

Island Harvest, Ltd.

Financial Statements

December 31, 2016 and 2015

Island Harvest, Ltd.

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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, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Island Harvest's 2015 financial statements and we expressed an unmodified audit opinion on those financial statements in our report dated July 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mazars USA LLP

June 15, 2017

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Island Harvest, Ltd.
Statements of Financial Position
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 690,150	\$ 868,903
Investments in marketable securities	1,837,352	1,798,433
Grants and contributions receivable	403,202	271,366
Inventory of food and consumer products	415,629	175,632
Property and equipment, net of accumulated depreciation	540,466	567,071
Other assets	37,075	34,375
	<u>3,923,874</u>	<u>3,715,780</u>
Total assets	<u>\$ 3,923,874</u>	<u>\$ 3,715,780</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 284,090	\$ 238,610
Deferred income	16,209	-
Total liabilities	<u>300,299</u>	<u>238,610</u>
Commitments and contingencies		
Net Assets		
Unrestricted	3,407,282	3,313,552
Temporarily restricted	216,293	163,618
Total net assets	<u>3,623,575</u>	<u>3,477,170</u>
Total liabilities and net assets	<u>\$ 3,923,874</u>	<u>\$ 3,715,780</u>

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

Island Harvest, Ltd.
Statement of Activities
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total Year Ended December 31, 2015 (For comparison purposes)</u>
Support and revenue				
Donated food	\$ 15,782,789	\$ -	\$ 15,782,789	\$ 13,869,448
Contributions	3,739,039	114,762	3,853,801	3,368,055
Government grants	707,080	101,531	808,611	908,206
Golf, dinner, and other special events (net of direct expense of \$387,033)	531,991	-	531,991	550,073
Investment income	116,028	-	116,028	16,384
Other income	117,430	-	117,430	110,212
Net assets released from restriction	163,618	(163,618)	-	-
Total support and revenue	<u>21,157,975</u>	<u>52,675</u>	<u>21,210,650</u>	<u>18,822,378</u>
Expenses				
Program services	19,804,913	-	19,804,913	17,891,057
Management and general	561,773	-	561,773	484,672
Fundraising	697,559	-	697,559	622,358
Total expenses	<u>21,064,245</u>	<u>-</u>	<u>21,064,245</u>	<u>18,998,087</u>
Change in net assets	93,730	52,675	146,405	(175,709)
Net assets, beginning	<u>3,313,552</u>	<u>163,618</u>	<u>3,477,170</u>	<u>3,652,879</u>
Net assets, ending	<u>\$ 3,407,282</u>	<u>\$ 216,293</u>	<u>\$ 3,623,575</u>	<u>\$ 3,477,170</u>

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

Island Harvest, Ltd.
Statement of Functional Expenses
Year Ended December 31, 2016

	Program Services	Management and General	Fundraising	Total	Total Year Ended December 31, 2015 (For comparison purposes)
Donated food distributed	\$ 15,658,468	\$ -	\$ -	\$ 15,658,468	\$ 13,705,073
Payroll	1,424,896	268,459	371,712	2,065,067	1,942,990
Purchased food distributed	825,827	-	-	825,827	992,695
Occupancy, utilities, and maintenance	540,755	30,042	30,042	600,839	683,324
Payroll taxes and employee benefits	409,113	77,079	106,725	592,917	500,989
Food transportation, storage, and distribution	419,883	-	-	419,883	429,197
Professional fees	85,788	64,818	40,035	190,641	208,729
Printing and publications	42,977	14,326	85,954	143,257	120,832
Depreciation	122,306	6,795	6,794	135,895	141,350
Insurance	95,357	5,297	5,298	105,952	89,703
Capital campaign	-	78,542	26,181	104,723	-
Publicity	25,522	-	6,381	31,903	24,904
Bank and finance charges	24,862	2,797	3,419	31,078	24,798
Computer expenses	23,582	2,653	3,243	29,478	26,492
Educational conferences and meetings	26,305	2,046	876	29,227	25,032
Dues and subscriptions	19,414	2,184	2,669	24,267	14,745
Investment fees	14,556	1,638	2,001	18,195	17,424
Other	45,302	5,097	6,229	56,628	49,810
Total	\$ 19,804,913	\$ 561,773	\$ 697,559	\$ 21,064,245	\$ 18,998,087

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

Island Harvest, Ltd.
Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 146,405	\$ (175,709)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation expense	135,895	141,350
Gain on sale of equipment	-	(9,000)
Realized and unrealized (loss) gain on investments	(48,510)	72,699
Donated equipment	-	(5,295)
Increase (decrease) in cash resulting from changes in operating assets and liabilities		
Grants and contributions receivable	(131,836)	(65,890)
Inventory	(239,997)	(164,375)
Other assets	(2,700)	(18,956)
Deferred income	16,209	-
Accounts payable and accrued expenses	45,480	15,173
Net cash used in operating activities	<u>(79,054)</u>	<u>(210,003)</u>
Cash flows from investing activities		
Sale of marketable securities	403,993	143,854
Purchase of marketable securities	(394,402)	(59,595)
Proceeds from sale of equipment	-	9,000
Purchase of equipment	(109,290)	(95,789)
Net cash used in investing activities	<u>(99,699)</u>	<u>(2,530)</u>
Net decrease in cash and cash equivalents	(178,753)	(212,533)
Cash and cash equivalents		
Beginning	868,903	1,081,436
Ending	<u>\$ 690,150</u>	<u>\$ 868,903</u>

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

1. Nature of Operations

Island Harvest, Ltd.'s (the "Organization" or "Island Harvest"), mission is *to end hunger and reduce food waste on Long Island* through efficient food collection and distribution; hunger awareness and nutrition education programs; job training; direct services targeted at children, senior citizens, veterans, and others at risk of food insecurity. Island Harvest has achieved a four-star rating by Charity Navigator, their highest rating, three years running. Charity Navigator recognized Island Harvest with a certificate noting that a 4-star rating verifies that Island Harvest exceeds industry standards and outperforms most charities in its area of work. Only 14% of the charities it evaluates have received at least 3 consecutive 4-star evaluations, indicating that Island Harvest outperforms most other charities in America.

The Island Harvest Centers of Excellence were created to assist the diverse population it supports across Long Island with equally diverse programs. They are carried out through the following programs:

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 and Long Island farms, who donate the majority of our product. In addition, hundreds of companies, organizations and groups generously conduct food drives; collecting canned foods and personal care items for people in need. Island Harvest distributes the food and product to a partner 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

It is estimated that more than 90,000 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. 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.

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 children about fresh fruits and vegetables and also providing produce for them to take home and share with their families through our *Youth Produce Project*, expands the opportunities for children to become exposed to nutritious foods. Island Harvest partners with school districts in high poverty areas to increase access for all students to the national free school lunch/breakfast program. Through our work, we engage community organizations to increase SNAP outreach which in turn assists school districts with meeting the requirements for Community Eligibility Provisions.

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

Approximately 8,000 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 and various task forces---working and 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 December 31, 2016, Island Harvest had cash on deposit with financial institutions in excess of federally insured limits of \$399,302. 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.
Notes to Financial Statements
December 31, 2016 and 2015

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.

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.
Notes to Financial Statements
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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, 2016 and 2015, inventory consists of purchased food valued at cost and donated food and consumer products valued at estimated fair value. During 2016 and 2015, Island Harvest distributed approximately 10,100,000 and 9,300,000 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, 2016 and 2015, these volunteers donated approximately 66,700 and 64,000 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, 2016 and 2015, 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, 2016 and 2015, 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	Lesser of Term of Lease or Estimated Useful Life

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
December 31, 2016 and 2015

Reclassifications

Certain reclassifications have been made to the December 31, 2015, financial statements to conform with the December 31, 2016, presentation.

Comparative Financial Information

The 2015 financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Island Harvest's financial statement for the year ended December 31, 2015, from which the information was derived.

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:

<u>Description</u>	2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government agency bonds	\$ -	\$ 136,580	\$ -	\$ 136,580
Corporate bonds	-	141,871	-	141,871
Mutual funds	1,558,901	-	-	1,558,901
	<u>\$ 1,558,901</u>	<u>\$ 278,451</u>	<u>\$ -</u>	<u>\$ 1,837,352</u>

<u>Description</u>	2015			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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>

Island Harvest, Ltd.
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The following is a description of the valuation methodologies used for assets measured at fair value:

Preferred stock: Valued at the closing price reported on the market on which the individual securities are traded.

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

U.S. government agency bonds: 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:

	2016	
	Cost	Fair Value
Government agency bonds	\$ 135,483	\$ 136,580
Corporate Bonds	140,966	141,871
Mutual Fund - Foreign	32,158	31,736
Mutual Funds – US Small Cap Value	58,712	75,200
Mutual Funds – US Small Cap Growth	74,689	96,253
Mutual Funds – US Large Cap Value	246,223	254,576
Mutual Funds – US Large Cap Growth	214,191	203,680
Mutual Funds – Bonds	911,596	897,456
	<u>\$ 1,814,018</u>	<u>\$ 1,837,352</u>

	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>

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:

	2016	2015
Interest and dividends	\$ 67,518	\$ 80,083
Realized and unrealized gains (losses)	48,510	(63,699)
	<u>\$ 116,028</u>	<u>\$ 16,384</u>

Island Harvest, Ltd.
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4. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2016</u>	<u>2015</u>
Transportation equipment	\$ 785,365	\$ 785,365
Computers	261,967	181,934
Furniture and fixtures	380,472	351,215
Leasehold improvements	201,709	201,709
	<u>1,629,513</u>	<u>1,520,223</u>
Less: accumulated depreciation	<u>(1,089,047)</u>	<u>(953,152)</u>
Property and equipment, net of accumulated depreciation	<u>\$ 540,466</u>	<u>\$ 567,071</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, 2016 and 2015, Island Harvest recorded \$142,500 and \$221,000, 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 five years. Island Harvest exercised its option to renew for an additional five years. Total rent expense for the years ended December 31, 2016 and 2015, was \$191,917 and \$186,042, respectively. The total future minimum lease commitments, including the renewal period, are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 196,460
2018	203,026
2019	211,147
2020	219,593
. Thereafter	<u>305,491</u>
Total	<u>\$ 1,135,717</u>

Effective April 7, 2017, Island Harvest entered into an agreement to lease warehouse space in Calverton, NY for a term of twenty years at an annual rent of \$1 per year.

Island Harvest, Ltd.
Notes to Financial Statements
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7. Donated Goods and Services

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

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

	<u>2016</u>	<u>2015</u>
Food	\$ 15,782,789	\$ 13,869,448
Equipment, improvements and furniture and fixtures	29,258	5,295
Occupancy utilities and maintenance	168,100	252,208
Publicity	20,228	10,444
Expenses related to fundraising events	242,895	137,370
Food transportation, storage and distribution	80,887	104,478
Professional fees	14,666	20,105
Other	<u>9,335</u>	<u>38,680</u>
	<u>\$ 16,348,158</u>	<u>\$ 14,438,028</u>

8. Temporarily Restricted Net Assets

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

	<u>2016</u>	<u>2015</u>
Disaster relief	\$ 69,210	\$ 69,210
Hunger relief programs	6,897	6,297
Combating Childhood Hunger Programs	84,810	52,696
Other programs	<u>55,376</u>	<u>35,415</u>
Total	<u>\$ 216,293</u>	<u>\$ 163,618</u>

9. Related Party Transactions

For the years ended December 31, 2016 and 2015, Island Harvest recorded approximately \$809,000 and \$550,000, 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 \$277,000 and \$258,000 during the years ended December 31, 2016 and 2015, 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, 2016 and 2015, Island Harvest recorded employee benefit contributions of \$67,297 and \$54,141, respectively.

11. Subsequent Events

The Organization has evaluated subsequent events through June 15, 2017, the date the financial statements were available for issuance.