

Rethink Food NYC, Inc.
**Financial Statements
and Independent Auditor's Report**
December 31, 2022 and 2021

Rethink Food NYC, Inc.

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Independent Auditor's Report

To the Board of Directors
Rethink Food NYC, Inc.

Opinion

We have audited the financial statements of Rethink Food NYC, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, 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 Rethink Food NYC, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("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 Rethink Food NYC, 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 Rethink Food NYC, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 Rethink Food NYC, 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 Rethink Food NYC, 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.

CohnReznick LLP

New York, New York
November 14, 2023

Rethink Food NYC, Inc.

**Statements of Financial Position
December 31, 2022 and 2021**

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 6,636,428	\$ 7,748,392
Restricted cash	365,488	115,045
Contributions receivable, net	9,817,379	16,337,148
Other assets	634,953	427,650
Fixed assets, net	64,978	87,956
Right-of-use asset - operating	406,089	-
Right-of-use asset - finance	1,732	-
	<hr/>	<hr/>
Total assets	<u>\$ 17,927,047</u>	<u>\$ 24,716,191</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities		
Accounts payable and accrued liabilities	\$ 682,976	\$ 385,429
Deferred rent	-	37,276
Operating lease liability	447,737	-
Finance lease liability	1,732	-
	<hr/>	<hr/>
Total liabilities	<u>1,132,445</u>	<u>422,705</u>
Commitments and contingencies		
Net assets		
Without donor restrictions	7,598,155	8,414,051
With donor restrictions	9,196,447	15,879,435
	<hr/>	<hr/>
Total net assets	<u>16,794,602</u>	<u>24,293,486</u>
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 17,927,047</u>	<u>\$ 24,716,191</u>

See Notes to Financial Statements.

Rethink Food NYC, Inc.

**Statements of Activities
Years Ended December 31, 2022 and 2021**

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue						
Contributions	\$ 9,374,778	\$ 1,286,792	\$ 10,661,570	\$ 11,611,268	\$ 15,879,435	\$ 27,490,703
In-kind contributions	1,270,237	-	1,270,237	1,231,889	-	1,231,889
Special events revenue, net of direct cost of \$81,213 in 2022 and \$29,232 in 2021	735,725	-	735,725	708,619	-	708,619
Other income	45,618	-	45,618	131,363	-	131,363
Net assets released from restrictions	7,969,780	(7,969,780)	-	11,500,000	(11,500,000)	-
Total support and revenue	19,396,138	(6,682,988)	12,713,150	25,183,139	4,379,435	29,562,574
Expenses						
Program services	15,352,324	-	15,352,324	24,030,863	-	24,030,863
Supporting services						
General and administrative	2,612,842	-	2,612,842	2,152,232	-	2,152,232
Fundraising	2,246,868	-	2,246,868	1,541,067	-	1,541,067
Total supporting services	4,859,710	-	4,859,710	3,693,299	-	3,693,299
Total expenses	20,212,034	-	20,212,034	27,724,162	-	27,724,162
Change in net assets	(815,896)	(6,682,988)	(7,498,884)	(2,541,023)	4,379,435	1,838,412
Net assets, beginning	8,414,051	15,879,435	24,293,486	10,955,074	11,500,000	22,455,074
Net assets, end	<u>\$ 7,598,155</u>	<u>\$ 9,196,447</u>	<u>\$ 16,794,602</u>	<u>\$ 8,414,051</u>	<u>\$ 15,879,435</u>	<u>\$ 24,293,486</u>

See Notes to Financial Statements.

Rethink Food NYC, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2022**

	Program services	Supporting services			Total supporting services	Total
		General and administrative	Fundraising	Direct costs - special event		
Salaries	\$ 1,632,104	\$ 1,356,548	\$ 1,424,133	\$ -	\$ 2,780,681	\$ 4,412,785
Payroll taxes and benefits	255,442	217,400	224,736	-	442,136	697,578
Consultants and contractors	23,650	41,543	-	46,907	88,450	112,100
Dues and subscriptions	58,531	36,662	30,070	-	66,732	125,263
Insurance	79,172	67,363	69,636	-	136,999	216,171
Kitchen supplies and food items	1,401,593	-	-	28,862	28,862	1,430,455
Travel and entertainment	40,908	24,054	11,111	-	35,165	76,073
Office supplies and expenses	48,974	29,748	26,594	-	56,342	105,316
Professional fees	21,857	509,343	314,806	-	824,149	846,006
Shipping and delivery	508,248	123	69	-	192	508,440
Depreciation	22,978	-	-	-	-	22,978
Grants	54,309	-	-	-	-	54,309
Rethink Certified meals	10,514,101	-	-	-	-	10,514,101
Advertising	-	23,085	23,085	-	46,170	46,170
Occupancy	625,423	124,157	101,116	-	225,273	850,696
Repairs and maintenance	23,119	-	-	-	-	23,119
Truck rental and maintenance	41,785	-	-	-	-	41,785
Miscellaneous	130	27,905	21,512	5,444	54,861	54,991
Bad debt	-	154,911	-	-	154,911	154,911
Total	15,352,324	2,612,842	2,246,868	81,213	4,940,923	20,293,247
Less expenses included with support and revenue on the statements of activities	-	-	-	(81,213)	(81,213)	(81,213)
Total expenses	\$ 15,352,324	\$ 2,612,842	\$ 2,246,868	\$ -	\$ 4,859,710	\$ 20,212,034

See Notes to Financial Statements.

Rethink Food NYC, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2021**

	Program services	Supporting services			Total supporting services	Total
		General and administrative	Fundraising	Direct costs - special event		
Salaries	\$ 1,811,323	\$ 917,480	\$ 1,108,622	\$ -	\$ 2,026,102	\$ 3,837,425
Payroll taxes and benefits	306,425	156,473	189,071	-	345,544	651,969
Consultants and contractors	46,654	18,569	-	19,676	38,245	84,899
Dues and subscriptions	388,651	29,253	-	-	29,253	417,904
Insurance	157,603	59,781	72,236	-	132,017	289,620
Kitchen supplies and food items	1,360,425	-	-	5,162	5,162	1,365,587
Travel and entertainment	45,603	36,715	-	-	36,715	82,318
Office supplies and expenses	32,995	10,920	13,195	-	24,115	57,110
Professional fees	38,113	789,270	33,456	-	822,726	860,839
Shipping and delivery	533,792	-	-	-	-	533,792
Depreciation	31,016	-	-	-	-	31,016
Grants	97,768	-	-	-	-	97,768
Rethink Certified meals	18,416,058	-	-	-	-	18,416,058
Advertising	25,090	-	25,090	-	25,090	50,180
Occupancy	556,783	77,228	93,317	-	170,545	727,328
Repairs and maintenance	31,805	-	-	-	-	31,805
Truck rental and maintenance	126,619	-	-	-	-	126,619
Miscellaneous	24,140	31,664	6,080	4,394	42,138	66,278
Bad debt	-	24,879	-	-	24,879	24,879
Total	24,030,863	2,152,232	1,541,067	29,232	3,722,531	27,753,394
Less expenses included with support and revenue on the statements of activities	-	-	-	(29,232)	(29,232)	(29,232)
Total expenses	\$ 24,030,863	\$ 2,152,232	\$ 1,541,067	\$ -	\$ 3,693,299	\$ 27,724,162

See Notes to Financial Statements.

Rethink Food NYC, Inc.

Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (7,498,884)	\$ 1,838,412
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	22,978	31,016
Donated fixed assets	-	(21,500)
Bad debt expense	154,911	24,879
Loss on disposal of fixed assets	-	43,894
Noncash operating lease costs	321,431	-
Noncash finance lease costs	3,449	-
Discount on contributions receivable	(63,406)	90,854
Forgiveness of debt	-	(124,000)
Changes in operating assets and liabilities		
Contributions receivable	6,428,264	(4,721,352)
Other assets	(207,303)	72,153
Accounts payable and accrued expenses	297,547	(13,655)
Operating lease liability	(317,059)	-
Deferred rent	-	12,098
	<u>(858,072)</u>	<u>(2,767,201)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Purchase of fixed assets	-	(10,880)
	<u>-</u>	<u>(10,880)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Principal payments made on finance leases	(3,449)	-
	<u>(3,449)</u>	<u>-</u>
Net cash used in financing activities		
Net decrease in cash, cash equivalents, and restricted cash	(861,521)	(2,778,081)
Cash, cash equivalents, and restricted cash, beginning	7,863,437	10,641,518
Cash, cash equivalents, and restricted cash, end	<u>\$ 7,001,916</u>	<u>\$ 7,863,437</u>
Supplemental disclosure of cash flow information		
Cash paid for interest on finance leases	\$ 21	\$ -
	<u>\$ 21</u>	<u>\$ -</u>

See Notes to Financial Statements.

Rethink Food NYC, Inc.

Notes to Financial Statements December 31, 2022 and 2021

Note 1 - Organization

Rethink Food NYC, Inc. ("Rethink Food") is a nonprofit organization with the mission of creating a more sustainable and equitable food system. Founded in 2017, Rethink Food seeks to bridge the gap between an estimated 108 billion pounds of excess food and the estimated 38 million people who struggle with food insecurity in the U.S. every year. As part of its Rethink Certified program, Rethink Food works with restaurants and food establishments to provide nutritious and culturally celebrated meals for their neighbors and processes millions of pounds of donated food excess from partners across the food system to convert into free community meals at its commissary kitchen. During the year ended December 31, 2022, Rethink Food provided over 2.4 million meals to local communities across New York City, Chicago, San Francisco, Nashville, Washington D.C., and Miami; directed \$10.6 million to restaurants and food establishments.

Note 2 - Summary of significant accounting policies

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Classification of net assets

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Rethink Food and the changes therein are classified and reported in two categories of net assets as follows:

Without donor restrictions - Net assets that are not subject to donor-imposed restrictions.

With donor restrictions - Net assets that are restricted by the donor for use for a specific purpose or in a future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as without donor restrictions. Net assets with donor restrictions as of December 31, 2022 and 2021 amounted to \$9,196,447 and \$15,879,435 respectively. As of December 31, 2022, donor-restricted contributions of \$1,286,792 were subject to purpose restrictions and \$7,909,655 were subject to stipulated time restrictions. As of December 31, 2021, donor-restricted contributions of \$15,879,435 were subject to a stipulated time restriction.

Other donor-imposed restrictions on net assets included in this category are permanent in nature. These net assets have been restricted by donors to be maintained by Rethink Food either in perpetuity or until released by specific action by Rethink Food's Board of Directors in accordance with applicable law.

When a donor's restrictions are satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restrictions is reported in the financial statements by reclassifying net assets from net assets with donor restrictions to net assets without donor restrictions.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Rethink Food NYC, Inc.

Notes to Financial Statements December 31, 2022 and 2021

Cash and cash equivalents

Rethink Food considers all highly-liquid investments with original maturities of three months or less on the date of purchase to be cash equivalents.

Restricted cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported on the statements of financial position that sum to the total shown on the statements of cash flows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 6,636,428	\$ 7,748,392
Restricted cash	<u>365,488</u>	<u>115,045</u>
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 7,001,916</u>	<u>\$ 7,863,437</u>

Restricted cash is comprised of an amount that is required to be set aside to secure a letter of credit for Rethink Food's operating lease.

Concentration of credit risk

Financial instruments that potentially subject Rethink Food to concentrations of credit risk consist principally of cash and cash equivalents and contributions receivable. At times during the year, Rethink Food's cash balances may exceed the limits of Federal Deposit Insurance Corporation insurance coverage. Rethink Food monitors its financial institutions and the concentration of credit risk on a regular basis and does not anticipate nonperformance by the financial institutions.

Contributions receivable credit risk is limited due to the nature of the receivables. Rethink Food regularly monitors its receivables and establishes an allowance account for those amounts that are not deemed collectible. There were no allowances for uncollectible contributions receivable as of December 31, 2022 and 2021. Approximately 19% and 94% of contributions receivable is from one donor for the year ended December 31, 2022 and 2021, respectively.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Fixed assets with original cost (or fair value, if donated), greater than \$5,000 with useful lives exceeding three years are capitalized. Such assets are depreciated over their estimated useful lives, which range from 3 to 10 years, using the straight-line method.

Contributions

Rethink Food recognizes contributions when cash, other assets, and/or an unconditional promise to give is received. Conditional promises to give, which have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

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 the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Rethink Food NYC, Inc.

Notes to Financial Statements December 31, 2022 and 2021

Rethink Food receives special events revenue which contains both an exchange component and a conditional contribution component. Both components are recognized when the event takes place. Any event revenue received in advance of the event is recorded as deferred revenue.

In-kind contributions

Rethink Food recognizes contribution services if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets and materials are recognized at fair market value when received. During the years ended December 31, 2022 and 2021, Rethink Food received perishable food, kitchen equipment, and rent with a fair value of \$1,270,237 and \$1,231,889, respectively. The value of perishable food was determined using an internal methodology which incorporates reductions for processing, food grade, and other elements. Rethink Food estimated the fair value of kitchen equipment based on wholesale values that would be received for selling a similar product. The estimated fair value of donated rent was based on comparable rental prices in a similar real estate market. Rethink Food only uses the donated services, goods and facilities for its own program or supporting service activities.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been charged among the programs and supporting services based on a combination of specific identification or allocation as determined by management. Rethink Food allocates salaries and related payroll taxes and benefits based on estimated time and effort. Other expenses relating to more than one function, such as rent, utilities, and office expenses, have been allocated based on the ratio of salaries by function to total salaries. Expenses that can be identified with a specific program or supporting service are charged directly to that function. General and administrative expenses include those expenses that are not directly identifiable with any specific program but provide for the overall support of Rethink Food.

Income taxes

Rethink Food has been recognized as an entity exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Rethink Food has no unrecognized tax benefits as of December 31, 2022 and 2021. Rethink Food's federal and state income tax returns prior to calendar year 2019 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, Rethink Food will recognize interest and penalties associated with tax matters as general and administrative expenses and include accrued interest and penalties with the related tax liability in the statements of financial position. There were no interest or penalties for the years ended December 31, 2022 and 2021.

Adoption of recent accounting pronouncements

For the year ended December 31, 2022, Rethink Food has adopted Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This standard provides guidance on the presentation of contributed nonfinancial assets in the statement of activities and additional disclosure requirements for each type of contributed nonfinancial asset. The ASU provides transparency on the measurement of the contributed nonfinancial assets of the organization and will not change existing recognition and measurement requirements. Rethink Food has implemented

Rethink Food NYC, Inc.

Notes to Financial Statements December 31, 2022 and 2021

the provisions of ASU 2020-07 applicable to all contributed nonfinancial assets, which has been applied retrospectively to all periods presented.

As of January 1, 2022, Rethink Food adopted FASB ASU 2016-02, Leases (Topic 842), which replaces existing lease accounting guidance and requires lessees to disclose key information about leasing arrangements and recognize right-of-use assets and corresponding lease liabilities on the statement of financial position. Topic 842 applies to most leases, including those classified as operating leases. Rethink Food elected to apply the transition practical expedients provided for in Topic 842 which allow entities to not reassess 1) previous conclusions on if existing contracts contain a lease; 2) the classification of existing leases; and 3) initial direct costs. Rethink Food adopted ASU 2016-02 under the modified prospective approach as of the adoption date.

Rethink Food recognized the following as of the adoption date in connection with transitioning to Topic 842:

	<u>January 1, 2022</u>
Right-of-use asset - operating	<u>\$ 727,520</u>
Right-of-use asset - finance	<u>\$ 5,181</u>
Operating lease liabilities	<u>\$ 764,796</u>
Finance lease liabilities	<u>\$ 5,181</u>

The adoption of Topic 842 resulted in a decrease of \$37,276 in deferred rent and deferred lease incentives, which amount was reclassified to operating lease right-of-use assets at adoption. The adoption of Topic 842 did not have a material impact on net assets for the year ended December 31, 2022.

Rethink Food presents right-of-use assets and liabilities for operating and finance leases separately on the statement of financial position. See Note 6 regarding lease expense, right-of-use assets and lease liabilities.

Subsequent events

On February 2023, New York City Health and Hospitals Corporation awarded Rethink Food a contract, in an amount not to exceed \$87.8 million, to provide meal services and delivery. As of November 14, 2023, Rethink Food has charged approximately \$26 million to the contract.

Rethink Food has evaluated subsequent events through November 14, 2023, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and availability

Rethink Food regularly monitors liquidity required to meet its operating needs and other obligations as they come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Rethink Food considers all expenditures related to its ongoing activities to be general expenditures. Amounts available for general expenditures over a 12-month period include donor-restricted amounts that are available for ongoing programmatic and support expenditures.

Rethink Food NYC, Inc.

**Notes to Financial Statements
December 31, 2022 and 2021**

The following reflects Rethink Food's financial assets, as of December 31, 2022 and 2021, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

	2022	2021
Financial assets at year end		
Cash and cash equivalents	\$ 6,636,428	\$ 7,748,392
Restricted cash	365,488	115,045
Contributions receivable, net	9,817,379	16,337,148
Other assets	634,953	427,650
Total financial assets	17,454,248	24,628,235
Less amounts not available to meet general expenditures		
Restricted cash	365,488	115,045
Donor-imposed restrictions not available within 12 months	4,536,792	8,229,435
Other assets	146,396	376,768
Total financial assets available to meet general expenditures over the next 12 months	\$ 12,405,572	\$ 15,906,987

Note 4 - Related parties

Two board members and one employee of Rethink Food are owners of restaurant partners that participate in the Rethink Certified program. During the years ended December 31, 2022 and 2021, Rethink Food paid \$735,933 and \$525,737, respectively, to these restaurant partners for prepared meals and services provided.

From time to time, Rethink Food may pay for operating expenses on behalf of Rethink Food USA, Inc., a related nonprofit entity through common board members, for which Rethink Food USA, Inc. will subsequently reimburse Rethink Food. As of December 31, 2022, and 2021, the amount of \$367,607 and \$68,175 is due from Rethink Food USA, Inc.

Note 5 - Contributions receivable, net

Contributions receivable are estimated to be collected as follows at December 31, 2022 and 2021:

	2022	2021
Within one year	\$ 6,744,827	\$ 8,278,002
In one to five years	3,100,000	8,150,000
Total contributions receivable	9,844,827	16,428,002
Less discount to present value	27,448	90,854
Contributions receivable, net	\$ 9,817,379	\$ 16,337,148

Rethink Food NYC, Inc.

Notes to Financial Statements December 31, 2022 and 2021

Note 6 - Leases

Rethink Food leases office space and vehicles under operating and month-to-month leases. Operating leases expire at various dates through 2024. All contracts that implicitly or explicitly involve property, plant, and equipment are evaluated to determine whether they are or contain a lease.

At lease commencement, Rethink Food recognizes a lease liability, which is measured at the present value of future minimum lease payments, and a corresponding right-of-use asset equal to the lease liability and initial direct costs. Rethink Food has elected and applies the practical expedient to combine nonlease components with their related lease components and account for them as a single combined lease component for all its leases. Rethink Food remeasures lease liabilities and related right-of-use assets whenever there is a change to the lease term and/or there is a change in the amount of future lease payments, but only when such changes do not qualify to be accounted for as a separate contract. Right-of-use assets are assessed and remeasured for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

Rethink Food determines an appropriate discount rate to apply when determining the present value of the remaining lease payments for purposes of measuring or remeasuring lease liabilities. As the rate implicit in the lease is generally not readily determinable, as a practical expedient, Rethink Food elected to use the risk-free rate for leases related to office space and vehicles. Rethink Food uses rates based on United States government securities for periods comparable with lease terms as risk-free rates.

For accounting purposes, Rethink Food's leases commence on the earlier of (i) the date upon which Rethink Food obtains control of the underlying asset or (ii) the contractual effective date of a lease. Lease commencement for most of Rethink Food's leases coincides with the contractual effective date. Rethink Food's leases generally have minimum base terms with renewal options or fixed terms with early termination options. Such renewal options are exercisable at the option of Rethink Food and, when exercised, usually provide for rental payments during the extension period at then current market rates or at pre-determined rental amounts. Unless Rethink Food determines that it is reasonably certain that the term of a lease will be extended, such as through the exercise of a renewal option or nonexercise of an early termination option, the term of a lease begins at lease commencement and spans for the duration of the minimum noncancellable contractual term. When the exercise of a renewal option or nonexercise of early termination option is reasonably certain, the lease term is measured as ending at the end of the renewal period or on the date an early termination may be exercised.

Rent expense related to the office space was \$816,664 and \$697,043 for the years ended December 31, 2022 and 2021, respectively, and is reflected as occupancy expenses in the accompanying statements of functional expenses. Utilities expenses related to the office space was \$26,342 and \$19,651 for the years ended December 31, 2022 and 2021, respectively, and reflected as occupancy expenses in the accompanying statements of functional expenses.

Pursuant to the office space lease, Rethink Food has letter of credit agreement totaling \$115,489 as of December 31, 2022 and 2021. There was no drawdown against the letter of credit during 2022 and 2021.

Rethink Food NYC, Inc.

**Notes to Financial Statements
December 31, 2022 and 2021**

The vehicle lease has a lease term of three years. Rental payments on this lease provides for fixed payments at predetermined amounts, are included in the measurement of lease payments, and are therefore included in the measurement of the finance lease liability.

The lease expense of \$3,449 and interest expense of \$21 of Rethink Food's finance lease for the year ended December 31, 2022 are included in the truck rental and maintenance expense on the statement of functional expenses.

Annual maturity analysis of Rethink Food's lease liabilities as of December 31, 2022 are as follows:

Year ending December 31,	Operating lease	Finance lease
2023	\$ 358,794	\$ 1,735
2024	91,676	-
Total minimum lease payments	450,470	1,735
Less interest	2,733	3
Present value of lease liabilities	\$ 447,737	\$ 1,732

Weighted average of life of lease and discount rate as of December 31, 2022 are as follows:

	Operating lease	Finance lease
Life of lease weighted average	1.24	0.002
Discount rate weighted average	0.91%	0.02%



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