FAIR FOOD NETWORK AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS’ REPORT

DECEMBER 31, 2022
# Table of Contents

**FAIR FOOD NETWORK AND SUBSIDIARY**

**INDEPENDENT AUDITORS' REPORT**

1 – 3

**CONSOLIDATED FINANCIAL STATEMENTS**

| Statement of Financial Position | 4 - 5 |
| Statement of Activities and Changes in Net Assets | 6 |
| Statement of Cash Flows | 7 |
| Statement of Functional Expenses | 8 |
| Notes to the Financial Statements | 9 – 21 |

**SUPPLEMENTARY INFORMATION**

**CONSOLIDATING SCHEDULES**

| Consolidating Statement of Financial Position | 22 - 23 |
| Consolidating Statement of Activities and Changes in Net Assets | 24 |
| Consolidating Statement of Functional Expenses | 25 |

**SINGLE AUDIT**

**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.**

26

**Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By the Uniform Guidance**

27 – 29

| Statement of Expenditure of Federal Awards | 30 |
| Notes to Statement of Expenditures of Federal Awards | 31 |
| Schedule of Findings and Questioned Costs | 32 |
INDEPENDENT AUDITORS’ REPORT

To the Board of Directors
Fair Food Network
and Subsidiary
Detroit, MI 48226

Opinion
We have audited the accompanying consolidated financial statements of Fair Food Network (a nonprofit organization) and Subsidiary, which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fair Food Network and Subsidiary as of December 31, 2022, 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.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Fair Food Network and Subsidiary 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 Consolidated 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fair Food Network and Subsidiary’s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.
Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Fair Food Network and Subsidiary’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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fair Food Network and Subsidiary’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.

Supplementary Information

Consolidating Financial Statements
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating financial statements identified in the table of contents are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.
Schedule of Expenditures of Federal Awards
The Schedule of Expenditures of Federal Awards (SEFA), as required by Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards
In accordance with Government Auditing Standards, we also have issued our report dated September 30, 2023 on our consideration of Fair Food Network and Subsidiary’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Fair Food Network and Subsidiary’s internal control over financial reporting and com

ALG Group, CPAs
East Lansing, MI
September 30, 2023
# FAIR FOOD NETWORK AND SUBSIDIARY
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
### As of December 31, 2022

## ASSETS

### CURRENT ASSETS
- Cash and cash equivalents: $7,877,533
- Grants and interest receivable: $2,637,785
- Current portion pledges receivable net of discount: $33,406
- Investments: $5,988,424
- Prepaid expense: $328,001
- Current portion of loans receivable: $306,143

**TOTAL CURRENT ASSETS:** $17,171,292

### PROPERTY AND EQUIPMENT
- Leasehold improvements: $106,197
- Office equipment: $74,314

Less: accumulated depreciation ($86,964)

**NET PROPERTY AND EQUIPMENT:** $93,547

### OTHER ASSETS
- Notes receivable, net of current portion: $1,841,396
- Security deposit: $10,750

**TOTAL OTHER ASSETS:** $1,852,146

**TOTAL ASSETS:** $19,116,985

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See independent auditors’ report and notes to financial statements
## FAIR FOOD NETWORK AND SUBSIDIARY
### CONSOLIDATED STATEMENT OF FINANCIAL POSITION
#### As of December 31, 2022

### LIABILITIES AND NET ASSETS

**CURRENT LIABILITIES**
- Accounts payable $736,660
- Grants and redemptions payable 1,205,595
- Current portion of notes payable 178,849
- Accrued payroll 127,359

**TOTAL CURRENT LIABILITIES** 2,248,463

**LONG-TERM DEBT**
- Notes payable, net of current portion and discount 4,336,725
- Deferred minimum return -
- Accrued interest 65,542

**TOTAL LONG-TERM DEBT** 4,402,267

**TOTAL LIABILITIES** 6,650,730

**NET ASSETS**
- Without Donor Restrictions
  - Operating funds 6,832,557
- Total Without Donor Restrictions 6,832,557

- With Donor Restrictions
  - Purpose restricted 5,633,698

**TOTAL NET ASSETS** 12,466,255

**TOTAL LIABILITIES AND NET ASSETS** $19,116,985

See independent auditors’ report and notes to financial statements
# FAIR FOOD NETWORK AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2022

<table>
<thead>
<tr>
<th>WITHOUT DONOR RESTRICTIONS</th>
<th>WITH DONOR RESTRICTIONS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$ 9,702</td>
<td>$ 9,702</td>
</tr>
<tr>
<td>Government grants</td>
<td>11,335,693</td>
<td>11,335,693</td>
</tr>
<tr>
<td>Other grants</td>
<td>2,801,446</td>
<td>2,801,446</td>
</tr>
<tr>
<td>Service fees</td>
<td>139,939</td>
<td>139,939</td>
</tr>
<tr>
<td>Total Operating Revenues</td>
<td>149,641</td>
<td>14,137,139</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>14,711,422</td>
<td>(14,711,422)</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING REVENUES</strong></td>
<td>14,861,063</td>
<td>(574,283)</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>12,798,322</td>
<td>12,798,322</td>
</tr>
<tr>
<td>Supporting Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and management</td>
<td>1,512,462</td>
<td>1,512,462</td>
</tr>
<tr>
<td>Fund development</td>
<td>493,470</td>
<td>493,470</td>
</tr>
<tr>
<td>TOTAL OPERATING EXPENSES</td>
<td>14,804,254</td>
<td>14,804,254</td>
</tr>
<tr>
<td><strong>OTHER INCOME (EXPENSE)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPP Loan forgiveness</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income (net)</td>
<td>(385,847)</td>
<td>(385,847)</td>
</tr>
<tr>
<td>TOTAL NET EXPENSES</td>
<td>15,190,101</td>
<td>15,190,101</td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS</strong></td>
<td>(329,038)</td>
<td>(574,283)</td>
</tr>
<tr>
<td><strong>NET ASSETS, JANUARY 1</strong></td>
<td>7,161,595</td>
<td>6,207,981</td>
</tr>
<tr>
<td><strong>NET ASSETS, DECEMBER 31</strong></td>
<td>$ 6,832,557</td>
<td>$ 5,633,698</td>
</tr>
</tbody>
</table>

See independent auditors' report and notes to financial statements
CASH FLOWS FROM OPERATING ACTIVITIES
Changes in net assets $ (903,321)
Adjustments to reconcile changes in net assets to net cash provided by operating activities
  Depreciation 31,278
  Unrealized gain on investments 490,873
(Increase) decrease in
  Grants and reimbursements receivable 1,157,833
  Prepaid expenses (246,203)
Increase (decrease) in
  Accounts payable 370,826
  Grants and redemptions payable 68,154
  Accrued payroll 6,655
  NET CASH PROVIDED BY OPERATING ACTIVITIES 976,095

CASH FLOWS FROM INVESTING ACTIVITIES
  Net Proceeds from investments 1,691,689
  Issuance of notes receivable (1,025,548)
  Payments received on notes receivable 191,601
  NET CASH USED IN INVESTING ACTIVITIES 857,742

CASH FLOWS FROM FINANCING ACTIVITIES
  Principal payment on long term debt (1,183,208)
  Proceed from recoverable grants 3,351,000
  NET CASH USED IN FINANCING ACTIVITIES 2,167,792

NET DECREASE IN CASH 4,001,629
CASH AND CASH EQUIVALENTS, Beginning of Year 3,875,904
CASH AND CASH EQUIVALENTS, End of Year $ 7,877,533

Supplemental disclosures of cash flow information
  Cash paid during the year for
    Interest $ 8,019

See independent auditor’s report and notes to financial statements
<table>
<thead>
<tr>
<th>Item</th>
<th>Program Expense</th>
<th>Management and General Expense</th>
<th>Fund Development Expense</th>
<th>Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants to organizations</td>
<td>$ 6,757,073</td>
<td>$</td>
<td>$</td>
<td>$ 6,757,073</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>2,147,395</td>
<td>483,849</td>
<td>350,671</td>
<td>2,981,915</td>
</tr>
<tr>
<td>Payroll taxes and fringe benefits</td>
<td>730,505</td>
<td>194,538</td>
<td>113,291</td>
<td>1,038,334</td>
</tr>
<tr>
<td>Other consultants</td>
<td>783,220</td>
<td>100,609</td>
<td>875</td>
<td>884,704</td>
</tr>
<tr>
<td>Legal services</td>
<td>5,915</td>
<td>4,700</td>
<td></td>
<td>10,615</td>
</tr>
<tr>
<td>Accounting services</td>
<td></td>
<td>23,032</td>
<td></td>
<td>23,032</td>
</tr>
<tr>
<td>Program management</td>
<td>1,753,640</td>
<td></td>
<td></td>
<td>1,753,640</td>
</tr>
<tr>
<td>Advertising and promotion</td>
<td>101,165</td>
<td>244,134</td>
<td>4,076</td>
<td>349,375</td>
</tr>
<tr>
<td>Office expenses</td>
<td>947</td>
<td>22,373</td>
<td>1,506</td>
<td>24,826</td>
</tr>
<tr>
<td>Information technology</td>
<td>206,699</td>
<td>149,127</td>
<td>10,132</td>
<td>365,958</td>
</tr>
<tr>
<td>Occupancy</td>
<td>182,443</td>
<td></td>
<td></td>
<td>182,443</td>
</tr>
<tr>
<td>Travel and related costs</td>
<td>109,311</td>
<td>13,384</td>
<td>7,807</td>
<td>130,502</td>
</tr>
<tr>
<td>Conferences and meetings</td>
<td>88,398</td>
<td>14,795</td>
<td>112</td>
<td>103,305</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>55,342</td>
<td></td>
<td></td>
<td>55,342</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td>31,278</td>
<td></td>
<td>31,278</td>
</tr>
<tr>
<td>Insurance</td>
<td>35,661</td>
<td></td>
<td></td>
<td>35,661</td>
</tr>
<tr>
<td>Recruiting</td>
<td>21,900</td>
<td>10,429</td>
<td>32,329</td>
<td>32,329</td>
</tr>
<tr>
<td>Dues, licenses, and permits</td>
<td>11,630</td>
<td>2,110</td>
<td>5,000</td>
<td>18,740</td>
</tr>
<tr>
<td>Bad Debts</td>
<td>25,182</td>
<td></td>
<td></td>
<td>25,182</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSE</strong></td>
<td><strong>$ 12,798,322</strong></td>
<td><strong>$ 1,512,462</strong></td>
<td><strong>$ 493,470</strong></td>
<td><strong>$ 14,804,254</strong></td>
</tr>
</tbody>
</table>

See independent auditors' report and notes to financial statements
1. ORGANIZATION AND MAJOR PROGRAMS:

Organization
Fair Food Network (Network) is organized to benefit local communities by designing food systems that uphold the fundamental right to healthy, fresh, and sustainably and/or organically grown food.

Fair Food Fund (Fund) is an impact capital fund managed by the Network that fuels entrepreneurship in the food system by using project-related investment (PRI) funds to make loans to and equity investments in businesses that connect farmers with demand for local, sustainably grown food (see Note 4). Fair Food Network is the sole member of Fair Food Fund, whose operations have been included in these consolidated financial statements (collectively, the Fair Food Network and Subsidiary)

Major Programs
The Double-up Food Bucks (DUFB) program encourages SNAP (food payment assistance) recipients to purchase healthy, fresh produce by matching their SNAP expenditures (up to $20) with credits that can be redeemed to purchase additional locally grown produce. The program, which launched in 2009, uses a model that is centrally organized but locally implemented, and is now operational in several farmers’ markets and grocery stores throughout Michigan and across the country.

Fair Food Impact Initiative (FFII) partners with communities to build solutions that catalyze not just entrepreneur success, but broader systems change. This includes weaving together community voice, entrepreneur vision, local strengths, and national assets, so that food entrepreneurs can be the engine of a more equitable future. To complement the local ecosystem, FFII brings catalytic capital, business assistance, and networks with an eye toward realizing investments that might otherwise not be possible with a focus on BIPOC and women-led business.

The Nutrition Incentive HUB (HUB) through its coalition of partners supports nutrition incentive and produces prescription projects. The Nutrition Incentive Hub provides training, technical assistance, reporting and evaluation support to help strengthen nutrition incentive and produce prescription projects, as they work to increase the purchase of fruits and vegetables by project participants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting and Principles of Consolidation
The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The statements include the accounts of Fair Food Network and Fair Food Fund, as Fair Food Network has control and a significant financial interest in the Fund. All significant intercompany accounts and transactions have been eliminated in the consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as Fair Food Network.

See independent auditors’ report
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

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-imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

- **Net Assets with Donor Restrictions**: Net assets subject to donor or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions restricted by donors as increases in net assets with donor restrictions. When a restriction expires, such as time or purpose, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net asset released from restrictions. Donor restricted contributions that are received and the restrictions expire in the same reporting period are recognized as increases in net assets without donor restrictions.

The Organization has no net assets that are to be maintained in perpetuity at December 31, 2022.

Use of Estimates
The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the statement of consolidated financial position and accompanying notes. Actual results could differ from those estimates, and those differences could be material.

Revenue Recognition
Public support and revenue are recognized in the accompanying consolidated financial statements as follows:

*Program fees*: Revenue from fees for products sold or services performed is recognized when the performance obligations of transferring the product or service is met.

*Grants and contracts*: The Organization uses grants to implement the DUFB program. The funds from grants and contracts are recognized as revenue in the accounting period within which they are earned.

See independent auditors’ report
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

Contributions: Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of Fair Food Network’s revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Fair Food Network has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. Fair Food Network received cost-reimbursable grants that have not been recognized at December 31, 2022 because qualifying expenditures have not yet been incurred.

Functional expense allocations
The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Organization. The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. The Organization uses the direct allocation method for expenses when possible. Payroll, employee benefits, and related expenses are allocated based on time and effort. Depreciation is allocated based on estimated square footage. All other costs are allocated per function based on percentage of budget.

Cash and cash equivalents
The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Restricted cash
Cash that is restricted in accordance with donors or provisions of a loan agreement is considered restricted. As a condition of a grantor, Fair Food Network is required to carry a restricted cash balance. The amount in restricted cash at December 31, 2022 was $0.

Accounts Receivable
Accounts receivable consist primarily of amounts due from grants, promises to give, and notes receivable.

Grants receivable are considered to be fully collectible based on historical experience. Grant amounts that become uncollectible are directly written off.

Unconditional promises to give are recorded and subsequently carried at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

Notes receivable are recorded at cost, payments of interest and principle as required are recorded against income and principal per the note agreement. A loss is recognized in the period in which any loan amounts are determined to be uncollectible.

Management reviews receivable amounts due from pledges and loans receivable for collectability throughout the year and has determines collectability of promises to give and notes receivable, based on historical experience. Management has determined that the difference between the allowance and direct write-off method would be immaterial, accordingly allowances for doubtful accounts have not been established.

Investments
Purchases of investments in publicly traded securities are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, unrealized and realized capital gains and losses, less external and direct internal investment expenses.

Investments in Certificates of deposits are carried at cost plus accrued and reinvested interest.

Direct equity investments in privately-held, pass-through entities are recorded at cost and assessed for impairment based on net asset value per share or its equivalent, ownership interest percentage or other practical expedient.

Property and Equipment
Purchased property and equipment additions over $5,000 are recorded at cost. Donated property and equipment are recorded at fair value on the date of the donation. Depreciation is computed on the straight-line method based upon the estimated useful lives of the assets (see Note 5). When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance or repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Income Taxes
Fair Food Network and Fair Food Fund are organized as Michigan non-profit corporations and are recognized by the IRS as tax-exempt entities under IRS section 501(c)(3) and 501(c)(4) respectively. The Organizations are exempt from federal and state income taxes on its related activities and are required to file an Annual Return of Organization Exempt from Tax (990) with the IRS. The Organizations generally remain open for the past three years.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

Advertising
The Organization advertises through various print and electronic media. All such costs are expensed as incurred.

Subsequent Events
Subsequent events have been evaluated through September 30, 2023, the date the consolidated financial statements were available to be issued.

3. LIQUIDITY DISCLOSURES:

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (unrestricted)</td>
<td>$7,877,533</td>
</tr>
<tr>
<td>Grants and other receivables</td>
<td>2,671,191</td>
</tr>
<tr>
<td>Investments</td>
<td>5,988,424</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$16,537,148</strong></td>
</tr>
</tbody>
</table>

Fair Food Network is heavily supported by grants and contributions from donors, the US government, private Funds and others. Amounts with restrictions are subject to requirements as to time or purpose and the funds are held until the restrictions are met. These funds may not be available for general use within the next year, and accordingly are not included in our liquidity calculation.

Fair Food Network has liquidity management policies and procedures in place to ensure that financial assets are available to meet the needs of the organization.

4. RENTS AND OPERATING LEASES:

The Organization entered into a five-year lease agreement for office space in Ann Arbor, Michigan on December 11, 2017, effective May 2018. That lease calls for monthly rent payments of $9,750 increasing at 3% annually ($10,974 at December 31, 2022). $138,528 was paid in rent on this lease during 2022.

The lease expired subsequent to balance sheet date and the Organization moved its offices to a space in Detroit, Michigan. Accordingly a right to use asset and corresponding liability has not been recorded.
5. CONCENTRATIONS OF RISK:

Fair Food Network maintains cash and certificates of deposit at financial institutions located in Ann Arbor, MI. Deposits at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000 per depositor. At December 31, 2022, The Organization's uninsured cash balance totaled $7,312,261.

Through Fair Food Fund, equity investments and loans receivable are made to small businesses that are part of the food system. At December 31, the Network had loans due from 32 borrowers (see Note 6), and the Network has equity investments in eight entities.

The Organization receives a substantial amount of its support from the USDA, private grantors and other funding sources in support of its Double-Up Food Bucks, Nutrition Incentive Hub, and other programs. If a significant reduction in the level of this support were to occur, it could have a material adverse effect on the Organization's ability to continue its programs and activities.

6. LOANS RECEIVABLE:

The Organization makes loans to entities to fuel entrepreneurship in the food system. These loans are recorded at cost, with corresponding interest income recorded as revenue when earned. When royalties are required in lieu of interest and require a minimum return, the required minimum return is recognized on a straight-line basis over the life of the loan. Royalties received after the minimum return has been met are applied against the principal balance of the loan. A loss is recognized in the period in which any loan amounts are determined to be uncollectible.

A schedule of loans receivable at December 31, 2022, follows:

Loan to Dahlicious, LLC – Loan was restructured in December 2022 with a principal reduction of $25,000. 6% interest rate is compounded monthly. Note calls for monthly principal and interest payment and balloon or restructure at maturity 11/30/27.
Borrower is a related party $324,897

Loan to Radicle Farm, LLC – Simple interest-only monthly payments at 8% per annum ($1,507 per month). Converted to demand note after December 2016 at the option of the Organization.
Note converted to half equity/half demand in subsequent period $18,354

Loan to Tangible Alchemy, LLC, monthly payments of $6,103 including interest at 8% per annum, maturing May 2022. Convertible to equity beginning May 2018 at the option of the Organization, secured by equipment of the borrower. $82,598
6. LOANS RECEIVABLE: (Continued)

Loans to New York Distilling Company, LLC, semi-annual interest-only payments at 7% per annum ($5,250 per payment), balloon payment due at maturity in December 2023, secured by inventory of the borrower. Note grants equity options to Organization. Borrower is a related party. $ 150,000

Loan to The Compost Plant L3C, interest-only monthly payments at 8.5% per annum ($354 per month) through September 2017, then principal and interest payments of $792 thereafter, maturing September 2024, secured by all assets of the borrower. $ 15,404

Loan to The Compost Plant L3C, interest-only monthly payments at 8.5% per annum ($354 per month) through November 2019, then principal and interest payments of $792 thereafter, maturing September 2024, secured by all assets of the borrower. $ 31,561

Loan to Permaquid Mussel Farms, interest accruing and compounded at 8% per annum through December 2017, monthly interest only payments commencing January 2018 ($685 per month), monthly principal and interest payments commencing January 2021 ($2,082 per month), maturing December 2025, secured by equipment of the borrower, convertible to unspecified equity securities $ 257,544

Loan to Cooking with Que, 4% interest compounded monthly. Interest only payments through June 30, 2021. Monthly principal and interest payments of $663 for 58 months, maturing June 30, 2026. $ 31,599

Loan to Crooked Face Creamery, 4% interest compounded monthly. Interest only payments through May 31, 2021. Monthly principal and interest payments of $184 for 60 months, maturing May 31, 2026. $ 8,287

Loan to Rocky Acres Community Farm WC, 4% interest compounded monthly. Interest only payments through November 30, 2022. Monthly principal and interest payments of $187 for 72 months, maturing Nov 1, 2028. $ 36,796

Loan to Rootwork Herbals WC, 4% interest compounded monthly. Interest only payments through November 30, 2022. Monthly principal and interest payments of $624 for 72 months, maturing Nov 1, 2028. $ 39,337

Loan to Chelsea Business Fund, 5% interest compounded monthly. Interest only payments, 90 day revolving credit. Balloon payment due 12/29/2023. $ 34,100

Loan to Northern Great Lakes E&L Supermercado, Participation Loan, 8% interest compounded monthly. 6 months interest only, principal and interest payments of $184 for 12 months, with a 36 month amortization. $ 238,131

See independent auditors’ report
6. LOANS RECEIVABLE: (Continued)

Loan to 716 CBD, LLC, working capital loan, 3% interest compounded monthly. Interest only through 10/21/2022, monthly principal and interest until maturity 9/30/2028 $ 49,987

Loan to Argus Farm Stop, convertible loan 6% interest compounded monthly. Interest only until 2/28/24, monthly Principal and interest until maturity 3/31/28 $ 150,000

Loan to Trinity Farm, working capital loan, 3% interest compounded monthly, interest only through 2/28/23, quarterly principal and interest until maturity 6/30/28 $ 36,000

Loan to Soldadera Coffee, working capital loan, 4% interest, interest and principal due at maturity maturity date extended to 10/31/23 $ 10,000

Loan to Seal The Seasons, working capital loan, 10% interest compounded monthly, interest only through 4/30/24, monthly principal and interest until maturity 4/30/26 $ 250,000

Loan to Farmacy Food, LLC, working capital loan, 4% interest compounded monthly, annual principal and interest until maturity 6/30/26 $ 25,000

Loan to Global Village Foods, VSJF flexible capital fund, 5% interest compounded monthly, no interest through 12/31/22, interest only through 7/30/23, monthly principal and interest until maturity 9/2031 $ 250,000

Loan to Jetta’s Gourmet Popcorn, working capital loan, 0% interest, annual principal, until maturity 7/31/25 $ 7,500

Loan to Lost Art Cultured Foods, working capital loan, 4% interest compounded monthly quarterly interest and principal until maturity 12/31/25 $ 24,335

Loan to Acorn Farmers Market, line of credit, 4% interest compounded monthly, interest due monthly, balloon payment due 90 days $ 10,000

Loan to Simply Spanish, working capital loan, 4% interest compounded monthly, monthly interest and principal until maturity 10/30/25 $ 16,108
6. LOANS RECEIVABLE: Continued...

Loan to Black Yard Farm Collective, term loan, 0% interest, monthly principal based on free cash flow in 8/22 until maturity 12/31/29  $25,000

Loan to Superfrau, line of credit, 4% interest compounded monthly, interest due monthly, balloon payment due 90 days  $25,000

Total notes receivable  $2,148,079
Less: Current portion  (306,143)
Net notes receivable  $1,841,936

Future principal payment on long-term notes receivable are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>306,143</td>
</tr>
<tr>
<td>2024</td>
<td>230,641</td>
</tr>
<tr>
<td>2025</td>
<td>182,493</td>
</tr>
<tr>
<td>2026</td>
<td>182,732</td>
</tr>
<tr>
<td>2027</td>
<td>281,459</td>
</tr>
<tr>
<td>Thereafter</td>
<td>964,611</td>
</tr>
<tr>
<td>Total</td>
<td>$2,148,079</td>
</tr>
</tbody>
</table>

7. INVESTMENTS:

The Organization reports certain assets at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1:
Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

See independent auditors’ report
FAIR FOOD NETWORK AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

7. INVESTMENTS: Continued...

Level 2:
Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3:
Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of the Organization’s investment assets are classified within Level 1 because they consist of exchange traded products (ETP’s) including indexed, fixed income and other products traded in the financial markets, where pricing is readily determinable. Investments in market certificates of deposit and US government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2.

The following table presents Fair Food Network's investment assets at fair value, as of December 31, 2022:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Quoted Prices in Active markets for Identical assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and MM</td>
<td>$774,060</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total Cash and Equivalents</td>
<td>$774,060</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Equity Exchange Traded Funds:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>$702,680</td>
<td>$702,680</td>
<td>$</td>
</tr>
<tr>
<td>Fixed Income:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td>$2,291,042</td>
<td>$2,291,042</td>
<td></td>
</tr>
<tr>
<td>Market CD’s</td>
<td>$852,582</td>
<td>$852,582</td>
<td></td>
</tr>
<tr>
<td>Total Fixed Income Funds</td>
<td>$3,143,624</td>
<td>$2,291,042</td>
<td>$852,582</td>
</tr>
<tr>
<td>Total fair value of investments</td>
<td>$4,620,364</td>
<td>$2,993,722</td>
<td>$852,582</td>
</tr>
</tbody>
</table>

See independent auditors’ report 18
7. INVESTMENTS: Continued...

The following table summarizes the investment activity:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance</td>
<td>$6,618,950</td>
</tr>
<tr>
<td>Contributions (Withdrawals)</td>
<td>(1,617,687)</td>
</tr>
<tr>
<td>Market Appreciation (Depreciation)</td>
<td>(491,548)</td>
</tr>
<tr>
<td>Dividend Income</td>
<td>110,649</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>$4,620,364</td>
</tr>
</tbody>
</table>

Equity investments valued at cost $1,368,060
Total Investments $5,988,424

8. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following at December 31, 2022:

Leasehold Improvements $106,197 10 Years
Furniture and Equipment 74,314 5-7 Years
Total $180,511
Less: Accumulated Depreciation (86,964)
Net Property and Equipment $93,547

9. LONG-TERM DEBT:

Long-term debt consists of notes payable to funders for project-related investment funds received for the purpose of making loans to businesses that connect farmers with demand for local, sustainably grown food (see Note 1). A schedule of long-term debt as of December 31, 2021 is as follows:

Notes payable to Surdna Fund, stated interest rate of 2% (effective rates 3.25% - 4.5%), maturing July 2025. Interest is payable quarterly, and no principal payments are due until August 2020, at which time monthly payments of principal and interest are required at $8,764. There is no collateral or other security on the note

$264,573

Notes payable to Max & Dorothy Silverman Fund, stated interest rate of 1.5% (effective rate of 3.18%), maturing July 2024. Interest is payable annually, and no principal payments are due until the maturity date. There is no collateral or other security on the note.

$100,000

Notes payable to New Belgium, stated interest rate of 1.5% (effective rate of 3.18%), maturing November 2024. No principal or interest is due until the maturity date. There is no collateral or other security on the note.

$50,000

See independent auditors’ report
9: LONG-TERM DEBT (Continued)

Notes payable to Ann Arbor Area Community Fund, stated interest rate of 1.5% (effective rate of 3.18%), maturing January 2026 and December 2026. Accrued interest and principal are payable at the maturity date. There is no collateral or other security on the notes. 

$ 451,000

Notes payable to Swift Fund, stated interest rate of 1.5% (effective rate of 3.18%) maturing July 2026. Accrued interest and principal are payable at the maturity date. There is no collateral or other security on the note.

$ 250,000

Notes payable to Max & Marjorie Fisher Fund, stated interest rate of 1.5% (effective rate of 3.18%), maturing July 2026. Interest and principal payments are due at the maturity date. There is no collateral or other security on the note.

$ 250,000

Notes payable to Indigo Revocable Trust, stated interest rate of 1.5% (effective rate of 3.18%), maturing August 2026. Principal and accrued interest payments are due at the maturity date. There is no collateral or other security on the note.

$ 175,000

Notes payable to Joy Clendenning and Michael Scott, stated interest rate of 1.5% (effective rate of 3.18%), maturing August 2026. Principal and accrued interest is due at the maturity date. There is no collateral or other security on the note.

$ 200,000

Notes payable to Jessica and Justin Conway, stated interest rate of 1.5%, (effective rate of 3.18%), maturing December 2025. Principal and accrued interest is due at the maturity date. There is no collateral or other security on the note.

$ 50,000

Notes payable to Hannah Roush Revocable Trust, stated interest rate of 1.5%, (effective rate of 3.18%), maturing December 2026. Principal and accrued interest is due at the maturity date. There is no collateral or other security on the note.

$ 250,000

Small Notes Payable to various providers, stated interest rate of 1.5%, (effective rate of 3.18%), Maturing in 2027 and 2032. Principal and accrued interest is due at maturity date. There is no collateral or other security on the notes.

$ 625,000

Notes payable to various providers as recoverable grants, stated interest rate of 1.5% (effective rate of 3.18%), Return is based on the extent FFN receives repayment from the activities of Fair Food Fund. There is no collateral or other security on the note.

$1,850,000

Total $4,515,574

Less: Discount to effective interest ( 78,053)

Less: Current portion (100,796)

Net Long-Term Debt $4,336,725

See independent auditors’ report
9. LONG-TERM DEBT Continued
Future principal payments on long-term debt are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>100,796</td>
</tr>
<tr>
<td>2024</td>
<td>252,831</td>
</tr>
<tr>
<td>2025</td>
<td>160,950</td>
</tr>
<tr>
<td>2026</td>
<td>2,426,000</td>
</tr>
<tr>
<td>2027</td>
<td>450,000</td>
</tr>
<tr>
<td>thereafter</td>
<td>1,124,997</td>
</tr>
<tr>
<td>Total</td>
<td>$4,515,574</td>
</tr>
</tbody>
</table>

10. RETIREMENT PLAN:

The Company sponsors a 401(k) plan which began in 2016. The safe harbor matching contributions totaled approximately $103,598 (100% of employee deferrals, up to 5% of compensation) for the year ended December 31, 2022. The Company may also make profit-sharing contributions under the plan at the discretion of the board of directors, limited to amounts permitted by the Internal Revenue Code. There were no discretionary profit-sharing contributions made for 2022.

11. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are available for the following purposes at December 31, 2022 (see Note 1 for a description of these programs):

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Double-up Food Bucks</td>
<td>$1,574,162</td>
</tr>
<tr>
<td>FFII</td>
<td>3,102,191</td>
</tr>
<tr>
<td>HUB</td>
<td>487,899</td>
</tr>
<tr>
<td>Other</td>
<td>469,446</td>
</tr>
<tr>
<td>Total</td>
<td>$5,633,698</td>
</tr>
</tbody>
</table>
## CONSOLIDATING STATEMENT OF FINANCIAL POSITION

As of December 31, 2022

### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>FAIR FOOD NETWORK</th>
<th>FAIR FOOD FUND</th>
<th>ELIMINATION</th>
<th>CONSOL - IDATED TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 6,908,165</td>
<td>$ 969,368</td>
<td>$</td>
<td>$ 7,877,533</td>
</tr>
<tr>
<td>with donor restrictions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Grants and interest receivable</td>
<td>2,539,600</td>
<td>98,185</td>
<td>2,637,785</td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td>146,417</td>
<td>146,417</td>
<td>(113,011)</td>
<td>(113,011)</td>
</tr>
<tr>
<td>Allowance for doubtful</td>
<td>(113,011)</td>
<td></td>
<td>(113,011)</td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>4,620,364</td>
<td>1,368,060</td>
<td>5,988,424</td>
<td></td>
</tr>
<tr>
<td>Prepaid expense</td>
<td>328,001</td>
<td></td>
<td>328,001</td>
<td></td>
</tr>
<tr>
<td>Current portion of loans receivable</td>
<td></td>
<td>306,143</td>
<td></td>
<td>306,143</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>$14,429,536</td>
<td>$2,741,756</td>
<td></td>
<td>$17,171,292</td>
</tr>
<tr>
<td><strong>PROPERTY AND EQUIPMENT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>106,197</td>
<td></td>
<td>106,197</td>
<td></td>
</tr>
<tr>
<td>Office furniture and equipment</td>
<td>74,314</td>
<td></td>
<td>74,314</td>
<td></td>
</tr>
<tr>
<td></td>
<td>180,511</td>
<td></td>
<td>180,511</td>
<td></td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(86,964)</td>
<td></td>
<td>(86,964)</td>
<td></td>
</tr>
<tr>
<td><strong>NET PROPERTY AND EQUIPMENT</strong></td>
<td></td>
<td></td>
<td></td>
<td>$93,547</td>
</tr>
<tr>
<td><strong>OTHER ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes receivable, net of current portion</td>
<td>3,014,755</td>
<td>1,841,396</td>
<td>(3,014,755)</td>
<td>1,841,396</td>
</tr>
<tr>
<td>Security deposit</td>
<td>10,750</td>
<td></td>
<td>10,750</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL OTHER ASSETS</strong></td>
<td>$3,025,505</td>
<td>$1,841,396</td>
<td>(3,014,755)</td>
<td>$1,852,146</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$17,548,588</td>
<td>$4,583,152</td>
<td>(3,014,755)</td>
<td>$19,116,985</td>
</tr>
</tbody>
</table>
# FAIR FOOD NETWORK AND SUBSIDIARY

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION

As of December 31, 2022

## LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>FAIR FOOD NETWORK</th>
<th>FAIR FOOD FUND</th>
<th>ELIMINATION</th>
<th>CONSOL - IDATED TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$745,424</td>
<td>$ (8,764)</td>
<td></td>
<td>$736,660</td>
</tr>
<tr>
<td>Grants and redemptions payable</td>
<td>1,205,595</td>
<td>1,205,595</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion of notes payable</td>
<td>178,849</td>
<td>178,849</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued payroll</td>
<td>127,359</td>
<td>127,359</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td>2,257,227</td>
<td>(8,764)</td>
<td></td>
<td>2,248,463</td>
</tr>
</tbody>
</table>

| **LONG-TERM DEBT**     |                   |                |             |                       |
| Notes payable, net of current portion | 4,186,725   | 3,164,755      | (3,014,755) | 4,336,725             |
| Deferred minimum return | 65,542          | -              |             | 65,542                |
| Accrued interest       | 65,542           | 65,542         |             | 65,542                |
| **TOTAL LONG-TERM DEBT** | 4,252,267     | 3,164,755      | (3,014,755) | 4,402,267             |

| **TOTAL LIABILITIES**  | 6,509,494        | 3,155,991      | (3,014,755) | 6,650,730             |

## NET ASSETS

|                        |                   |                |             |                       |
| **Without Donor Restrictions** |            |                |             |                       |
| Operating funds        | 5,405,396         | 1,427,161      |             | 6,832,557             |
| **Total Without Donor Restrictions** | 5,405,396     | 1,427,161      |             | 6,832,557             |

| **With Donor Restrictions** |            |                |             |                       |
| Purpose restricted      | 5,633,698         |                |             | 5,633,698             |
| **TOTAL NET ASSETS**    | 11,039,094       | 1,427,161      |             | 12,466,255            |

| **TOTAL LIABILITIES AND NET ASSETS** | $17,548,588     | $4,583,152     | (3,014,755) | $19,116,985            |

See independent auditors' report

23
### FAIR FOOD NETWORK AND SUBSIDIARY

**CONSOLIDATING STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2022

<table>
<thead>
<tr>
<th></th>
<th>FAIR FOOD NETWORK</th>
<th>FAIR FOOD FUND</th>
<th>ELIMINATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>WITHOUT DONOR</td>
<td>WITH DONOR</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RESTRICTIONS</td>
<td>RESTRICTION</td>
<td>TOTAL</td>
</tr>
<tr>
<td></td>
<td></td>
<td>S</td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$ 9,702</td>
<td>$ 9,702</td>
<td>$ 9,702</td>
</tr>
<tr>
<td>Government grants</td>
<td>11,335,693</td>
<td>11,335,693</td>
<td></td>
</tr>
<tr>
<td>Other grants</td>
<td>2,801,446</td>
<td>2,801,446</td>
<td></td>
</tr>
<tr>
<td>Service fees</td>
<td>20,000</td>
<td>20,000</td>
<td>119,939</td>
</tr>
<tr>
<td>Total Operating Revenues</td>
<td>29,702</td>
<td>14,137,139</td>
<td>14,166,841</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>14,711,422</td>
<td>(14,711,422)</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL OPERATING REVENUES</td>
<td>14,741,124</td>
<td>(574,283)</td>
<td>14,166,841</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>12,771,619</td>
<td>12,771,619</td>
<td>33,067</td>
</tr>
<tr>
<td>Supporting Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and management</td>
<td>1,511,479</td>
<td>1,511,479</td>
<td>983</td>
</tr>
<tr>
<td>Fund development</td>
<td>493,470</td>
<td>493,470</td>
<td></td>
</tr>
<tr>
<td>TOTAL OPERATING EXPENSES</td>
<td>14,776,568</td>
<td>14,776,568</td>
<td>34,050</td>
</tr>
<tr>
<td>**OTHER INCOME (EXPENSE)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other income</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other expense</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPP loan forgiveness</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment income (net)</td>
<td>(380,224)</td>
<td>(380,224)</td>
<td>741</td>
</tr>
<tr>
<td>TOTAL OTHER INCOME (EXPENSE)</td>
<td>(380,224)</td>
<td>(380,224)</td>
<td>741</td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS</strong></td>
<td>(415,668)</td>
<td>(574,283)</td>
<td>(989,951)</td>
</tr>
<tr>
<td><strong>NET ASSETS, JANUARY 1</strong></td>
<td>5,821,365</td>
<td>6,207,981</td>
<td>12,029,346</td>
</tr>
<tr>
<td><strong>NET ASSETS, DECEMBER 31</strong></td>
<td>$ 5,405,697</td>
<td>$ 5,633,698</td>
<td>$ 11,039,395</td>
</tr>
</tbody>
</table>

See independent auditors' report

24
SINGLE AUDIT
To the Board of Trustees of
Fair Food Network

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Fair Food Network, a nonprofit organization, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fair Food Network's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fair Food Network's internal control. Accordingly, we do not express an opinion on the effectiveness of Fair Food Network's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fair Food Network's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ALG Group, CPAs'
East Lansing, MI
September 30, 2023
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Fair Food Network

Opinion on Each Major Federal Program
We have audited Fair Food Network’s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Fair Food Network’s major federal programs for the year ended December 31, 2022. Fair Food Network’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Fair Food Network complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 US code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost principles and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Fair Food Network and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Fair Food Network’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and the provisions of contracts or grant agreements applicable to Fair Food Network’s federal programs.

Auditor’s Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Fair Food Network’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted audit standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting
from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Fair Food Network’s compliance with the requirements of each major federal program as a whole.

In performing and audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Fair Food Network’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Fair Food Network’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform guidance, but not for the purpose of expressing the effectiveness of Fair Food Network’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters
The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control Over Compliance
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors’ Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

THE ALG Group CPAs

ALG Group, CPAs’
East Lansing, MI
September 30, 2023
### FAIR FOOD NETWORK

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended December 31, 2022

<table>
<thead>
<tr>
<th>Federal Agency</th>
<th>Federal Agency Pass-Through Agency</th>
<th>Program</th>
<th>CFDA Number</th>
<th>Identifying Number</th>
<th>Paid to Subrecipients</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Department of Agriculture</strong></td>
<td><strong>National Institute of Food and Agriculture</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gus Schumacher Nutrition Incentive Grants Program</td>
<td>10.331</td>
<td>2019-70030-30400</td>
<td>1,118,157</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gus Schumacher Nutrition Incentive Grants Program</td>
<td>10.331</td>
<td>2021-70034-35367</td>
<td>3,635,120</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gretchen Swanson Center for Nutrition</strong></td>
<td><strong>Gus Schumacher Nutrition Incentive Grants Program</strong></td>
<td>10.331</td>
<td>2019-70030-30415</td>
<td>4,076,636</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total Department of Agriculture**

$ - $ 8,829,913

**Total Federal Awards Expended**

$ - $ 8,829,913

The accompanying notes are an integral part of this Schedule.
NOTE A—BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal award activity of Fair Food Network under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Fair Food Network, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Fair Food Network.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C—INDIRECT COST RATE

Fair Food Network has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance; indirect cost rates are used as indicated in agreements with its grantors where applicable.

NOTE D – RECONCILIATION TO FINANCIAL STATEMENTS

Government Grants per Statement of Activities $11,335,693
LESS: Non-Federal Amounts Included (2,505,780)

Federal Expenditures per SEFA $ 8,829,913

See the schedule of expenditures of federal awards
Section I - Summary of Auditor's Results

Financial Statements Type of auditor's report issued:
Internal control over financial reporting:

Unmodified

☐ Material weakness(es) identified? ______ Yes  X No
☐ Significant deficiency(ies) identified? ______ Yes  X No
Noncompliance material to financial statements noted? ______ Yes  X No

Federal Awards
Internal control over major programs:

☐ Material weakness(es) identified? ______ Yes  X No
☐ Significant deficiency(ies) identified? ______ Yes  X No

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR Section 200.516(a)?

____  Yes  X No

Identification of major programs:

<table>
<thead>
<tr>
<th>CFDA Number(s)</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.331</td>
<td>Gus Schumacher/Food Insecurity Nutrition Incentive Grants Program</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between Type A and Type B programs:  $ 750,000

Auditee qualified as low-risk auditee?  X Yes  __ No

Section II - Financial Statement Findings
NONE

Section III – Federal Award Findings and Questioned Costs
NONE