communities by seeking additional sources from which to recover produce, developing new partnerships for efficient distributions, and adding additional capacity at its physical warehouse. The Organization is also closely monitoring income, expenses, and investments and seeking efficiencies to keep operational costs low.