

WeiserMazars LLP

Island Harvest, Ltd.
Financial Statements
December 31, 2015 and 2014



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Island Harvest, Ltd.
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December 31, 2015 and 2014

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Independent Auditors' Report

Board of Directors
Island Harvest, Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of Island Harvest, Ltd. (a not-for-profit entity) which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Island Harvest, Ltd. as of December 31, 2015 and 2014, 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.

WeiserMazars LLP

July 28, 2016

WEISERMAZARS LLP

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Island Harvest, Ltd.
Statements of Financial Position
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 868,903	\$ 1,081,436
Investments in marketable securities	1,798,433	1,955,391
Grants and contributions receivable	271,366	205,476
Inventory of food and consumer products	175,632	11,257
Property and equipment, net of accumulated depreciation	567,071	607,337
Other assets	34,375	15,419
	<u>3,715,780</u>	<u>3,876,316</u>
Total assets	<u>\$ 3,715,780</u>	<u>\$ 3,876,316</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 238,610	\$ 223,437
Total liabilities	<u>238,610</u>	<u>223,437</u>
Commitments and contingencies		
Net Assets		
Unrestricted	3,313,552	3,526,504
Temporarily restricted	163,618	126,375
Total net assets	<u>3,477,170</u>	<u>3,652,879</u>
Total liabilities and net assets	<u>\$ 3,715,780</u>	<u>\$ 3,876,316</u>

The accompanying notes are an integral part of these financial statements.

Island Harvest, Ltd.
Statement of Activities
Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Donated food	\$ 13,869,448	-	\$ 13,869,448
Contributions	3,142,738	50,137	3,192,875
Government grants	794,725	113,481	908,206
Golf, dinner, and other special events (net of direct expense of \$251,927)	725,300	-	725,300
Investment income	16,384	-	16,384
Other income	110,165	-	110,165
Net assets released from restriction	126,375	(126,375)	-
Total support and revenue	<u>18,785,135</u>	<u>37,243</u>	<u>18,822,378</u>
Expenses			
Program services	17,891,057	-	17,891,057
Management and general	484,672	-	484,672
Fundraising	622,358	-	622,358
Total expenses	<u>18,998,087</u>	<u>-</u>	<u>18,998,087</u>
Change in net assets	(212,952)	37,243	(175,709)
Net assets, beginning	3,526,504	126,375	3,652,879
Net assets, ending	<u>\$ 3,313,552</u>	<u>\$ 163,618</u>	<u>\$ 3,477,170</u>

The accompanying notes are an integral part of these financial statements.

Island Harvest, Ltd.
Statement of Activities
Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Donated food	\$ 14,886,199	\$ -	\$ 14,886,199
Contributions	2,769,853	48,853	2,818,706
Government grants	731,377	77,522	808,899
Golf, dinner, and other special events (net of direct expense of \$349,349)	709,479	-	709,479
Investment income	114,853	-	114,853
Other income	130,332	-	130,332
Net assets released from restriction	139,195	(139,195)	-
Total support and revenue	19,481,288	(12,820)	19,468,468
Expenses			
Program services	18,802,259	-	18,802,259
Management and general	561,619	-	561,619
Fundraising	690,421	-	690,421
Total expenses	20,054,299	-	20,054,299
Change in net assets	(573,011)	(12,820)	(585,831)
Net assets, beginning of year	4,099,515	139,195	4,238,710
Net assets, ending	\$ 3,526,504	\$ 126,375	\$ 3,652,879

The accompanying notes are an integral part of these financial statements.

Island Harvest, Ltd.
Statement of Functional Expenses
Year Ended December 31, 2015

	Program Services	Management and General	Fundraising	Total
Donated food distributed	\$ 13,705,073	\$ -	\$ -	\$ 13,705,073
Payroll	1,321,233	272,019	349,738	1,942,990
Purchased food distributed	992,695	-	-	992,695
Food transportation, storage and distribution	429,197	-	-	429,197
Occupancy, utilities and maintenance	614,992	34,166	34,166	683,324
Payroll taxes and employee benefits	340,673	70,138	90,178	500,989
Professional fees	93,928	70,968	43,833	208,729
Depreciation	127,216	7,067	7,067	141,350
Printing and publications	36,250	12,083	72,499	120,832
Publicity	19,923	-	4,981	24,904
Insurance	80,733	4,485	4,485	89,703
Educational conferences and meetings	22,529	1,752	751	25,032
Bank and finance charges	19,838	2,232	2,728	24,798
Investment fees	13,939	1,568	1,917	17,424
Computer expenses	21,194	2,384	2,914	26,492
Dues and subscriptions	11,796	1,327	1,622	14,745
Other	39,848	4,483	5,479	49,810
Total	\$ 17,891,057	\$ 484,672	\$ 622,358	\$ 18,998,087

The accompanying notes are an integral part of these financial statements.

Island Harvest, Ltd.
Statement of Functional Expenses
Year Ended December 31, 2014

	Program Services	Management and General	Fundraising	Total
Donated food distributed	\$ 15,016,596	\$ -	\$ -	\$ 15,016,596
Payroll	1,158,517	336,344	373,715	1,868,576
Purchased food distributed	676,297	-	-	676,297
Food transportation, storage and distribution	533,551	-	5,389	538,940
Occupancy, utilities and maintenance	491,410	27,301	27,301	546,012
Payroll taxes and employee benefits	315,739	91,666	101,851	509,256
Professional fees	188,723	59,152	33,801	281,676
Depreciation	148,588	8,254	8,254	165,096
Printing and publications	62,227	20,742	124,454	207,423
Publicity	45,364	-	11,341	56,705
Insurance	88,332	13,670	3,155	105,157
Educational conferences and meetings	27,400	2,131	913	30,444
Other	44,815	2,359	-	47,174
Volunteer support and recognition	4,700	-	247	4,947
Total	\$ 18,802,259	\$ 561,619	\$ 690,421	\$ 20,054,299

The accompanying notes are an integral part of these financial statements.

Island Harvest, Ltd.
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ (175,709)	\$ (585,831)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation expense	141,350	165,097
Gain on sale of equipment	(9,000)	
Realized and unrealized loss (gain) on investments	72,699	(27,919)
Donated equipment	(5,295)	(26,015)
Increase (decrease) in cash resulting from changes in operating assets and liabilities		
Grants and contributions receivable	(65,890)	58,944
Inventory	(164,375)	130,397
Other assets	(18,956)	23,663
Accounts payable and accrued expenses	15,173	69,132
Net cash used in operating activities	<u>(210,003)</u>	<u>(192,532)</u>
Cash flows from investing activities		
Sale of marketable securities	143,854	152,002
Purchase of marketable securities	(59,595)	(230,747)
Proceeds from sale of equipment	9,000	-
Purchase of equipment	(95,789)	(8,580)
Net cash used in investing activities	<u>(2,530)</u>	<u>(87,325)</u>
Net decrease in cash and cash equivalents	(212,533)	(279,857)
Cash and cash equivalents		
Beginning	1,081,436	1,361,293
Ending	<u>\$ 868,903</u>	<u>\$ 1,081,436</u>

The accompanying notes are an integral part of these financial statements.

1. Nature of Operations

Island Harvest, Ltd. (the “Organization” or “Island Harvest”), provides food and non-food items, and programs and Services to Long Islanders, including children, adults, seniors, veterans and families of active military personnel who are living with food insecurity and in need, helping them transition from uncertainty to stability. Island Harvest serves approximately 316,000 people in need across Long Island according to the Hunger in America 2014 survey through Feeding America, the nation’s leading domestic hunger-relief charity. The Organization’s mission is *to end hunger and reduce food waste on Long Island* through efficient food and product collection and distribution system, enhanced hunger awareness and nutrition education programs, job training, targeted services for specific populations, and outreach and advocacy activities and initiatives. Island Harvest is among the region’s leading agencies in emergency response readiness for food and product distribution, and support, and is a member of Feeding America. Island Harvest was founded in 1992 by Long Islander Linda Breystone in an effort to create a bridge between those who had excess food and those who needed it. She began collecting good, surplus food that was being discarded at the end of each business day using her station wagon and a cooler. While the Organization is a much larger entity today, Island Harvest has worked hard to retain its legacy work and therefore considers itself a food bank using a food rescue model of moving food quickly and efficiently.

The Island Harvest Centers of Excellence were created in an effort to support the diverse population with equally diverse programming, as described below.

The Island Harvest Center for Food Collection & Distribution

Healthy food and product are sourced from both purchased items and received donations. The Organization partners with more than 800 local businesses, including: major food manufacturers; wholesalers; distributors; supermarkets and other retailers; food service companies; and Long Island farms, who in total donate the majority of our product. In addition, hundreds of companies, organizations and groups generously conduct food drives for Island Harvest. The Organization also receives food and product through the partnership with the nationwide Feeding America network. Island Harvest distributes the food and product to a network of more than 400 registered food pantries, soup kitchens, shelters, day cares, senior centers and other nonprofit organizations with feeding programs throughout Nassau and Suffolk counties. As a result of Island Harvest’s dynamic business model, more than 94% of resources expended goes directly to support our programs and services.

The Island Harvest Center for Combatting Childhood Hunger

Hundreds of thousands of children on Long Island are living with hunger every day during the school year, even as free or reduced school lunches are available to offset the absence of food.

Island Harvest’s *Kids Weekend Backpack Feeding Program* provides packs of nutritious, shelf-stable food to children every Friday who rely on school lunches and breakfasts, but may not receive healthy meals on Saturdays and Sundays. The food packs also contain quarterly newsletters that include age-appropriate, multilingual games and puzzles to encourage healthy eating and information for parents regarding local food resources. Tens of thousands of these food packets are distributed annually and afford children the opportunity to return to school every Monday nourished and better equipped to learn, socialize and excel.

In an effort to continue to support children through the summer months, the *Summer Food Service Program* provides children who are at-risk of hunger with free lunches and snacks during July and August, when they do not have access to the free or reduced school lunches.

In addition, educating the general public about hunger and food insecurity on Long Island is a powerful tool in addressing these challenges. Island Harvest’s *Students Feeding Students* is implemented to bring information about the crisis of childhood hunger to students of all ages.

The Island Harvest Center for Mobile Services

Many of Island Harvest's signature programs and services are mobile, and reach residents who are food insecure across Nassau and Suffolk counties. The *Senior Mobile Food Pantry* delivers fresh produce, protein, shelf-stable food, and product directly to senior citizens and people with disabilities on a weekly basis. Residents may have difficulty reaching local pantries or other feeding programs, but are in need of support. The Mobile Pantry makes visits to subsidized housing facilities and engages trained volunteers and staff members from partner community agencies and organizations to provide information and offer assistance on such topics as elder law, tax preparation, and fall prevention. Island Harvest also partners to provide access to flu shots, health screenings, and nutritional counseling. In addition, another hallmark mobile program---*Operation:HOPE*---supports veterans, active duty personnel, and their families delivering food, product and needed referrals and support from partner organizations.

The Island Harvest Center for Emergency Response

Island Harvest was on the front lines during and immediately after Superstorm Sandy as a main source of food, supplies and support in the hardest hit communities and to first responders. The severity of the hurricane and the damage that was caused exposed the complexity and vulnerability of the networks of the food supply on Long Island. In order to prepare for the next disaster, Island Harvest continues to strengthen its readiness for emergency response.

The Island Harvest Center for Impact Beyond Pounds

Island Harvest tirelessly advocates on behalf of individuals and families affected by hunger throughout the region and nationally to: increase awareness of hunger; encourage the public to get involved and make a difference; and support registered member agencies with holistic solutions to the problems their clients face from hunger and its root causes. Island Harvest's multi-faceted Hunger Awareness programs are implemented to bring information about the prevalence of childhood hunger to students of all ages, corporate teams, community groups, and individuals. The Organization also provides robust mobile education, outreach, mediation and enrollment assistance for Long Islanders who are eligible for *SNAP (food stamps) benefits*, through our *SNAP Outreach Program*. In addition, through programs like *Healthy Foods Healthy Families Initiative*, Island Harvest employs *Nutritional Education Programs* for individuals and families residing in Nassau and Suffolk counties, who are affected by hunger and living with food insecurity.

The Island Harvest Center for Volunteer Services

Over 6,000 registered volunteers make up the heart of Island Harvest. They offer their valuable time and skills by performing a wide variety of services including: lending professional skills; sorting food; hosting food drives; performing office work; participating on Island Harvest's Speakers Bureau---speaking in one, collective voice about hunger and food insecurity throughout Long Island.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of Island Harvest is presented to assist in understanding its financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Cash and Cash Equivalents

For financial statement purposes, Island Harvest considers all unrestricted, highly liquid short-term investments with initial maturities of three months or less to be cash equivalents. At times, Island Harvest had cash on deposit with financial institutions in excess of federally insured limits. Feeding America recommends that their member organizations maintain cash balances sufficient to cover three months of operating expenses, which is in excess of one million dollars for Island Harvest.

Island Harvest, Ltd.
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December 31, 2015 and 2014

Investments

Investments in debt and equity securities are reported at fair value. Unrealized gains and losses on marketable securities are included in the statement of activities.

Income Tax Status

Island Harvest is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and as such is exempt from federal income taxes pursuant to Section 509(a) of the Code. Donations made to Island Harvest qualify for the charitable contribution deduction under Section 170(b)(1)(A) of the Code. The Organization's management believes that there are no income tax uncertainties which would have a material effect on the financial statements. The Organization is no longer subject to examination by federal or state taxing authorities for the years prior to 2012.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the standards, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. In accordance with these standards, donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Net Assets

The net assets of Island Harvest and changes therein are classified and reported according to three classes of net assets as follows:

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. Generally, the donors of these funds permit the Organization to use income earned or capital appreciation on related investments for general or specific purposes.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

Unrestricted - Net assets that are neither permanently nor temporarily restricted by donor imposed stipulations.

Revenue Recognition

Island Harvest follows accounting principles generally accepted in the United States of America for accounting for contributions received and contributions made. Island Harvest recognizes contributions and grants as revenue when they are received or unconditionally pledged.

Island Harvest's primary charitable purpose is to collect and redistribute food and provide support services to other charitable and social welfare organizations and has discretion over the distribution of the donated food. Based on this information, Island Harvest has recorded the donated food as a contribution. The donated food is valued at approximately \$2 per pound based upon a study of national values as adjusted for local market conditions and product mix.

Island Harvest, Ltd.
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Island Harvest recognizes revenue on government grants when reimbursable expenditures under qualified programs are made. Revenue received under government grants is restricted as to the use specified in the grant agreement. Grant contracts are typically fully expended within a one-year cycle. Program service revenue is recognized as services are provided.

Inventory of Food and Consumer Products

At December 31, 2015 and 2014, inventory consists of purchased food valued at cost and donated food and consumer products valued at estimated fair value. During 2015 and 2014, Island Harvest distributed approximately 9,300,000 and 8,100,000 pounds of food, respectively, to other organizations.

Contributed Services

Island Harvest records the value of donated goods and services when there is an objective basis available for measuring their values (see Note 7). Donated services are reported as contribution revenue and expenses only if the services create or enhance a nonmonetary asset, or would typically need to be purchased by the organization if they had not been provided by contribution, require specialized skills, and are provided by individuals with such specialized skills.

In addition, a substantial number of volunteers have donated their time to, and performed a variety of tasks for, Island Harvest, including food collection and distribution, food drives, campaign solicitations, and various committee assignments. For the years ended December 31, 2015 and 2014, these volunteers donated approximately 64,000 and 48,070 hours, respectively. Even though these donated services are valuable to Island Harvest and help to advance Island Harvest's mission, no amounts have been reflected in the financial statements for contributed services inasmuch as such services do not meet the criteria for recognition in the financial statements.

Grants and Contributions Receivable

At December 31, 2015 and 2014, Island Harvest's grants and contributions receivable are comprised of monies due from funding sources for expenditures incurred by, but not yet reimbursed to, Island Harvest and for pledged and contracted amounts not yet received. Grants and contributions receivable are stated at their expected collectible amounts. At December 31, 2015 and 2014, an allowance for uncollectible amounts was not considered necessary.

Property and Equipment

Property and equipment are stated at cost if purchased or estimated at fair market value if contributed. Maintenance and repairs are charged to expense, and betterments are capitalized. Depreciation is computed using the straight-line method over the assets' estimated useful lives, as follows:

Transportation equipment	5-10 years
Computers, and furniture and fixtures	5-7 years
Leasehold improvements	Term of Lease

Functional Expenses

Expenses have been allocated among program services, management and general, and fundraising based on an analysis of personnel time and space utilized for the related activities.

Use of Estimates

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

Island Harvest, Ltd.
Notes to Financial Statements
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Reclassifications

Certain reclassifications have been made to the December 31, 2014, financial statements to conform with the December 31, 2015, presentation.

3. Marketable Securities and Fair Value Measurements

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value and require disclosures about fair value measurements, including a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels explained below:

Level 1 Fair value is based on quoted prices available in active markets for identical investments as of the reporting date.

Level 2 Fair value is based on inputs, other than Level 1, that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability through corroboration with observable market data.

Level 3 Fair value is based on significant unobservable inputs for the asset or liability. These inputs require significant management judgment or estimation. Certain investments valued using a net asset value, or its equivalent, subject to current redemption restrictions that will not be lifted in the near term are included in this category.

The following table summarizes, within the fair value hierarchy, the Organization's investments at fair value as of December 31:

Description	2015			
	Level 1	Level 2	Level 3	Total
Government agency bonds	\$ -	\$ 130,100	\$ -	\$ 130,100
Corporate bonds	-	199,273	-	199,273
Preferred stock	77,760	-	-	77,760
Mutual funds	1,391,300	-	-	1,391,300
	<u>\$ 1,469,060</u>	<u>\$ 329,373</u>	<u>\$ -</u>	<u>\$ 1,798,433</u>

Description	2014			
	Level 1	Level 2	Level 3	Total
Government agency bonds	\$ -	\$ 168,320	\$ -	\$ 168,320
Corporate bonds	-	227,379	-	227,379
Preferred stock	78,000	-	-	78,000
Equities	6,306	-	-	6,306
Mutual funds	1,475,386	-	-	1,475,386
	<u>\$ 1,559,692</u>	<u>\$ 395,699</u>	<u>\$ -</u>	<u>\$ 1,955,391</u>

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The following is a description of the valuation methodologies used for assets measured at fair value:

Corporate bonds: Valued at the closing price reported on the market on which the individual securities are traded.

U.S. government securities: Valued at the closing price reported on the relatively inactive market on which the individual securities are traded.

Mutual funds: Valued at quoted market prices which represent the net asset value of the shares held by the Plan at year-end.

Investments in marketable securities are comprised of the following at December 31:

	2015	
	Cost	Fair Value
Government agency bonds	\$ 128,799	\$ 130,100
Corporate Bonds	197,018	199,273
Preferred Stock	78,205	77,760
Mutual Fund - Foreign	96,439	89,388
Mutual Funds – US Small Cap Value	47,699	56,323
Mutual Funds – US Small Cap Growth	66,267	79,051
Mutual Funds – US Large Cap Value	224,370	220,294
Mutual Funds – US Large Cap Growth	204,635	178,958
Mutual Funds – Bonds	786,432	767,286
	<u>\$ 1,829,864</u>	<u>\$ 1,798,433</u>

	2014	
	Cost	Fair Value
Government agency bonds	\$ 166,105	\$ 168,320
Corporate Bonds	224,992	227,379
Preferred Stock	78,205	78,000
Mutual Fund - Foreign	108,362	106,267
Mutual Funds – US Small Cap Value	53,515	69,007
Mutual Funds – US Small Cap Growth	71,153	84,173
Mutual Funds – US Large Cap Value	204,834	214,612
Mutual Funds – US Large Cap Growth	204,261	203,446
Mutual Funds – Bonds	785,236	797,881
Equities	6,306	6,306
	<u>\$ 1,902,969</u>	<u>\$ 1,955,391</u>

The Organization holds its marketable securities in a Merrill Lynch Wealth Management custodial account.

Investment income is comprised of the following for the year ended December 31:

	2015	2014
Interest and dividends	\$ 80,083	\$ 86,934
Realized and unrealized (losses) gains	(63,699)	27,919
	<u>\$ 16,384</u>	<u>\$ 114,853</u>

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4. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2015</u>	<u>2014</u>
Transportation equipment	\$ 785,365	\$ 830,205
Computers	181,934	93,715
Furniture and fixtures	351,215	345,920
Leasehold improvements	201,709	197,799
	<u>1,520,223</u>	<u>1,467,639</u>
Less: accumulated depreciation	(953,152)	(860,302)
Property and equipment, net of accumulated depreciation	<u>\$ 567,071</u>	<u>\$ 607,337</u>

5. Line of Credit

Island Harvest maintains a revolving line of credit through Citibank, N.A. in the amount of \$300,000. Funds accessed through this line of credit will be subject to an annual interest rate of prime plus 0.25%. The credit line is subject to annual renewals and was not drawn upon at year end.

6. Commitments and Contingencies

Financial awards from state and local governmental entities are received in the form of grants. These grants are subject to subsequent compliance audits. Such audits could result in adjustments to the awards for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any contingencies that may arise from such audits.

Island Harvest leases an office and several warehouses. Effective July 15, 2007, Island Harvest, as subtenant, entered into a sublease for office space for a term of ten years at a cost of \$1 per year. The office sublease was terminated in 2016 and replaced with a new lease for office space being leased free of charge through June, 2019. The warehouse in Uniondale is being leased free of charge on a month-to-month basis. Additional warehouse space in Hauppauge is being leased free of charge on an as-needed basis. For the years ended December 31, 2015 and 2014, Island Harvest recorded \$221,000 and \$230,675, respectively, of donated rent and rent expense, reflected as contributions and occupancy.

Effective May 1, 2011, Island Harvest entered into an agreement to lease office and warehouse space in Hauppauge, New York. The lease is for a three-year term with an option to renew for another three years. Island Harvest exercised its option to renew for an additional three years. Total rent expense for the years ended December 31, 2015 and 2014, was \$186,042 and \$180,167, respectively. The total future minimum lease commitments, including the renewal period, are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 191,916
2017	64,625
Total	<u>\$ 256,541</u>

7. Donated Goods and Services

Island Harvest receives various goods and services which are valued at their fair value at the time of donation.

Island Harvest, Ltd.
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Such donations received have been included on the accompanying statements of functional expenses as follows for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Food	\$ 13,869,448	\$ 14,886,199
Equipment, improvements and furniture and fixtures	5,295	26,015
Occupancy utilities and maintenance	252,208	255,475
Publicity	10,444	47,008
Expenses related to fundraising events	137,370	213,081
Food transportation, storage and distribution	104,478	51,400
Professional fees	20,105	31,506
Other	<u>38,680</u>	<u>4,990</u>
	<u>\$ 14,438,028</u>	<u>\$ 15,515,674</u>

8. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at December 31:

	<u>2015</u>	<u>2014</u>
Disaster relief	\$ 69,209	\$ 52,911
Hunger relief programs	6,298	32,761
Combating Childhood Hunger Programs	52,696	40,476
Other programs	<u>35,415</u>	<u>227</u>
Total	<u>\$ 163,618</u>	<u>\$ 126,375</u>

9. Related Party Transactions

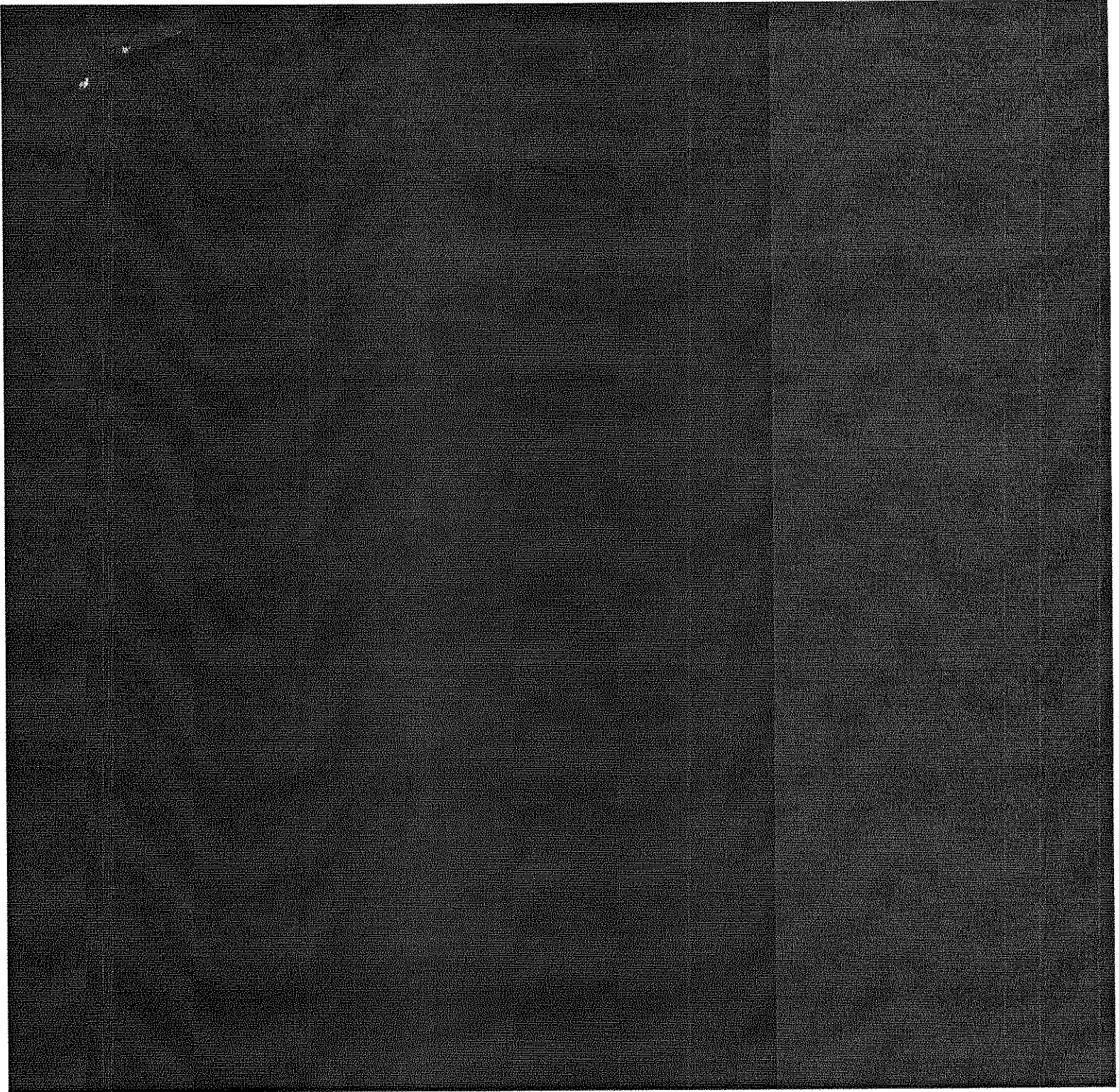
For the years ended December 31, 2015 and 2014, Island Harvest recorded approximately \$550,000 and \$695,000, respectively, in monetary and in-kind contributions from members of the Board of Directors and their related companies. In addition, Island Harvest has made payments for goods and services to the related companies of several members of the Board of Directors of approximately \$258,000 and \$284,000 during the years ended December 31, 2015 and 2014, respectively.

10. Employee Benefit Plans

Island Harvest sponsors a 403(b) thrift plan and a 457(b) plan. The thrift plan covers all full time employees who have met the minimum age and service requirements. The 457(b) plan covers an officer of the Organization. For the years ended December 31, 2015 and 2014, Island Harvest recorded employee benefit contributions of \$54,141 and \$56,675, respectively.

11. Subsequent Events

The Organization has evaluated subsequent events through July 28, 2016, the date the financial statements were available for issuance.



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