



ISLAND HARVEST, LTD.

*CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2021*

ISLAND HARVEST, LTD.

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TABLE OF CONTENTS**

Independent Auditors' Report 1

Audited Consolidated Financial Statements

Consolidated Statement of Financial Position 3
Consolidated Statement of Activities 4
Consolidated Statement of Functional Expenses..... 5
Consolidated Statement of Cash Flows 6
Notes to Consolidated Financial Statements..... 7



INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Island Harvest LTD and its Affiliate
126 Spagnoli Road
Melville, NY 11747

We have audited the accompanying consolidated financial statements of Island Harvest LTD (a not-for-profit organization) and its affiliate (collectively, the "Organization") which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2021, 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.

Other Matter

The financial statements of the Organization for the year ended June 30, 2020, before the restatement described in Note 11, were audited by another auditor whose report dated November 18, 2020, expressed an unmodified opinion on those statements.

As part of our audit of the consolidated financial statements for the year ended June 30, 2021, we also audited the adjustment described in Note 11 that was applied to restate the financial statements for the year ended June 30, 2020. In our opinion, this adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the financial statements for the year ended June 30, 2020 of the Organization other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the financial statements for the year ended June 30, 2020 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2021 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Cerini & Associates LLP

Bohemia, New York
December 6, 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Current Assets:

Cash and cash equivalents.....	\$	2,491,912
Investments.....		2,909,320
Current portion of contributions receivable, net of allowance for doubtful accounts and present value discount.....		1,502,227
Grants receivable.....		1,185,750
Inventory of food and consumer products.....		1,416,096
Other current assets.....		<u>37,925</u>
TOTAL CURRENT ASSETS		9,543,230

Long-term portion of contributions receivable, net of allowance for doubtful accounts and present value discount.....		763,969
Property and equipment, net of accumulated depreciation.....		<u>9,095,499</u>

TOTAL ASSETS \$ 19,402,698

LIABILITIES AND NET ASSETS

Current Liabilities:

Current portion of note payable.....	\$	1,719,340
Accounts payable and accrued expenses.....		513,113
Other current liabilities.....		<u>7,000</u>
TOTAL CURRENT LIABILITIES		2,239,453

Long-term portion of note payable.....		<u>3,000,660</u>
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TOTAL LIABILITIES 5,240,113

Net Assets:

Without donor restrictions.....		11,674,621
With donor restrictions.....		<u>2,487,964</u>

TOTAL NET ASSETS 14,162,585

TOTAL LIABILITIES AND NET ASSETS \$ 19,402,698

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Donated food.....	\$ 28,241,759	\$ -	\$ 28,241,759
Contributions.....	9,986,486	2,117,612	12,104,098
Government grants.....	4,939,581	557,417	5,496,998
Special events, net of direct benefit to donors.....	427,122	-	427,122
Investment income, net of advisory fees.....	194,850	-	194,850
Loan forgiveness income.....	465,700	-	465,700
Other income.....	32,343	-	32,343
Net assets released from restriction.....	4,138,849	(4,138,849)	-
TOTAL SUPPORT AND REVENUE	48,426,690	(1,463,820)	46,962,870
EXPENSES			
Program services.....	40,642,377	-	40,642,377
Management and general.....	1,140,950	-	1,140,950
Fundraising.....	923,249	-	923,249
TOTAL EXPENSES	42,706,576	-	42,706,576
CHANGE IN NET ASSETS	5,720,114	(1,463,820)	4,256,294
Net assets, beginning of year, as restated.....	5,954,507	3,951,784	9,906,291
Net assets, end of year.....	\$ 11,674,621	\$ 2,487,964	\$ 14,162,585

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	Program Services	Management and General	Fundraising	Total
Donated food distributed.....	\$ 29,052,838	\$ -	\$ -	\$ 29,052,838
Purchased food distributed.....	5,289,957	-	-	5,289,957
Salaries.....	2,776,896	657,818	496,515	3,931,229
Payroll taxes and fringe benefits.....	721,903	170,972	129,072	1,021,947
Occupancy, utilities, and maintenance.....	1,279,432	71,080	71,079	1,421,591
Food transportation, storage, and distribution....	506,188	-	-	506,188
Professional fees.....	29,698	120,912	61,516	212,126
Printing and publications.....	32,167	10,722	64,333	107,222
Depreciation.....	196,090	10,893	10,894	217,877
Insurance.....	189,116	10,505	10,508	210,129
Postage.....	-	29,347	9,783	39,130
Bank and finance charges.....	69,044	7,767	9,494	86,305
Computer expenses.....	52,276	5,881	7,188	65,345
Educational conferences and meetings.....	19,654	1,529	654	21,837
Dues and subscriptions.....	15,927	1,792	2,190	19,909
Publicity.....	88,562	9,963	12,177	110,702
Interest.....	79,500	4,417	4,416	88,333
Program supplies.....	125,464	14,115	17,251	156,830
Other.....	117,665	13,237	16,179	147,081
TOTAL EXPENSES	\$ 40,642,377	\$ 1,140,950	\$ 923,249	\$ 42,706,576

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets.....	\$	4,256,294
<u>Adjustments to reconcile change in net assets to net cash provided by operating activities:</u>		
Depreciation.....		217,877
Unrealized investment gains.....		(290,131)
Loan forgiveness income.....		(465,700)
<u>Changes in operating assets and liabilities:</u>		
Contributions receivable.....		(474,193)
Grants receivable.....		(974,810)
Inventory of food and consumer items.....		458,963
Other current assets.....		(16,728)
Other long-term assets.....		13,708
Accounts payable and accrued expenses.....		232,037
Other current liabilities.....		7,000
		<u>7,000</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		2,964,317

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments.....		(1,193,587)
Sales of investments.....		206,255
Purchases of property and equipment.....		<u>(3,482,268)</u>
NET CASH USED IN INVESTING ACTIVITIES		(4,469,600)

CASH FLOWS USED IN FINANCING ACTIVITIES

Payments of principal on note payable.....		<u>(580,000)</u>
CASH USED IN FINANCING ACTIVITIES		(580,000)

NET CHANGE IN CASH (2,085,283)

Cash and cash equivalents, beginning of year.....		<u>4,577,195</u>
Cash and cash equivalents, end of year.....	\$	<u><u>2,491,912</u></u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Debt-financed acquisition of property and equipment.....	\$	<u><u>5,300,000</u></u>
Cash paid for interest.....	\$	<u><u>88,333</u></u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Island Harvest LTD and its affiliate (hereinafter, collectively, the "Organization") is presented to assist in understanding the Organization's consolidated financial statements. The consolidated financial statements and notes are representations of the Organization's management, which is responsible for the integrity and objectivity of the consolidated 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 consolidated financial statements.

Organization

The Organization 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. The Organization 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 an 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 that recognize that it takes much more than a can of food to end hunger on Long Island. Three of The Organization's larger initiatives now include Supplemental Nutrition Assistance Program ("SNAP," or Food Stamp) enrollment program, organic farming, and nutrition-plus services. The Organization 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. The Organization 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. The many varieties of products that 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, the Organization has the Centers to support the diverse population with equally diverse programming, as described below.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Organization (continued)

The Island Harvest Center for Food Collection and 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. The Organization 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 the Organization's dynamic business model, approximately 95% 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. The Organization's Kids Weekend Backpack Feeding Program provides packs of nutritious, shelf-stable food every Friday to children 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.

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, the Organization'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 the Organization'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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Organization (continued)

The Island Harvest Center for Emergency Services

The Organization 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, the Organization continues to strengthen its readiness for emergency response.

The Island Harvest Center for Volunteer Services

Over 16,000 registered volunteers make up the heart of the Organization. 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, and participating on the Organization'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 approximately 41,030 hours of time, talent, and treasure in the past year.

Capital Campaign

The Organization launched its first capital campaign entitled, The kNOw Hunger Campaign. This is an initiative designed to fund the purchase of a new building (which took place during the year ended June 30, 2021), and programmatic growth, thus allowing the Organization to serve more Long Islanders in need. The program reached its initial goal of \$5 million during the year ended June 30, 2020. A second phase of the capital campaign has been launched to continue the Organization's important work.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Island Harvest, LTD. and its wholly-owned affiliate, 126 Spagnoli Road, LLC (the "LLC"). The LLC was formed to facilitate the purchase of property during the year ended June 30, 2021. All intercompany accounts, balances, and transactions have been eliminated upon consolidation.

Income Tax Status

Island Harvest, LTD. is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. In addition, it qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and is exempt from state and local taxes. The LLC is a single-member limited liability company whose activities are included in the tax filings of Island Harvest, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income Tax Status (continued)

The Organization evaluated for uncertain tax positions and had determined that there were no uncertain tax positions taken during the year ended June 30, 2021. The Organization files an IRS Form 990 and respective state and local tax returns. These tax returns are subject to review and examination by federal, state, and local taxing authorities. The Organization has determined that it has registered in all states where it is required to be registered.

Basis of Accounting

The financial records of the Organization are maintained on the accrual basis of accounting. Revenue is recorded as earned and expenses are recorded when incurred.

Revenue Recognition

The Organization follows Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, and all subsequent amendments to the ASU (collectively, "Accounting Standards Codification ("ASC") 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. The Organization's revenue that falls within the scope of ASC 606 is presented within special events and is recognized as revenue when the Organization satisfies its obligations to attendees at points in time, when events are held.

The Organization 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. 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.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Organization.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation (continued)

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions can be perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities.

Contributions and Contributions Receivable

The Organization follows ASU 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 amends ASC 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU were intended to assist entities in (1) evaluating whether (reciprocal) transactions are subject to other guidance (i.e. ASC 606) and (2) determining whether a contribution(s) is conditional.

All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases in net assets with donor restrictions.

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 fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received and amounted to \$4,017 as of June 30, 2021. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

The Organization'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, the Organization 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services

The Organization records the value of donated goods and services when there is an objective basis available for measuring their values. 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 the Organization, including food collection and distribution, food drives, campaign solicitations, and various committee assignments. For the year ended June 30, 2021, these volunteers donated approximately 41,030 hours. Even though these donated services are valuable to the Organization and help to advance the Organization's mission, no amounts have been reflected in the consolidated financial statements for contributed services inasmuch as such services do not meet the criteria for recognition in the consolidated financial statements.

Cash and Cash Equivalents

Cash equivalents represent highly liquid investments with an initial maturity of three months or less. Interest earned on cash equivalents has been included in investment income on the related consolidated statement of activities. Feeding America recommends that its member organizations maintain cash balances sufficient to cover three months of operating expenses or demonstrate a positive working capital in each of the two preceding fiscal years. The Organization meets this recommended level of cash balance.

Investments

The Organization presents investments in the consolidated statement of financial position at fair value. A fair value hierarchy has been established based upon the observability of inputs to the evaluation of an asset or liability as of the measurement date. The three-level valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair value levels (Level 1, 2, and 3):

- Level 1: Level 1 investments are valued using observable inputs that reflect quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access at the measurement date.
- Level 2: Level 2 investments are valued using observable inputs, other than quoted prices included in Level 1, for the asset or liability or prices for similar assets and liabilities.
- Level 3: Level 3 investments are valued using valuations that are derived from techniques in which one or more of the significant inputs are unobservable (including assumptions about risk). Because Level 3 fair values, by their nature, contain unobservable market inputs as there is no observable market for these assets and liabilities, considerable judgment is used to determine the Level 3 fair values. Level 3 fair values would represent the Organization's best estimate of an amount that could be realized in a current market exchange absent actual market exchanges.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

A summary of the Organization’s investments at June 30, 2021 by fair value level is as follows:

Mutual funds – Level 1	\$	2,533,376
Government and corporate bonds – Level 2		<u>375,944</u>
Total investments	\$	<u>2,909,320</u>

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the accompanying consolidated statement of financial position.

Inventory of Food and Consumer Products

Inventory consists of purchased food valued at cost and donated food and consumer products valued at estimated fair value. During the year ended June 30, 2021, the Organization distributed approximately 18,367,982 pounds of food.

Grants Receivable

Grants receivable consists primarily of uncollected reimbursements for qualified expenditures incurred pursuant to contracts with government agencies. The Organization considers receivables past due or delinquent when payments have not been received in a timely manner, and receivables are written off when management deems the possibility of collecting amounts due as completely unlikely. The Organization closely monitors outstanding balances for all receivables and adheres to a standard set of protocols for collection activities to be undertaken at certain times based upon delinquency status. As of June 30, 2021 there was no allowance for doubtful grants receivable established as all receivables were deemed collectable.

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair value, if contributed. Maintenance and repairs are expensed when incurred. Depreciation is computed using the straight-line method over each asset’s estimated useful life as follows:

Transportation equipment	5 - 10 years
Computers, furniture, and fixtures.....	5 - 7 years
Leasehold improvements	Term of lease
Building and improvements	39 years

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated by management among the program, management and general, and fundraising categories. Most costs incurred by the Organization are directly assignable to these categories. Those costs that cannot be directly assigned are allocated based upon reasonable allocation methodologies, the most significant of which are:

- Salaries are allocated based on an estimate of time spent on program-related, management and general, and fundraising functions.
- Payroll taxes and fringe benefits are allocated based upon the salary allocations.
- Occupancy costs are allocated based upon the respective use of the facilities.

Use of Estimates

The presentation of consolidated financial statements in conformity with the 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Subsequent Events

The Organization has evaluated events and transactions that occurred between July 1, 2021 and December 6, 2021, which is the date the consolidated financial statements were available to be issued, for possible disclosure and recognition in the consolidated financial statements.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment balances consisted of the following at June 30, 2021:

Transportation equipment	\$	940,909
Computers, furniture, and fixtures		822,126
Leasehold improvements		495,541
Building and improvements		5,121,439
Land		<u>3,126,316</u>
Property and equipment, at cost		10,506,331
Less accumulated depreciation		<u>(1,410,832)</u>
Net property and equipment	\$	<u>9,095,499</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 3 - DEBT

Paycheck Protection Program ("PPP") Loan

On April 29, 2020, the Organization secured a loan from a bank for \$465,700 from the United States Small Business Administration. During the year ended June 30, 2021, pursuant to the terms of the program, the entire loan, and related accrued interest, was forgiven. Such amount is reflected as loan forgiveness income in the consolidated statement of activities.

Note Payable

During the year ended June 30, 2021, as part of the purchase of its property in Hauppauge, New York, the Organization entered into a note payable with a financial institution for the amount of \$5,300,000. The note has a three-year term and calls for monthly payments of principal and interest (calculated at a rate of prime plus .75%, with a floor of 4.00%, which was the effective rate as of and during the year ended June 30, 2021) totaling \$156,477 through the maturity of the loan.

Future principal payments in satisfaction of this note payable will be as follows for the years ending June 30,:

2022.....	\$	1,719,340
2023.....		1,789,389
2024.....		<u>1,211,271</u>
Total principal payments	\$	<u>4,720,000</u>

Line of Credit

The Organization 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% at June 30, 2021). The credit line matures on May 1, 2022, and was not drawn upon as of or during the year ended June 30, 2021.

NOTE 4 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30,:

Cash and cash equivalents	\$	2,491,912
Investments		2,909,320
Current portion of contributions receivable.....		1,502,277
Current portion of grants receivable.....		<u>1,185,750</u>
Total financial assets available within one year.....		8,089,259
Less net assets restricted for use.....	(<u>1,724,045)</u>
Total amounts available for general expenditure within one year	\$	<u>6,365,214</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 4 - AVAILABILITY AND LIQUIDITY (continued)

The Organization's goal is generally to maintain financial assets to meet ninety days of operating expenses (approximately \$3,313,000). The Organization also has an unused line of credit (see Note 3) available, if needed. As part of its liquidity plan, excess cash is invested in money market accounts, bonds, and mutual funds.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets are restricted by donors for various reasons. These net assets from contributions were restricted for the following purposes and/or time periods at June 30, 2021:

Capital campaign - time restricted	\$ 2,266,196
Combating childhood hunger	132,373
Operation: HOPE	38,038
SNAP outreach	44,000
Wakefern hunger relief program	7,357
Total.....	<u>\$ 2,487,964</u>

Time restricted capital campaign contributions are included in contributions receivable, net of allowance for doubtful accounts and present value discount in the accompanying consolidated statement of financial position. These amounts are expected to be collected as follows:

Amounts due in less than one year	\$ 1,503,279
Amounts due in one to five years.....	<u>852,414</u>
Total contributions receivable.....	2,355,693
Less: present value discount	(4,017)
Less: allowance for doubtful accounts.....	(85,480)
Total contributions receivable, net	<u>\$ 2,266,196</u>

NOTE 6 - DONATED GOODS AND SERVICES

The Organization receives various goods and services which are valued at their fair value at the time of donation. Such donations received have been included as part of contributions in the consolidated statement of activities and the following expense line items in the consolidated statement of functional expenses for the year ended June 30, 2021:

Donated food distributed.....	\$ 29,052,838
Occupancy, utilities, and maintenance.....	691,676
Publicity	14,960
Other.....	9,242
Printing and publications.....	<u>3,818</u>
Total donated goods and services.....	<u>\$ 29,772,534</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 7 - RETIREMENT PLANS

The Organization sponsors a 403(b) thrift plan and a separate 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 year ended June 30, 2021, the Organization incurred total contributions of \$89,336 related to these plans.

NOTE 8 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash and investments in bank accounts with what it believes to be quality financial institutions which are insured by the Federal Deposit Insurance Corporation ("FDIC") and the Securities Investor Protection Corporation ("SIPC"). The Organization has not incurred any losses in such accounts to date. From time to time, the Organization has investments and cash on deposit with financial institutions that are in excess of FDIC and SIPC limits.

NOTE 9 - FINANCIAL IMPACTS RELATED TO THE COVID-19 PANDEMIC

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen, which may negatively impact operating results. The full and long-term financial impacts of this matter cannot be estimated at this time.

NOTE 10 - RELATED PARTY TRANSACTIONS

For the year ended June 30, 2021, the Organization recorded approximately \$1,559,797 (of which \$1,067,842 was for the capital campaign) in monetary and in-kind contributions from members of the Board of Directors and their related companies, of which, \$500,000 was included in contributions receivable in the accompanying statement of financial position as of June 30, 2021.

NOTE 11 - PRIOR PERIOD ADJUSTMENT

The opening balance of net assets with donor restrictions as of July 1, 2020 was increased by \$1,324,570, with a corresponding reduction to the opening balance of net assets without donor restrictions as of July 1, 2020 in the accompanying consolidated statement of activities for the year ended June 30, 2021. This prior period adjustment had no net impact to total opening net assets as of July 1, 2020. This reclassifying adjustment was related to the Organization's net assets restricted for the capital campaign, which concluded during the year ended June 30, 2021.