

# **Island Harvest, Ltd.**

**Financial Statements**

**Years Ended June 30, 2020 and 2019**



# Island Harvest, Ltd.

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## *Independent Auditors' Report*

To the Board of Directors of  
*Island Harvest, Ltd.*

We have audited the accompanying financial statements of Island Harvest, Ltd. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, 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 June 30, 2020 and 2019, 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.

*Mazars USA LLP*

November 18, 2020

MAZARS USA LLP  
135 WEST 50TH STREET – NEW YORK, NEW YORK – 10020  
TEL: 212.812.7000 – FAX: 212.375.6888 – WWW.MAZARSUSA.COM

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# Island Harvest, Ltd.

## Statements of Financial Position

June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 4,577,195	\$ 1,576,425
Investment in marketable securities, at fair value	1,631,857	1,857,402
Grants and contributions receivable, net	2,002,943	958,419
Inventory of food and consumer products	1,875,059	1,008,576
Property and equipment, net	531,108	272,612
Other assets	34,905	38,890
	<u>10,653,067</u>	<u>5,712,324</u>
Total assets	<u>\$ 10,653,067</u>	<u>\$ 5,712,324</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 281,076	\$ 284,664
Notes payable	465,700	-
Deferred income	-	406,169
Total liabilities	<u>746,776</u>	<u>690,833</u>
Commitments and contingencies		
Net Assets		
Without donor restrictions	7,279,077	2,539,261
With donor restrictions	2,627,214	2,482,230
Total net assets	<u>9,906,291</u>	<u>5,021,491</u>
Total liabilities and net assets	<u>\$ 10,653,067</u>	<u>\$ 5,712,324</u>

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

# Island Harvest, Ltd.

## Statements of Activities

Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Donated food	\$ 21,933,619	\$ -	\$ 21,933,619	\$ 17,326,034	\$ -	\$ 17,326,034
Contributions	9,768,487	565,955	10,334,442	2,015,636	1,926,662	\$ 3,942,298
Capital campaign	-	459,305	459,305	-	1,247,516	\$ 1,247,516
Government grants	1,173,356	-	1,173,356	965,068	-	\$ 965,068
Golf event (net of direct expenses of \$84,303 and \$74,607, respectively)	117,028	-	117,028	218,064	-	\$ 218,064
Dinner, and other special events (net of direct expense of \$47,353 and \$68,385, respectively)	283,805	-	283,805	388,319	-	\$ 388,319
Investment income, net	73,970	-	73,970	130,970	-	\$ 130,970
Other income	41,748	-	41,748	20,379	-	\$ 20,379
Net assets released from restrictions	880,276	(880,276)	-	2,007,096	(2,007,096)	\$ -
Total support and revenue	<u>34,272,289</u>	<u>144,984</u>	<u>34,417,273</u>	<u>23,071,566</u>	<u>1,167,082</u>	<u>24,238,648</u>
Expenses						
Program services	27,932,521	-	27,932,521	21,898,515	-	\$ 21,898,515
Management and general	732,904	-	732,904	620,790	-	\$ 620,790
Fundraising	867,048	-	867,048	673,438	-	\$ 673,438
Total expenses	<u>29,532,473</u>	<u>-</u>	<u>29,532,473</u>	<u>23,192,743</u>	<u>-</u>	<u>23,192,743</u>
Change in net assets	4,739,816	144,984	4,884,800	(121,177)	1,167,082	1,045,905
Net assets, beginning	<u>2,539,261</u>	<u>2,482,230</u>	<u>5,021,491</u>	<u>2,660,438</u>	<u>1,315,148</u>	<u>3,975,586</u>
Net assets, ending	<u>\$ 7,279,077</u>	<u>\$ 2,627,214</u>	<u>\$ 9,906,291</u>	<u>\$ 2,539,261</u>	<u>\$ 2,482,230</u>	<u>\$ 5,021,491</u>

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

# Island Harvest, Ltd.

## Statements of Functional Expenses

Years Ended June 30, 2020 and 2019

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Donated food distributed	\$ 21,067,136	\$ -	\$ -	\$ 21,067,136	\$ 17,464,192	\$ -	\$ -	\$ 17,464,192
Purchased food distributed	2,795,143	-	-	2,795,143	1,003,624	-	-	1,003,624
Payroll	1,774,889	361,928	452,898	2,589,715	1,578,812	315,762	360,871	2,255,445
Payroll taxes and employee benefits	499,116	101,778	127,359	728,253	448,405	89,681	102,492	640,578
Occupancy, utilities, and maintenance	760,688	42,260	42,260	845,208	591,494	32,861	32,861	657,216
Food transportation, storage, and distribution	376,215	-	-	376,215	366,208	-	-	366,208
Professional fees	32,521	109,517	85,509	227,547	38,109	93,368	59,070	190,547
Printing and publications	40,402	13,467	80,804	134,673	35,644	11,881	71,285	118,810
Depreciation	87,275	4,848	4,848	96,971	122,992	6,832	6,832	136,656
Insurance	109,259	6,070	6,070	121,399	88,433	4,913	4,913	98,259
Dinner and other special events	-	-	47,353	47,353	-	-	68,385	68,385
Golf	-	-	84,303	84,303	-	-	74,607	74,607
Postage	-	50,186	16,729	66,915	-	48,467	16,156	64,623
Bank and finance charges	62,879	7,074	8,646	78,599	1,251	141	172	1,564
Computer expenses	39,486	4,442	5,429	49,357	21,439	2,412	2,948	26,799
Educational conferences and meetings	29,148	2,267	971	32,386	29,992	2,332	999	33,323
Dues and subscriptions	27,839	3,132	3,828	34,799	20,964	2,358	2,882	26,204
Publicity	115,632	13,009	15,899	144,540	33,284	3,744	4,577	41,605
Other	114,893	12,926	15,798	143,617	53,672	6,038	7,380	67,090
<b>Total expenses</b>	<b>27,932,521</b>	<b>732,904</b>	<b>998,704</b>	<b>29,664,129</b>	<b>21,898,515</b>	<b>620,790</b>	<b>816,430</b>	<b>23,335,735</b>
Less: golf, dinner and other special events	-	-	(131,656)	(131,656)	-	-	(142,992)	(142,992)
<b>Net expenses reported by function on the statement of activities</b>	<b>\$ 27,932,521</b>	<b>\$ 732,904</b>	<b>\$ 867,048</b>	<b>\$ 29,532,473</b>	<b>\$ 21,898,515</b>	<b>\$ 620,790</b>	<b>\$ 673,438</b>	<b>\$ 23,192,743</b>

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

# Island Harvest, Ltd.

## Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 4,884,800	\$ 1,045,905
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	96,971	136,656
Realized and unrealized loss (gain) on marketable securities	6,576	(63,571)
Deferred rent	23,980	-
Loss on sale of equipment	41,431	-
Increase (decrease) in cash resulting from changes in operating assets and liabilities		
Grants and contributions receivable	(1,044,524)	(806,497)
Inventory of food and consumer products	(866,483)	138,159
Other assets	3,985	(3,154)
Deferred income	(406,169)	6,786
Accounts payable and accrued expenses	(27,565)	20,951
Net cash provided by operating activities	<u>2,713,002</u>	<u>475,235</u>
Cash flows from investing activities		
Purchase of marketable securities	(372,936)	(171,506)
Sale of marketable securities	591,904	187,623
Proceeds from the sale of equipment	68,800	-
Purchase of equipment	(465,701)	(2,000)
Net cash (used in) provided by investing activities	<u>(177,932)</u>	<u>14,117</u>
Cash flows from financing activities		
Proceeds from notes payable	465,700	-
Net cash provided by investing activities	<u>465,700</u>	<u>-</u>
Net increase in cash and cash equivalents	3,000,770	489,352
Cash and cash equivalents		
Beginning	1,576,425	1,087,073
Ending	<u>\$ 4,577,195</u>	<u>\$ 1,576,425</u>

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

## *Notes to Financial Statements* *June 30, 2020 and 2019*

### 1. Nature of Operations

Island Harvest, Ltd. (the “Organization”, “Island Harvest”, or “Island Harvest Food Bank”), provides food and non-food items, and programs and services to Long Islanders, including children, adults, seniors, veterans, and families of active military personnel and veterans who are living with food insecurity and in need, helping them transition from uncertainty to stability. Island Harvest serves hundreds of thousands of people in need across Long Island according to the Hunger in America 2014 survey through Feeding America, the nation’s leading domestic hunger-relief organization. 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 thus recognizing that it takes much more than a can of food to end hunger on Long Island. Three of our larger initiatives now include our SNAP (Food Stamp) enrollment program, organic farming and nutrition plus services. 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 Breitstone in an effort to create a bridge between those who had excess food and those who needed it. She began collecting goods, 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. This model enables the organization to turn its inventory quickly and efficiently. Among the many varieties of products the organization procures and delivers include millions of pounds of spices, canned foods, frozen meats, fresh produce, personal care items, furniture and more.

When not responding to disasters such as the COVID-19 pandemic, Island Harvest has the Centers of Excellence 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 1,000 local businesses, companies, organizations and groups. 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 community based 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 cost 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. 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.



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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 breakfast, lunches and snacks during July and August, when they do not have access to the free or reduced cost school lunches. Additionally, Island Harvest's Youth Produce Project, School Pantry Program and Nutrition Education programs continue to support the crisis of childhood hunger across Long Island.

### **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. 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 Services**

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 Volunteer Services**

Over 14,000 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. The organization is proud of its dedicated volunteer corps who donated more than 57,000 hours of time, talent and treasure in the past year.

### **Capital Campaign**

Island Harvest Food Bank launched its' first capital campaign entitled, The kNOw Hunger Campaign. This is an initiative designed to fund the purchase of a new building, and programmatic growth thus allowing us Island Harvest to serve more Long Islanders in need. The program reached its' initial goal of \$5 million during the current fiscal year. A second phase of Island Harvest's capital campaign has been launched to continue Island Harvest's important work.

## **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. 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 or demonstrate a positive working capital in each of the two preceding fiscal years.

The Organization maintains its cash accounts with financial institutions, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. At June 30, 2020, the Organization's uninsured cash balance totaled approximately \$4,449,000.

## **Island Harvest, Ltd.**

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### **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.

### **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.

### **Net Assets**

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

#### **Without Donor Restrictions**

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the "Board") and/or management for general operating purposes. The Board may designate a portion of these net assets for a specific purpose which makes them unavailable for use at management's discretion.

#### **With Donor Restrictions**

Net assets with donor restrictions consist of assets where use is limited by the donor-imposed time and / or purpose restrictions. When a donor restriction expires, that is, when a time restriction ends, or purpose restriction is accomplished, the net assets are reclassified to the category of net assets without donor restrictions and reported in the statement of activities and change in net assets, as net assets released from restrictions.

At June 30, 2020 and 2019, there were no net assets with Board designations.

### **Contributions**

Island Harvest reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, the net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

### **Contributions Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows discounted to fair value using an appropriate interest rate applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met and are reflected as deferred revenue in the accompanying statement of financial position.

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.

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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. Grants and contributions received but not yet earned as of fiscal year-end are recorded as deferred revenue.

### **Inventory of Food and Consumer Products**

At June 30, 2020 and 2019, inventory consists of purchased food valued at cost and donated food and consumer products valued at estimated fair value. For the year ended June 30, 2020 and 2019, Island Harvest distributed approximately 12,822,000 and 9,824,000 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 11). 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 year ended June 30, 2020 and 2019, these volunteers donated approximately 57,212 and 93,697 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.

### **Revenue Recognition**

Island Harvest has adopted Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers" (Topic 606), as amended as management believes the standard improves the usefulness and understandability of Island Harvest's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Island Harvest recognizes revenue, and therefore no changes to previously issued financial statements were required on retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Revenue from special events such as the Golf Event and Annual Dinner are recognized at a point in time when the event takes place.

### **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

Leasehold improvements are amortized over the shorter of the remaining term of the lease or the useful life of the improvement utilizing the straight-line method.

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### Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. A portion of management and general costs that benefit multiple functional areas (indirect costs) have been allocated across programs and other supporting services based on reasonable ratios determined by management based upon utilization of staff time or use of resources.

### 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.

### 3. Grants and Contributions Receivable

At June 30, 2020 and 2019, 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 expected to be collected are as follows:

	<u>2020</u>	<u>2019</u>
Amounts due in less than one year	\$ 539,395	\$ 454,236
Amounts due in one to five years	<u>1,646,532</u>	<u>606,400</u>
Total grants and contributions receivable	2,185,927	1,060,636
Less: discount to present value	(97,504)	(16,737)
Less: allowance for doubtful accounts	<u>(85,480)</u>	<u>(85,480)</u>
Total grants and contributions receivable, net	<u>\$ 2,002,943</u>	<u>\$ 958,419</u>

### 4. 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.

## Island Harvest, Ltd.

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 June 30:

Description	2020			
	Level 1	Level 2	Level 3	Total
Government agency bonds	\$ -	\$ 52,928	\$ -	\$ 52,928
Corporate bonds	-	127,013	-	127,013
Mutual funds	1,451,916	-	-	1,451,916
	<u>\$ 1,451,916</u>	<u>\$ 179,941</u>	<u>\$ -</u>	<u>\$ 1,631,857</u>

  

Description	2019			
	Level 1	Level 2	Level 3	Total
Government agency bonds	\$ -	\$ 100,970	\$ -	\$ 100,970
Corporate bonds	-	69,851	-	69,851
Mutual funds	1,686,581	-	-	1,686,581
	<u>\$ 1,686,581</u>	<u>\$ 170,821</u>	<u>\$ -</u>	<u>\$ 1,857,402</u>

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.

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 June 30:

	2020	
	Cost	Fair Value
Government agency bonds	\$ 52,636	\$ 52,928
Corporate bonds	115,651	127,013
Mutual fund - Foreign	38,672	36,747
Mutual funds – US Large Cap Value	242,422	230,016
Mutual funds – US Large Cap Growth	34,613	53,310
Mutual funds – US Large Blend	178,169	166,848
Mutual funds – Bonds	935,676	964,995
	<u>\$ 1,597,839</u>	<u>\$ 1,631,857</u>

  

	2019	
	Cost	Fair Value
Government agency bonds	\$ 101,321	\$ 100,970
Corporate bonds	66,212	69,851
Mutual fund - Foreign	61,041	68,773
Mutual funds – US Large Cap Value	287,159	324,449
Mutual funds – US Large Cap Growth	55,465	90,948
Mutual funds – US Large Blend	199,213	195,277
Mutual funds – Bonds	995,931	1,007,134
	<u>\$ 1,766,342</u>	<u>\$ 1,857,402</u>

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The Organization holds its marketable securities in a Merrill Lynch Wealth Management custodial account. Investment income is comprised of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 87,102	\$ 82,679
Realized and unrealized gain/(loss)	(6,576)	63,571
Fees	(6,556)	(15,280)
	<u>\$ 73,970</u>	<u>\$ 130,970</u>

### 5. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Transportation equipment	\$ 786,183	\$ 785,365
Computers	286,501	286,501
Furniture and fixtures	442,744	383,241
Leasehold improvements	210,262	210,262
	<u>1,725,690</u>	<u>1,665,369</u>
Less: accumulated depreciation	(1,194,582)	(1,392,757)
Property and equipment, net of accumulated depreciation	<u>\$ 531,108</u>	<u>\$ 272,612</u>

### 6. Notes Payable

On April 29, 2020, Island Harvest secured a loan from a bank for \$465,700 through the U.S. Small Business Administration's Paycheck Protection Program. The loan has an interest rate of 1% and matures at April 29, 2022. The Island Harvest expects that a portion or all of the loan may be forgiven in accordance with the provision of the paycheck protection program.

Island Harvest is following the provisions of ASC 405-20-1 which states a debtor shall derecognize a liability if and only if it has been extinguished. A liability has been extinguished if either of the following conditions is met:

- The debtor pays the creditor and is relieved of its obligation for the liability
- The debtor is legally released from being the primary obligor under the liability, either judicially or by the creditor.

Accordingly, Island Harvest will record forgiveness of debt for amounts forgiven under the Paycheck Protection Program when such amounts are formally forgiven

### 7. Line of Credit

Island Harvest maintains a revolving line of credit with a bank in the amount of \$400,000. Funds accessed through this line of credit will be subject to an annual interest rate at the bank's current index (3.25% per annum at June 30, 2020). The credit line matures on May 1, 2021 and was not drawn upon at year-end.

## Island Harvest, Ltd.

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### 8. Liquidity and Availability

The Island Harvest's financial assets available within one year of the statement of financial position date for general expenditures is as follows:

#### Liquidity Management

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due. As more fully described in Note 7, the Organization also has a committed line of credit in the amount of \$400,000, which could be drawn upon in the event of an unanticipated liquidity need. The investments can easily be liquidated when such funds are needed for grants and other obligations.

	June 30, 2020
Cash and cash equivalents	\$ 4,577,195
Grants and contribution receivable	2,002,943
Investments	<u>1,631,857</u>
Total financial assets available within one year	8,211,995
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Net assets restricted by Donors	<u>2,627,214</u>
Total amounts available for general expenditures within one year	<u>\$ 5,584,781</u>

### 9. 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 1, 2016, Island Harvest entered into an agreement to lease office space in Bethpage, NY for a term of three years free of charge followed by month-to-month terms. The warehouse in Uniondale, NY is being leased free of charge on a month-to-month basis. For the years ended June 30, 2020 and 2019, Island Harvest recorded \$92,760 and \$91,882, respectively of donated rent and rent expense, reflected as contributions and occupancy. Effective May 15, 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. For the years ended June 30, 2020 and 2019, Island Harvest recorded \$127,296 of donated rent and rent expense from the Calverton lease, reflected as contributions and occupancy.

Island Harvest leases office and warehouse space in Hauppauge, New York under a non-cancellable operating lease expiring on April 30, 2022. Total rent expense for the years ended June 30, 2020 and 2019 was \$215,316 and \$207,034, respectively.

## Island Harvest, Ltd.

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The total future minimum lease commitments, including the renewal period, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 223,928
2022	192,786
Total	<u>\$ 416,714</u>

### 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 June 30, 2020 and 2019, Island Harvest recorded employee benefit contributions of \$76,938 and \$70,956, respectively.

### 11. 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 in contributions on the accompanying statement of functional expenses as follows for the year ended June 30:

	<u>2020</u>	<u>2019</u>
Food	\$ 21,933,619	\$ 17,326,034
Occupancy utilities and maintenance	311,977	241,153
Expenses related to fundraising events	108,376	87,267
Professional fees	6,373	24,584
Other	28,890	7,352
	<u>\$ 22,389,235</u>	<u>\$ 17,686,390</u>

### 12. Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes or periods at June 30:

	<u>2020</u>	<u>2019</u>
Disaster relief	\$ -	\$ 16,097
Hunger relief programs	-	-
Combating Childhood Hunger Programs	188,654	211,603
Capital Campaign	1,946,856	1,491,078
Capital Campaign - time restricted	491,704	752,587
Other programs	-	10,865
Total	<u>\$ 2,627,214</u>	<u>\$ 2,482,230</u>

### 13. Related Party Transactions

For the years ended June 30, 2020 and 2019, Island Harvest recorded approximately \$386,000 (of which \$180,000 was for the capital campaign) and \$814,000 (of which \$397,000 was for the capital campaign), 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 \$26,000 and \$23,000 for the years ended June 30, 2020 and 2019, respectively.



### **14. COVID-19 Pandemic**

In March of 2020, a public emergency was declared in the United States related to a novel strain of coronavirus ("COVID-19"). The spread of COVID-19 around the world in 2020 has caused significant volatility in the U.S. and international markets. Island Harvest has seen an increase in donations and contributions, as well as related increased distribution of goods. However, there is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies. Accordingly, future impact on Island Harvest's operations is unknown.

### **15. Subsequent Events**

Island Harvest has evaluated subsequent events through November 18, 2020, the date the financial statements were available for issuance.



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