



Report of Independent Auditors and
Financial Statements

Food Forward, Inc.

December 31, 2024 and 2023

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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 statements of financial position as of December 31, 2024 and 2023, 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 accompanying financial statements present fairly, in all material respects, the financial position of Food Forward, Inc. as of December 31, 2024 and 2023, and the change 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 (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 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 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.

Other Matter

Report on Summarized Comparative Information

We have previously audited Food Forward, Inc.'s December 31, 2022, financial statements, and our report, dated June 8, 2023, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it was derived.

Baker Tilly US, LLP

Irvine, California
September 22, 2025

Financial Statements

Food Forward, Inc.
Statements of Financial Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 631,805	\$ 536,807
Investments	13,443,966	14,204,885
Contributions receivable, current portion	1,807,215	709,792
Prepaid expenses	<u>91,118</u>	<u>129,743</u>
Total current assets	15,974,104	15,581,227
NON-CURRENT ASSETS		
Property and equipment, net	1,273,657	900,113
Contributions receivable, net of current portion	1,143,421	225,000
Right-of-use assets – operating leases	619,108	767,153
Deposits	<u>9,383</u>	<u>9,383</u>
Total assets	<u><u>\$ 19,019,673</u></u>	<u><u>\$ 17,482,876</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 87,596	\$ 31,966
Employee related accrued expenses	473,749	346,277
Operating lease liabilities, current portion	<u>151,648</u>	<u>145,457</u>
Total current liabilities	712,993	523,700
OPERATING LEASE LIABILITIES, long-term portion, net	<u>438,091</u>	<u>589,739</u>
Total liabilities	<u>1,151,084</u>	<u>1,113,439</u>
NET ASSETS		
Without donor restrictions	14,299,162	15,419,645
With donor restrictions	<u>3,569,427</u>	<u>949,792</u>
Total net assets	<u>17,868,589</u>	<u>16,369,437</u>
Total liabilities and net assets	<u><u>\$ 19,019,673</u></u>	<u><u>\$ 17,482,876</u></u>

See accompanying notes.

Food Forward, Inc.
Statements of Activities
(with prior year summarized comparative information)
Year Ended December 31, 2024

	Year Ended December 31, 2024			Year Ended December 31, 2023
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE AND SUPPORT				
Grants and contributions	\$ 3,437,501	\$ 5,059,396	\$ 8,496,897	\$ 6,109,178
Investment income, net	1,056,778	-	1,056,778	889,229
Other income	1,438	-	1,438	329
Recovered produce and other in-kind	185,734,742	-	185,734,742	168,519,986
Special events revenue, net	155,210	-	155,210	-
Net assets released from restrictions	2,439,761	(2,439,761)	-	-
Total revenue and support	192,825,430	2,619,635	195,445,065	175,518,722
EXPENSES				
Program services				
Wholesale Produce Recovery	187,030,702	-	187,030,702	169,503,601
Community Programs	3,456,703	-	3,456,703	3,016,760
Total program services	190,487,405	-	190,487,405	172,520,361
Supporting services				
Management and general	1,967,837	-	1,967,837	1,489,331
Fundraising	1,490,671	-	1,490,671	904,982
Total supporting services	3,458,508	-	3,458,508	2,394,313
Total expenses	193,945,913	-	193,945,913	174,914,674
CHANGE IN NET ASSETS	(1,120,483)	2,619,635	1,499,152	604,048
NET ASSETS AT BEGINNING OF YEAR	15,419,645	949,792	16,369,437	15,765,389
NET ASSETS AT END OF YEAR	\$ 14,299,162	\$ 3,569,427	\$ 17,868,589	\$ 16,369,437

See accompanying notes.

Food Forward, Inc.
Statement of Activities
Year Ended December 31, 2023

	Year Ended December 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 5,154,386	\$ 954,792	\$ 6,109,178
Investment income, net	889,229	-	889,229
Other income	329	-	329
Recovered produce and other in-kind	168,519,986	-	168,519,986
Net assets released from restrictions	1,213,630	(1,213,630)	-
Total operating revenue and support	175,777,560	(258,838)	175,518,722
EXPENSES			
Program services			
Wholesale Produce Recovery	169,503,601	-	169,503,601
Community Programs	3,016,760	-	3,016,760
Total program services	172,520,361	-	172,520,361
Supporting services			
Management and general	1,489,331	-	1,489,331
Fundraising	904,982	-	904,982
Total supporting services	2,394,313	-	2,394,313
Total expenses	174,914,674	-	174,914,674
CHANGE IN NET ASSETS	862,886	(258,838)	604,048
NET ASSETS AT BEGINNING OF YEAR	14,556,759	1,208,630	15,765,389
NET ASSETS AT END OF YEAR	\$ 15,419,645	\$ 949,792	\$ 16,369,437

See accompanying notes.

Food Forward, Inc.
Statement of Functional Expenses
(with prior year summarized comparative information)
Year Ended December 31, 2024

	Program Services			Supporting Services		
	Wholesale Produce Recovery	Community Programs	Total Program Services	Management and General	Fundraising	Total Expenses
Produce and other in-kind	\$ 183,323,448	\$ 2,093,584	\$ 185,417,032	\$ 164,704	\$ 153,006	\$ 185,734,742
Salaries	1,781,310	898,130	2,679,440	924,465	867,184	4,471,089
Benefits and payroll taxes	524,410	219,127	743,537	298,287	161,872	1,203,696
Transportation and lodging	603,072	51,415	654,487	38,583	5,936	699,006
Professional services	141,761	73,974	215,735	208,560	151,038	575,333
Occupancy	178,140	16,889	195,029	97,926	3,100	296,055
Depreciation and amortization	271,798	30,934	302,732	18,981	3,908	325,621
Equipment and maintenance	144,572	20,427	164,999	4,183	4,708	173,890
Office administration	38,123	17,805	55,928	102,252	30,708	188,888
Other	24,068	34,418	58,486	109,896	109,211	277,593
Total 2024 expenses	<u>\$ 187,030,702</u>	<u>\$ 3,456,703</u>	<u>\$ 190,487,405</u>	<u>\$ 1,967,837</u>	<u>\$ 1,490,671</u>	<u>\$ 193,945,913</u>
Allocation of expenses between program services and supporting services			98.2%	1.0%	0.8%	
Total 2023 expenses	<u>\$ 169,503,601</u>	<u>\$ 3,016,760</u>	<u>\$ 172,520,361</u>	<u>\$ 1,489,331</u>	<u>\$ 904,982</u>	<u>\$ 174,914,674</u>
Allocation of expenses between program services and supporting services			98.6%	0.9%	0.5%	

See accompanying notes.

Food Forward, Inc.
Statement of Functional Expenses
(with prior year summarized comparative information)
Year Ended December 31, 2023

	Program Services			Supporting Services		
	Wholesale Produce Recovery	Community Programs	Total Program Services	Management and General	Fundraising	Total Expenses
Produce and other in-kind	\$ 166,614,679	\$ 1,891,992	\$ 168,506,671	\$ -	\$ 13,315	\$ 168,519,986
Salaries	1,417,281	787,777	2,205,058	870,503	680,410	3,755,971
Benefits and payroll taxes	366,211	171,210	537,421	200,048	120,504	857,973
Transportation and lodging	489,427	39,837	529,264	11,740	1,985	542,989
Professional services	65,962	17,802	83,764	199,225	30,738	313,727
Occupancy	162,937	39,420	202,357	49,862	22,872	275,091
Depreciation and amortization	201,423	23,638	225,061	14,254	2,035	241,350
Equipment and maintenance	122,295	21,507	143,802	4,663	532	148,997
Office administration	29,321	4,889	34,210	77,027	12,773	124,010
Other	34,065	18,688	52,753	62,009	19,818	134,580
Total 2023 expenses	<u>\$ 169,503,601</u>	<u>\$ 3,016,760</u>	<u>\$ 172,520,361</u>	<u>\$ 1,489,331</u>	<u>\$ 904,982</u>	<u>\$ 174,914,674</u>
Allocation of expenses between program services and supporting services			98.6%	0.9%	0.5%	
Total 2022 expenses	<u>\$ 139,103,112</u>	<u>\$ 2,924,123</u>	<u>\$ 142,027,235</u>	<u>\$ 1,123,658</u>	<u>\$ 976,225</u>	<u>\$ 144,127,118</u>
Allocation of expenses between program services and supporting services			98.5%	0.8%	0.7%	

See accompanying notes.

Food Forward, Inc.
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,499,152	\$ 604,048
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	325,621	241,350
Provision for uncollectible contributions receivable	17,750	1,279
Donated produce and other in-kind received	(185,734,742)	(168,519,986)
Donated produce and other in-kind distributed	185,734,742	168,519,986
Net realized and unrealized gain on investments	(953,589)	(812,164)
Non-cash contributions of securities	(83,021)	(89,715)
Right-of-use asset – operating lease amortization	148,045	145,966
Change in operating assets and liabilities		
Contributions receivable	(1,950,573)	(487,709)
Prepaid expenses	38,625	(46,939)
Accounts payable and accrued liabilities	55,630	(77,922)
Employee related accrued expenses	127,472	104,944
Operating lease liability payments	(145,457)	(133,616)
Net cash used in operating activities	(920,345)	(550,478)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(15,316,401)	(38,920,643)
Proceeds from sale of investments	17,030,909	39,797,788
Purchases of property and equipment	(699,165)	(162,530)
Net cash provided by investing activities	1,015,343	714,615
NET CHANGE IN CASH AND CASH EQUIVALENTS	94,998	164,137
CASH AND CASH EQUIVALENTS, beginning of year	536,807	372,670
CASH AND CASH EQUIVALENTS, end of year	\$ 631,805	\$ 536,807
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Non-cash contributions of securities	\$ 83,021	\$ 89,715

See accompanying notes.

Food Forward, Inc.

Notes to Financial Statements

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 surplus produce by the pallet and truckload from wholesale produce vendors, distributors, and growers and donates it to hunger relief agencies. These partners, ranging from food pantries, shelters, afterschool programs, and more, then distribute the produce free of charge to people experiencing food insecurity.

Community Programs: The Backyard Harvest program mobilizes 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.

Collectively, the programs regularly served organizations in twelve counties in California in 2024, as well as occasional distributions to partners in neighboring states, which translates into donating enough produce each day to meet the United States Department of Agriculture's (USDA) recommended servings of fruits and vegetables for over 270,000 people.

The Organization has continued to scale up its capacity for food recovery and distribution, partnering with a growing number of produce donors and additional hunger relief agencies to help mitigate food waste and to address food insecurity. In 2024, the Organization continued to operate efficiently, providing almost \$186 million of in-kind produce free of charge to people experiencing food insecurity, which is 22 times greater than the Organization's operating expenses of approximately \$8.2 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 (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.

Investments – Investments 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, 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.

Food Forward, Inc.

Notes to Financial Statements

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 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. The present value discount was \$51,228 at December 31, 2024 using a discount rate of 4.3%. No present value discount was recorded at December 31, 2023, as amounts were insignificant. The allowance for uncollectible contributions receivable is estimated based on historical collection trends, age of outstanding receivables, and existing economic conditions. Management has determined an allowance for uncollectible amounts to not be necessary for the years ended December 31, 2024 and 2023. Conditional promises to give are not included as support until the conditions are substantially met. For the years ended December 31, 2024 and 2023, the Organization received conditional grant commitments from governmental entities totaling \$0 and \$496,000, 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 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 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, 2024 and 2023, there were no events or changes in circumstances indicating that the carrying amounts of the property and equipment may not be recoverable.

Food Forward, Inc.

Notes to Financial Statements

Leases – The Organization recognizes an operating lease liability and a right-of-use (ROU) asset for all leases, including operating leases with an expected term greater than 12 months, on its statement of financial position. Operating lease ROU assets and liabilities are recognized on the statement of financial position at commencement date, which is the date that the Organization gains access to the property or underlying asset. The lease liability is determined based on the present value of the minimum rental payments using a risk-free incremental borrowing rate in effect at the time of the lease commencement. The borrowing rate ranged from 1.46% to 1.55% for the years ended December 31, 2024 and 2023. The ROU asset is determined based on the lease liability adjusted for lease incentives received. Operating lease cost is recognized on a straight-line basis over the lease term. Certain optional renewal periods were not included in the determination of the lease liability and ROU asset if management determined it was not reasonably certain that the lease would be extended.

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 and designated by board amounts.

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, 2024 and 2023. 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. Unconditional grants and contributions 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. Revenue from special events is recognized on an accrual basis when the event takes place.

Approximately 36% of total grants and contributions revenue for the year ended December 31, 2024, was provided by one funder. Approximately 25% of total grants and contributions revenue for the year ended December 31, 2023, was provided by one funder.

Food Forward, Inc.

Notes to Financial Statements

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 GAAP. See Note 9.

Marketing and outreach – Outreach, advertising, and marketing expenditures are charged to operations when incurred. Outreach and advertising expense for the years ended December 31, 2024 and 2023, was \$111,164 and \$25,192, respectively, and are included in other expenses on the statements of functional expenses.

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, benefits, transportation and lodging, professional services, occupancy, depreciation and amortization, equipment and maintenance, office administration and other expenses, which are allocated on the basis of estimates of time and effort.

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, 2024 and 2023, 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 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.

Food Forward, Inc.

Notes to Financial Statements

Credit risk – Credit risk is the failure of another third party to perform according to contract terms. 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. Potential credit risk for the Organization lies in investments that are exposed to various risks, such as interest rate, credit, and overall market volatility risk. It is reasonably possible that changes in the values of investments will occur due to market volatility, which could impact the Organization's investment holdings and the amounts reported in the financial statements. The Organization maintains investment balances in excess of federally insured limits. The Organization does not believe it is exposed to any significant risks on uninsured amounts. 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.

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.

Subsequent events – Subsequent events are events or transactions that occur after the statement 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 statement of financial position date and before the financial statements are available to be issued.

The Organization has evaluated subsequent events through September 22, 2025, which is the date the financial statements were available to be issued.

Food Forward, Inc.

Notes to Financial Statements

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:

	2024	2023
Cash and cash equivalents	\$ 631,805	\$ 536,807
Investments	13,443,966	14,204,885
Contributions receivable	2,950,636	934,792
	<u>17,026,407</u>	<u>15,676,484</u>
Total financial assets		
Less amounts unavailable for general expenditures within one year as a result of		
Contributions not due within one year	(73,772)	(225,000)
Funds subject to donor restrictions	(3,569,427)	(949,792)
Board-designated operating reserve	(4,298,187)	(3,399,737)
	<u>(7,941,386)</u>	<u>(4,574,529)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,085,021</u>	<u>\$ 11,101,955</u>

The Organization's liquidity management plan includes maintaining its financial assets in checking and savings accounts and money market funds to manage short-term liquidity needs. To ensure longer term financial health, the Board of Directors oversees the Organization's Operating Reserve Policy (Note 8) and an Investment Policy. Additionally, to help manage unanticipated liquidity needs, the Organization has a line of credit with a commercial bank. As of December 31, 2024 and 2023, the full amount of the \$500,000 line of credit was available for borrowing (Note 7).

Note 4 – Investments and Fair Value

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

Described by Asset Class	2024	2023
Fixed income securities	\$ 681,021	\$ 350,803
Hedge funds	802,598	943,821
Government securities	1,474,952	1,032,843
U.S. marketable equities	74,369	3,768,399
Money market funds	10,411,026	8,109,019
	<u>13,443,966</u>	<u>14,204,885</u>
Total investments	<u>\$ 13,443,966</u>	<u>\$ 14,204,885</u>

Food Forward, Inc.

Notes to Financial Statements

The *Fair Value Measurements and Disclosures* topic of the FASB 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 include marketable equities, money market funds, fixed income, and government securities. 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. Level 2 securities include government securities. Consideration is given to the type of investment, risks, marketability, restrictions, dispositions, and quotations from other market participants. Adjustments may be determined by management.

Investment funds valued using net asset value (NAV) or its equivalent as reported by investment managers and have trading activity and the ability to redeem at NAV on or near the reporting date, are evaluated outside of the fair value hierarchy.

The following table presents the Organization's valuation levels as of December 31, 2024:

	2024 Fair Value Measurements				
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Assets Measured Using Net Asset Value (or Equivalent)	Total Fair Value
Money market funds	\$ 10,411,026	\$ -	\$ -	\$ -	\$ 10,411,026
Fixed income securities	681,021	-	-	-	681,021
Hedge funds	-	-	-	802,598	802,598
Government securities	-	1,474,952	-	-	1,474,952
U.S. marketable equities	74,369	-	-	-	74,369
Total assets in fair value hierarchy	<u>\$ 11,166,416</u>	<u>\$ 1,474,952</u>	<u>\$ -</u>	<u>\$ 802,598</u>	<u>\$ 13,443,966</u>

Food Forward, Inc.

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The following table presents the Organization's valuation levels as of December 31, 2023:

	2023 Fair Value Measurements				Total Fair Value
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Assets Measured Using Net Asset Value (or Equivalent)	
Money market funds	\$ 8,109,019	\$ -	\$ -	\$ -	\$ 8,109,019
Fixed income securities	350,803	-	-	-	350,803
Hedge funds	-	-	-	943,821	943,821
Government securities	-	1,032,843	-	-	1,032,843
U.S. marketable equities	3,768,399	-	-	-	3,768,399
Total assets in fair value hierarchy	<u>\$ 12,228,221</u>	<u>\$ 1,032,843</u>	<u>\$ -</u>	<u>\$ 943,821</u>	<u>\$ 14,204,885</u>

There were no transfers between levels of the fair value hierarchy during the years ended December 31, 2024 and 2023.

The following table summarizes characteristics of the Organization's investments measured using NAV at December 31, 2024:

	Fair Value		Amount of Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	2024	2023			
Hedge funds	\$ 802,598	\$ 943,821	\$ -	Monthly - quarterly with soft locks expiring through August 2024	4 days to 60 days
Total	<u>\$ 802,598</u>	<u>\$ 943,821</u>	<u>\$ -</u>		

Note 5 – Contributions Receivable

Contributions receivable are summarized as follows at December 31:

	2024	2023
Receivable in one year or less	\$ 1,807,215	\$ 709,792
Receivable in one to five years	1,143,421	225,000
Total	<u>\$ 2,950,636</u>	<u>\$ 934,792</u>

There was no allowance for doubtful accounts deemed necessary by management at December 31, 2024 and 2023.

Food Forward, Inc.

Notes to Financial Statements

Note 6 – Property and Equipment

Property and equipment are summarized as follows at December 31:

	2024	2023
Leasehold improvements	\$ 895,138	\$ 887,638
Machinery and equipment	385,357	325,204
Vehicles	1,107,483	479,228
Furniture and fixtures	8,609	8,609
Software	181,950	157,455
Construction in progress	-	32,238
	<u>2,578,537</u>	<u>1,890,372</u>
Less accumulated depreciation and amortization	<u>(1,304,880)</u>	<u>(990,259)</u>
Total	<u>\$ 1,273,657</u>	<u>\$ 900,113</u>

Depreciation and amortization expense for the years ended December 31, 2024 and 2023, was \$325,621 and \$241,350, respectively.

Note 7 – Commitments

Line of credit – During the year ended December 31, 2024, the Organization renewed their \$500,000 line of credit with a commercial lending institution for an additional one-year term maturing September 1, 2025. Borrowings under the line bear variable interest based on the Prime Rate as published in the Western Edition Wall Street Journal. The effective rates were 7.5% and 8.5% at December 31, 2024 and 2023, respectively. There were no amounts drawn in 2024 or 2023. There was no balance outstanding at December 31, 2024 and 2023. 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.

Operating leases – The Organization is committed under a facility lease agreement through January 2024 that requires monthly payments of \$6,000. This lease has two, two-year options to extend that management deemed probable. The monthly payments are set to increase by the lower of CPI for Los Angeles County or 15% and 6% for each extension, respectively. The liability is calculated based on the 15% and 6% increases and does not contemplate variable payments. The Organization also leases office space in Los Angeles and Ventura Counties with lease agreements 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. These leases have two two-year options to extend that management deemed probable. The monthly payments are set to increase by 3% from the previous year's base rent. Lastly, the Organization rents warehouse space in Ventura County on a month-to-month lease with monthly rent expense of \$800 and \$775 in 2024 and 2023, respectively. This is considered a short-term lease and not included in the schedule below. Lease expense for the years ended December 31, 2024 and 2023, was \$158,942 and \$165,690, respectively.

Food Forward, Inc.

Notes to Financial Statements

The components of lease expense are as follows as of December 31, 2024 and 2023:

	2024	2023
Lease expense		
Operating lease expense	\$ 149,344	\$ 157,054
Short-term lease cost	9,598	8,636
	<u> </u>	<u> </u>
Total lease cost	<u>\$ 158,942</u>	<u>\$ 165,690</u>

The future minimum payments due on all lease agreements and optional extensions that management deemed probable are due as follows:

Years Ending December 31,

2025	\$ 159,517
2026	166,373
2027	169,157
2028	91,145
2029	21,111
	<u> </u>
Total lease payments	607,303
Less imputed interest	(17,564)
	<u> </u>
Present value of lease liabilities	589,739
Less lease liabilities, current portion	(151,648)
	<u> </u>
Lease liabilities, net of current portion, as of December 31, 2024	<u>\$ 438,091</u>

Additional information for the Organization's leases at December 31, 2024, are summarized below:

	2024	2023
Weighted-average remaining lease term	45 months	55 months
Weighted-average discount rate	1.51%	1.51%

Note 8 – Net Assets

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 minimum operating reserve fund balance is six months of average operating costs (cash basis) for the current year's operating budget and is re-calculated after Board approval of the annual operating budget.

Food Forward, Inc.
Notes to Financial Statements

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

	<u>2024</u>	<u>2023</u>
Board-designated operating reserve fund	\$ 4,298,187	\$ 3,399,737
Undesignated	<u>10,000,975</u>	<u>12,019,908</u>
Total	<u><u>\$ 14,299,162</u></u>	<u><u>\$ 15,419,645</u></u>

Net assets with donor restrictions were as follows as of December 31:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose		
Community Programs	\$ 2,500	\$ -
CEO sabbatical	-	15,000
Wholesale produce recovery program	324,732	-
Contributions receivable, the proceeds from which have been restricted by donors for		
CEO sabbatical	-	60,000
Wholesale produce recovery program	<u>140,000</u>	<u>100,000</u>
	<u>467,232</u>	<u>175,000</u>
Subject to the passage of time		
Contributions receivable that are not restricted by donors, but are unavailable for expenditure until received	700,292	484,792
Restricted by donor to be spent at a future date	<u>2,401,903</u>	<u>290,000</u>
	<u>3,102,195</u>	<u>774,792</u>
Total	<u><u>\$ 3,569,427</u></u>	<u><u>\$ 949,792</u></u>

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.

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Notes to Financial Statements

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by the donors as follows for the years ended December 31:

	2024	2023
Expiration of time restrictions	\$ 1,917,593	\$ 305,075
Satisfaction of purpose restrictions		
Community Programs	20,000	333,555
CEO sabbatical	75,000	-
Wholesale Produce Recovery program	424,668	575,000
Fundraising event	2,500	-
	<u>\$ 2,439,761</u>	<u>\$ 1,213,630</u>

Note 9 – In-Kind Contributions

In-kind Contributions are summarized as follows at December 31:

	2024	2023
Recovered produce	\$ 185,325,930	\$ 168,489,542
Auction donations	10,000	-
Professional services	270,767	1,823
Supplies	128,045	28,621
	<u>\$ 185,734,742</u>	<u>\$ 168,519,986</u>

Recovered produce – 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. The donated food is recorded in the financial statements as in-kind revenue – recovered produce and as an expense at the estimated average fair value of one pound of donated food product at the industry standard rates of \$1.97 and \$1.93, for the years ended December 31, 2024 and 2023, 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. Approximately 40% and 34% of the total recovered produce for the years ended December 31, 2024 and 2023, respectively, was provided by five produce providers.

Auction donations – The Organization received various auction donations including gift cards, experiences, services, and goods to be held at the special event auction to raise funds for the Organization. Auction donations value is originally assigned based upon donor provided information verified by market comparisons. Auction items are monetized, and their value is updated to be recorded at the amount the item sells for at the auction.

Food Forward, Inc.

Notes to Financial Statements

Professional services – The Organization receives donated professional services that would typically be purchased if not provided as an in-kind contribution. These services include photography, chefs, and website design, which require specialized skills, are recognized as in-kind contributions at fair value when the services are rendered. The estimated fair value of these professional services is provided by the service provider, who estimates the fair value based on the date, time, and market in which each service is rendered. The Organization did not monetize any contributed professional services and they did not have donor restrictions.

Supplies – The Organization reports goods meeting recognition criteria under GAAP based on estimated fair values based on going rate for similar supplies. The Organization did not monetize any contributed supplies and they did not have donor restrictions.

Note 10 – Retirement Plans

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, 2024 and 2023, was \$127,517 and \$88,362, respectively.

The Organization sponsors a non-qualified deferred compensation plan (the Plan) under IRC Section 457(b) and (f) to provide certain executives of the Organization with retirement benefits. The Plan allows participants to defer a portion of their compensation, which is then paid out at a future date as specified in the Plan document. The liability is recorded at fair value, which approximates the amount that would be paid to participants if they were to terminate their employment at the reporting date. The fair value of the liability is determined based on the present value of the future benefit payments to be made to participants, using discount rates that reflect the time value of money and the risk associated with the benefits. Actual future payments may differ from these estimates due to changes determined by the Plan, economic conditions, and other factors. As of December 31, 2024 and 2023, the Organization had accrued a liability of \$32,949 and \$12,448, respectively, related to the Plan.

The deferred compensation asset is included in investments on the statements of financial position. Participants have no greater rights to such assets than any other unsecured creditor. The deferred compensation liability, representing amounts due to these individuals, is fully funded and includes earnings from invested assets.

Note 11 – Related-Party Transactions

The Organization rents office spaces and remits payments to an LLC that is owned and operated by relatives of the Chief Executive Officer who also has a minority ownership stake. The Organization incurred rent expense for the office spaces of \$77,415 and \$73,134 for the years ended December 31, 2024 and 2023, respectively.

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