SCHALL & ASHENFARB Certified Public Accountants, LLC

IRA L. SCHALL, CPA
DAVID C. ASHENFARB, CPA
MICHAEL L. SCHALL, CPA

RESCUING LEFTOVER CUISINE, INC.

Audited Financial Statements

December 31, 2019

307 Fifth Avenue, 15th Floor
New York, New York 10016
Tel: (212) 268-2800 Fax: (212) 268-2805
www.schallandashenfarb.com

SCHALL &ASHENFARB Certified Public Accountants, LLC

IRA L. SCHALL, CPA
DAVID C. ASHENFARB, CPA
MICHAEL L. SCHALL, CPA

Independent Auditor's Report

To the Board of Directors of
Rescuing Leftover Cuisine, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Rescuing Leftover Cuisine, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

307 Fifth Avenue, 15th Floor
New York, New York 10016
Tel: (212) 268-2800 Fax: (212) 268-2805
www.schallandashenfarb.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rescuing Leftover Cuisine, Inc. as of December 31, 2019, and the changes 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

November 2, 2020

RESCUING LEFTOVER CUISINE, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2019
(With comparative totals at December 31, 2018)

	12/31/19	12/31/18
Assets		
Cash and cash equivalents	$105,919	$119,619
Investments (Note 3)	597	0
Contributions receivable	110,243	0
Fixed assets, net (Note 4)	80,216	0
Total assets	$296,975	$119,619
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	$10,386	$15,637
Loans payable (Note 5)	64	0
Total liabilities	10,450	15,637
Net assets:		
Without donor restrictions	286,525	103,982
Total liabilities and net assets	$296,975	$119,619

The attached notes and auditor's report are an integral part of these financial statements.

RESCUING LEFTOVER CUISINE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With comparative totals for the year ended December 31, 2018)

	12/31/19	12/31/18
Without donor restrictions:		
Public support and revenue:		
Contributions	$669,834	$463,748
Donated goods (Note 6)	2,791,840	1,684,334
Special events	13,479	56,387
Earned income	180,419	111,911
Interest	5	0
Total public support and revenue	3,655,577	2,316,380
Expenses:		
Program services	3,154,240	2,020,362
Supporting Services:		
Management and general	222,100	177,888
Fundraising	96,694	87,904
Total expenses	3,473,034	2,286,154
Change in net assets	182,543	30,226
Net assets - beginning of year	103,982	73,756
Net assets - end of year	$286,525	$103,982

The attached notes and auditor's report are an integral part of these financial statements.

RESCUING LEFTOVER CUISINE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With comparative totals for the year ended December 31, 2018)

		Supporting Services			
	Program Services	Management and General	Fundraising	Total 12/31/19	Total 12/31/18
Salaries	$239,450	$55,074	$53,196	$347,720	$314,696
Payroll taxes	29,297	6,738	6,509	42,544	37,823
Program expenses (including donated goods)	2,849,226			2,849,226	1,729,486
Professional fees		47,354	$28,500	75,854	85,284
Rent	20,367	4,685	4,525	29,577	27,526
Advertising and marketing		68,728		68,728	74,008
Office and other expenses	8,009	27,172	2,211	37,392	15,211
Conferences, meetings and travel		5,672		5,672	0
Insurance		4,047		4,047	0
Printing		815		815	2,120
Depreciation	7,891	1,815	1,753	11,459	0
Total	$3,154,240	$222,100	$96,694	$3,473,034	$2,286,154

The attached notes and auditor's report are an integral part of these financial statements.

RESCUING LEFTOVER CUISINE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(With comparative totals for the year ended December 31, 2018)

	12/31/19	12/31/18
Cash flows from operating activities:		
Change in net assets	$182,543	$30,226
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,459	0
Donated stock	(592)	0
Changes in assets and liabilities:		
Contributions receivable	(110,243)	0
Accounts payable, accrued expenses and other liabilities	(5,251)	(7,276)
Net cash provided by operating activities	77,916	22,950
Cash flows from investing activities:		
Purchase of fixed assets	(91,675)	0
Purchase of investments (including reinvested interest/dividends)	(5)	0
Net cash used for investing activities	(91,680)	0
Cash flows from financing activities:		
Loan drawdowns	30,494	0
Loan repayments	(30,430)	0
Net cash provided by financing activities	64	0
Net (decrease)/increase in cash and cash equivalents	(13,700)	22,950
Cash and cash equivalents - beginning of year	119,619	96,669
Cash and cash equivalents - end of year	$105,919	$119,619
Supplemental information:		
Interest and income taxes paid	$659	$109

The attached notes and auditor's report are an integral part of these financial statements.

RESCUING LEFTOVER CUISINE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1 - Organization

Rescuing Leftover Cuisine, Inc. (the "Organization") received its certificate of incorporation in New York on July 3, 2013. The mission is to aid the homeless and hungry living in New York City by providing such individuals with food donated by restaurants, hotels, universities, and other small businesses that would otherwise throw this food away.

In January 2014, the Organization received notification that they are exempt from Federal income tax under Section 501(c)(3) from the Internal Revenue Service ("IRS"). After an initial period of five years, the IRS will determine whether the Organization qualifies as a publically supported organization or a private foundation.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, which is the process of recording revenue and expenses when earned or incurred, rather than received or paid.

Effective January 1, 2019, the Organization adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "Topic 606"). This provides the framework for recognizing revenue by highlighting the identification of performance obligations of a contract, determining the price and then allocating the price to each of the performance obligations so that revenue is recognized as each of those performance obligations are satisfied.

Also, effective January 1, 2019, the Organization adopted ("ASU") No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("Topic 605"). Key provisions of this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance for conditional versus unconditional contributions. In accordance with this new standard, the Organization evaluates whether a transfer of assets is an exchange transaction in which a resource provider is receiving a commensurate value in return for the transfer of resources or whether it is non-reciprocal. If the transaction is determined to be an exchange transaction, the Organization applies guidance under Topic 606. If the transaction is determined to be non-reciprocal, it is treated as a contribution under Topic 605.

The Organization evaluates whether contributions are conditional or unconditional. Contributions are considered to be conditional when both a barrier must be overcome for the Organization to be entitled to the revenue and a right of return of the asset or right of release from the obligation exists.

Analysis of the various provisions of both of these standards resulted in no significant changes in the way the Organization recognizes revenue.

b. Basis of Presentation

The Organization reports information regarding its financial position and activity according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – accounts for activity without donor-imposed restrictions.

- *Net Assets With Donor Restrictions* – represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact in perpetuity.

c. Revenue Recognition

Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions that do not contain donor restrictions are recorded in the without donor restrictions class of net assets. Contributions that do contain donor restrictions are recorded in the assets with donor restrictions class of net assets. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified in the without donor restrictions class of net assets.

Contributions expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques.

All contributions receivable are expected to be received within one year and have been recorded at net realizable value. Management assesses outstanding receivables for collectability using specific identification and analyzing historical trends. Based on this review, no allowance for doubtful accounts is deemed warranted.

d. Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less are considered to be cash and cash equivalents.

e. Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentration of credit risk consist of cash accounts held with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits.

f. Investments

Investments are recorded at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

g. Advertising

Advertising costs are charged to operations when the advertising first takes place.

h. Management Estimates

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

i. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The following costs are allocated using time and effort as the basis:

- Salaries

The following costs are allocated using the salary allocation:

- Payroll taxes
- Rent
- Office expenses
- Depreciation

All other expenses have been charged directly to the applicable program or supporting services.

j. Donated Goods and Services

Contributions of services that create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not contributed, are recorded as income and as related expense.

Board members and other individuals volunteer their time and perform a variety of tasks that assist the Organization. These services do not meet the criteria outlined above and have not been recorded in the financial statements.

Donated goods are recorded at fair value, which refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. See Note 3 for more details.

k. Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

l. Accounting for Uncertainty of Income Taxes
The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for the period ended December 31, 2016, the Organization's initial filing, and later are subject to examination by applicable taxing authorities.

m. New Accounting Pronouncement
In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the December 31, 2022 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

FASB issued ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets,* which becomes effective for the December 31, 2022 year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line item presentation on the statement of activities and additional disclosures.

The Organization is in the process of evaluating the impact these standards will have on future financial statements.

Note 3 - Investments

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Investments consist of a common stock at December 31, 2019, which was measured using Level 1 inputs.

Level 1 securities are valued at the closing price reported on the active market that they are traded on. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements.

Note 4 - Fixed Assets

Fixed assets consist of the following at December 31 2019:

Software development	$91,675
Less: accumulated depreciation and amortization	(11,459)
Total fixed assets	$80,216

Note 5 - Loans Payable

On June 26, 2019, the Organization entered into a line of credit agreement with a financial institution whereby it is permitted to borrow a maximum of $50,000 with an interest rate of PRIME plus 1%, with the floor rate being 6.50%. The line of credit originally expired on June 26, 2020. The line is collateralized against all of the Organization's assets. The full amount outstanding as of December 31, 2019 was $64 and was repaid in full in 2020.

Subsequent to year end, the line of credit maturity date was extended to July 12, 2021 and the maximum permitted to borrow was increased from $50,000 to $75,000.

Note 6 - Donated Goods and Services

The Organization records donated food as unrestricted public support and program expense at the time of receipt, which is virtually simultaneous with when it is granted. An independent study has been performed by a large national not-for-profit organization to provide an estimate of the per pound value of food.

The Organization recorded donated food used for programs at $1.67 per pound for the years ended 2019 and 2018. More than 1,671,000 and 1,008,000 pounds of food were received and distributed during the years ended December 31, 2019 and 2018, respectively. Total donated food valued at $2,791,840 and $1,684,334, at December 31, 2019 and 2018, respectively, is included on the financial statements.

Note 7 - Liquidity and Availability of Financial Resources

The Organization maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management, the Organization operates its programs within a board approved budget and relies on grants, contributions, and earned income to fund its operations and program activities.

Cash and cash equivalents	$105,919
Investments	597
Contributions receivable – due within one year	110,243
Financial assets available to meet cash needs for general expenditures within one year	$216,759

Note 8 – Subsequent Events

Management has evaluated the impact of all subsequent events through November 2, 2020, which is the date that the Organization's financial statements were available to be issued.

In December 2019, a coronavirus (COVID-19) was reported in China, and, in January 2020, the World Health Organization declared it a Public Health Emergency of International Concern. This contagious disease outbreak, which has continued to spread to additional countries, and any related adverse public health developments, could adversely affect the Organization's donors and suppliers as a result of quarantines, facility closures, and travel and logistics restrictions in connection with the outbreak. More broadly, the outbreak could affect workforces, audiences, economies, and financial markets globally, potentially leading to an economic downturn. This could decrease spending, adversely affect demand for our services and harm our business and results of operations. Management continues to monitor the outbreak; however, as of the date of these financial statements, the potential impact of such on the Organization's business cannot be quantified.

On April 13, 2020, the Organization obtained a loan through a financial institution in the amount of $78,800 through the Paycheck Protection Program. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during the covered period subsequent to receipt of the loan funds that are greater than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven. Portions that are not forgiven will be payable over a two-year period, with a six-month deferral of payments and interest will accrue at 1%. The loan forgiveness amount has not been determined as of the date of these financial statements.

In addition, on June 13, 2020, the Organization obtained a second loan through the U.S. Small Business Administration ("SBA") in the amount of $10,000 through the Economic Injury Disaster Loan Program. The loan is payable over a period of 29 years, with a one-year deferral of payment and interest will accrue at 2.75%.

No additional events have occurred subsequent to the statement of financial position date, through our evaluation date, that would require adjustment to or disclosure in the financial statements.