



*ISLAND HARVEST, LTD.*

*CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021*

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Audit of the Consolidated Financial Statements**

#### *Opinion*

We have audited the consolidated financial statements of Island Harvest LTD (a not-for-profit organization) and its affiliate (collectively, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, 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.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Consolidated Financial Statements*

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Cerini & Associates LLP*

Bohemia, New York  
November 29, 2022

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30,**

2022

2021

## ASSETS

**Current Assets:**

Cash and cash equivalents.....	\$ 2,748,316	\$ 2,491,912
Investments.....	2,614,192	2,909,320
Current portion of contributions receivable, net of allowance for doubtful accounts and present value discount.....	1,649,821	775,000
Grants receivable.....	449,965	1,185,750
Inventory of food and consumer products.....	876,932	1,416,096
Other current assets.....	13,952	37,925
<b>TOTAL CURRENT ASSETS</b>	<b>8,353,178</b>	<b>8,816,003</b>
Long-term portion of contributions receivable, net of allowance for doubtful accounts and present value discount.....	364,152	1,491,196
Property and equipment, net of accumulated depreciation.....	9,908,522	9,095,499
<b>TOTAL ASSETS</b>	<b>\$ 18,625,852</b>	<b>\$ 19,402,698</b>

## LIABILITIES AND NET ASSETS

**Current Liabilities:**

Current portion of mortgage note payable.....	\$ 1,649,821	\$ 775,000
Accounts payable and accrued expenses.....	568,082	513,113
Other current liabilities.....	7,000	7,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,224,903</b>	<b>1,295,113</b>
Mortgage note payable, net of current portion.....	2,295,179	3,945,000
<b>TOTAL LIABILITIES</b>	<b>4,520,082</b>	<b>5,240,113</b>
<b>Net Assets:</b>		
Without donor restrictions.....	11,577,441	11,674,621
With donor restrictions.....	2,528,329	2,487,964
<b>TOTAL NET ASSETS</b>	<b>14,105,770</b>	<b>14,162,585</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 18,625,852</b>	<b>\$ 19,402,698</b>

**CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Donated food.....	\$ 21,014,570	\$ -	\$ 21,014,570
Contributions.....	6,207,732	1,749,116	7,956,848
Government grants.....	4,648,566	291,745	4,940,311
Donations in-kind.....	432,474	-	432,474
Special events, net of direct benefit to donors.....	253,946	-	253,946
Investment loss, net of advisory fees.....	(282,309)	-	(282,309)
Loan forgiveness income.....	-	-	-
Other income.....	49,460	-	49,460
Net assets released from restriction.....	2,000,496	(2,000,496)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>34,324,935</b>	<b>40,365</b>	<b>34,365,300</b>
<b>EXPENSES</b>			
Program services.....	32,341,882	-	32,341,882
Management and general.....	885,501	-	885,501
Fundraising.....	1,194,732	-	1,194,732
<b>TOTAL EXPENSES</b>	<b>34,422,115</b>	<b>-</b>	<b>34,422,115</b>
<b>CHANGE IN NET ASSETS</b>	<b>(97,180)</b>	<b>40,365</b>	<b>(56,815)</b>
Net assets, beginning of year.....	11,674,621	2,487,964	14,162,585
Net assets, end of year.....	<u>\$ 11,577,441</u>	<u>\$ 2,528,329</u>	<u>\$ 14,105,770</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Donated food.....	\$ 28,241,759	\$ -	\$ 28,241,759
Contributions.....	9,255,535	2,117,612	11,373,147
Government grants.....	4,939,581	557,417	5,496,998
Donations in-kind.....	730,951	-	730,951
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)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>48,426,690</b>	<b>(1,463,820)</b>	<b>46,962,870</b>
<b>EXPENSES</b>			
Program services.....	40,642,377	-	40,642,377
Management and general.....	1,140,950	-	1,140,950
Fundraising.....	923,249	-	923,249
<b>TOTAL EXPENSES</b>	<b>42,706,576</b>	<b>-</b>	<b>42,706,576</b>
<b>CHANGE IN NET ASSETS</b>	<b>5,720,114</b>	<b>(1,463,820)</b>	<b>4,256,294</b>
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



**ISLAND HARVEST, LTD.**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Donated food distributed.....	\$ 21,671,314	\$ -	\$ -	\$ 21,671,314
Purchased food distributed.....	5,012,500	-	-	5,012,500
Salaries.....	2,702,326	463,256	694,884	3,860,466
Payroll taxes and fringe benefits.....	724,822	124,255	186,383	1,035,460
Occupancy, utilities, and maintenance.....	565,818	63,655	77,800	707,273
Food transportation, storage, and distribution....	560,890	-	-	560,890
Professional fees.....	32,063	94,302	62,239	188,604
Printing and publications.....	33,885	9,682	53,248	96,815
Depreciation.....	266,830	14,824	14,824	296,478
Insurance.....	217,204	12,067	12,067	241,338
Postage.....	-	30,021	10,007	40,028
Bank and finance charges.....	50,929	5,729	7,003	63,661
Computer expenses.....	38,690	4,353	5,320	48,363
Educational conferences and meetings.....	3,920	11,530	7,610	23,060
Dues and subscriptions.....	20,403	2,295	2,806	25,504
Publicity.....	71,489	8,042	9,830	89,361
Interest.....	149,666	16,837	20,580	187,083
Program supplies.....	99,311	11,173	13,655	124,139
Other.....	119,822	13,480	16,476	149,778
<b>TOTAL EXPENSES</b>	<b>\$ 32,341,882</b>	<b>\$ 885,501</b>	<b>\$ 1,194,732</b>	<b>\$ 34,422,115</b>

**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
<b>TOTAL EXPENSES</b>	<b>\$ 40,642,377</b>	<b>\$ 1,140,950</b>	<b>\$ 923,249</b>	<b>\$ 42,706,576</b>

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30,**

**2022**                      **2021**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets..... \$ (56,815) \$ 4,256,294

Adjustments to reconcile change in net assets  
to net cash provided by operating activities:

Depreciation..... 296,478 217,877  
Donated equipment..... (105,000) -  
Unrealized investment loss/(gain)..... 354,670 (290,131)  
Loan forgiveness income..... - (465,700)

Changes in operating assets and liabilities:

Contributions receivable..... 252,223 (474,193)  
Grants receivable..... 735,785 (974,810)  
Inventory of food and consumer items..... 539,164 458,963  
Other current assets..... 23,973 (16,728)  
Other long-term assets..... - 13,708  
Accounts payable and accrued expenses..... 54,969 232,037  
Other current liabilities..... - 7,000

**NET CASH PROVIDED BY OPERATING ACTIVITIES** 2,095,447 2,964,317

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of investments..... (190,356) (1,193,587)  
Sales of investments..... 130,814 206,255  
Purchases of property and equipment..... (1,004,501) (3,482,268)

**NET CASH USED IN INVESTING ACTIVITIES** (1,064,043) (4,469,600)

**CASH FLOWS USED IN FINANCING ACTIVITIES**

Payments of principal of mortgage note payable..... (775,000) (580,000)

**NET CHANGE IN CASH** 256,404 (2,085,283)

Cash and cash equivalents, beginning of year..... 2,491,912 4,577,195

Cash and cash equivalents, end of year..... \$ 2,748,316 \$ 2,491,912

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Disposal of fully depreciated property and equipment..... \$ 816,245 \$ -

Debt-financed acquisition of property and equipment..... \$ - \$ 5,300,000

Cash paid for interest..... \$ 187,083 \$ 88,333

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

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**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 ("U.S. GAAP") 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 YEARS ENDED JUNE 30, 2022 AND 2021

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**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 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. 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 YEARS ENDED JUNE 30, 2022 AND 2021

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**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 18,394 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 41,822 and 41,030 hours of time, talent, and treasure during the years ended June 30, 2022 and 2021, respectively.

*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 YEARS ENDED JUNE 30, 2022 AND 2021**

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**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 years ended June 30, 2022 and 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.

*New Accounting Pronouncements*

Effective for the year ended June 30, 2022, the Organization was required to adopt Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Under this accounting pronouncement, the Organization presents contributed nonfinancial assets as a separate line item in the accompanying consolidated statements of activities and provides additional disclosures about contributions of nonfinancial assets. These additional disclosures include qualitative information about whether contributed nonfinancial assets were either monetized or utilized during the reporting period, a description of any donor-imposed restrictions associated with the contributed nonfinancial assets, and a description of the valuation techniques and inputs used to arrive at a fair value measure at initial recognition.

Effective for the year ending June 30, 2023, the Organization will be required to adopt Accounting Standards Codification (“ASC”) 842, *Leases*, for all material, long-term operating leases. Under this new accounting pronouncement, the Organization will recognize a right-of-use asset and a lease liability calculated based on the present value of the lease payments not yet paid, discounted using an appropriate discount rate at the lease commencement date. The right-of-use asset will initially be equal to the lease liability plus any initial direct costs and prepaid assets is charged to rent expense, which is recorded on the straight-line basis over the term of each lease, unless another systematic and rational basis is more representative of the time pattern in which the use benefit is derived from the leased property, in which case that basis will be used.

Effective for the year ending June 30, 2024, the Organization will be required to adopt ASU 2016-13, *Financial Instruments – Credit Losses*, and all subsequent amendments to the ASU (collectively, “ASC 326”), which replaces the incurred loss impairment methodology in current US GAAP applied to financial instruments held at the reporting date (including accounts receivable) with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates, including historical experience, current conditions, and reasonable and supportable forecasts. The Organization will be required to use forward-looking information to better inform its credit loss estimates.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

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

*New Accounting Pronouncements (continued)*

Many of the loss estimation techniques currently applied will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.

*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.

*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 statements of activities.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

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

***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 \$6,528 and \$4,017 as of June 30, 2022 and 2021, respectively. 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 considers contributions receivable 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 doubtful. The Organization closely monitors outstanding balances for all contributions receivable 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, 2022 and 2021, the Organization established an allowance for doubtful accounts of \$85,480.

***Contributed Goods and Services***

The Organization records the value of donated goods and services at their estimated fair values when there is an objective basis available for measuring their fair values. Donated goods and services are reported as donations in-kind 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. Please see Note 6 for a description of the donated goods and services received and expended during the years ended June 30, 2022 and 2021.

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 years ended June 30, 2022 and 2021, these volunteers donated approximately 41,822 and 41,030 hours, respectively. 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

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

*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 statements 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 met this recommended level of cash balance as of June 30, 2022 and 2021.

*Investments*

The Organization presents investments in the consolidated statements 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.

A summary of the Organization's investments by fair value level and investment type is as follows as of June 30,:

	<u>2022</u>	<u>2021</u>
Mutual funds - Level 1 .....	\$ 2,201,520	\$ 2,533,376
Government and corporate bonds - Level 2.....	412,672	375,944
Total investments.....	<u>\$ 2,614,192</u>	<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 statements of financial position.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

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

***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 years ended June 30, 2022 and 2021, the Organization distributed approximately 15,517,274 and 18,367,982 pounds of food, respectively.

***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, 2022 and 2021 there was no allowance for doubtful grants receivable established as all grants receivable 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

***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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

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

*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.

*Reclassification*

Donations in-kind revenue reflected in the consolidated statement of activities for the year ended June 30, 2021 was reclassified from contributions to a separate line within the support and revenue section to conform to the current year presentation.

The current portion of the Organization's contributions receivable and mortgage note payable as of June 30, 2021 were reclassified to reflect the amounts collected and repaid, respectively, during the year ended June 30, 2022. Please refer to Note 3.

*Subsequent Events*

The Organization has evaluated events and transactions that occurred between July 1, 2022 and November 29, 2022, which is the date the consolidated financial statements were available to be issued, for possible disclosure and recognition in the consolidated financial statements. See Note 12 for a description of a subsequent event requiring disclosure.

**NOTE 2 - PROPERTY AND EQUIPMENT**

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

	<b>2022</b>	<b>2021</b>
Transportation equipment.....	\$ 915,004	\$ 940,909
Computers, furniture, and fixtures .....	563,040	822,126
Leasehold improvements.....	1,073,337	495,541
Building and improvements.....	5,121,439	5,121,439
Land .....	3,126,316	3,126,316
Property and equipment, at cost.....	10,799,136	10,506,331
Less accumulated depreciation.....	(890,614)	(1,410,832)
Net property and equipment .....	<u>\$ 9,908,522</u>	<u>\$ 9,095,499</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

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**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 for the year ended June 30, 2021.

***Mortgage Note Payable***

During the year ended June 30, 2021, as part of the purchase of its property in Melville, New York, the Organization entered into a mortgage note payable with a financial institution for the amount of \$5,300,000. The mortgage note has a three-year term and calls for interest-only payments (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, 2022) until its maturity on January 1, 2024, at which time all unpaid principal will be due. Principal pre-payments of \$775,000 and \$580,000 were made at the discretion of the Organization during the years ended June 30, 2022 and 2021, respectively. During the year ending June 30, 2023, the Organization intends to make mortgage pre-payments equal to the amount collected on its capital campaign contributions receivable, which are restricted for this purpose, and amounted to \$1,649,921 as of June 30, 2022. A corresponding amount of the mortgage note payable has therefore been classified as a current liability within the accompanying statements of financial position. As of June 30, 2021, the current portions of contributions receivable and the mortgage note payable within the accompanying statements of financial position represent amounts collected and repaid, respectively, during the year ended June 30, 2022.

***Line of Credit***

The Organization maintains a revolving line of credit with a bank. The maximum borrowing amount was \$400,000 through April 30, 2022, and was increased to \$500,000 as of May 1, 2022. Funds accessed through this line of credit will be subject to an annual interest rate at the bank's current index (3.50% at June 30, 2022). The credit line matures on May 1, 2023, and was not drawn upon as of, or during the years ended, June 30, 2022 and 2021.

**NOTE 4 - AVAILABILITY AND LIQUIDITY**

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

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents .....	\$ 2,748,316	\$ 2,491,912
Investments .....	2,614,192	2,909,320
Current portion of contributions receivable .....	1,649,821	775,000
Grants receivable .....	449,965	1,185,750
Total financial assets available within one year .....	7,462,294	7,361,982
Less net assets restricted as to time or use .....	( 2,164,177)	( 996,768)
Total amounts available for general expenditure within one year .....	\$ 5,298,117	\$ 6,365,214

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

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**NOTE 4 - AVAILABILITY AND LIQUIDITY (continued)**

The Organization's goal is generally to maintain financial assets to meet ninety days of operating expenses (approximately \$3,071,000). 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,:

	<u>2022</u>	<u>2021</u>
Capital campaign - time restricted .....	\$ 2,013,973	\$ 2,266,196
Combating childhood hunger.....	75,496	132,373
Operation: HOPE.....	18,174	38,038
SNAP outreach.....	-	44,000
Workforce development.....	318,514	-
Emergency resource center .....	64,067	-
Wakefern hunger relief program.....	38,105	7,357
Total .....	<u>\$ 2,528,329</u>	<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 .....	\$ 1,649,821
Amounts due in one to five years.....	<u>456,160</u>
Total contributions receivable.....	2,105,981
Less: present value discount .....	( 6,528)
Less: allowance for doubtful accounts.....	<u>( 85,480)</u>
Total contributions receivable, net .....	<u>\$ 2,013,973</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 donated food and donations in-kind within in the consolidated statements of activities for the years ended June 30,:

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

**NOTE 6 - DONATED GOODS AND SERVICES (continued)**

	<b>2022</b>	<b>2021</b>
Donated food received .....	\$ 21,014,570	\$ 28,241,759
Occupancy, utilities, and maintenance .....	235,705	691,676
Donated equipment .....	105,000	-
Special event direct expenses .....	43,772	11,255
Publicity .....	-	14,960
Other .....	46,050	9,242
Printing and publications .....	1,947	3,818
Total donated goods and services .....	<u>\$ 21,447,044</u>	<u>\$ 28,972,710</u>

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. All other donations in-kind are valued based on the prices charged for such goods or services.

There were no donor-imposed restrictions on donations in-kind during the years ended June 30, 2022 or 2021.

Donated food, goods, and services were utilized and expended within the following expense line items in the consolidated statements of functional expenses for the years ended June 30,:

	<b>2022</b>	<b>2021</b>
Donated food distributed .....	\$ 21,671,314	\$ 29,052,838
Occupancy, utilities, and maintenance .....	235,705	691,676
Publicity .....	-	14,960
Other .....	46,050	9,242
Printing and publications .....	1,947	3,818
Total donated goods and services .....	<u>\$ 21,995,016</u>	<u>\$ 29,772,534</u>

Special event direct expenses were recorded net of special event proceeds within the consolidated statements of activities for the years ended June 30, 2022 and 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 years ended June 30, 2022 and 2021, the Organization contributed \$89,209 and \$89,336, respectively, to these plans.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

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**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, 2022, the Organization recorded approximately \$130,227 in monetary and donations in-kind from members of the Board of Directors and their related companies.

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 donations in-kind 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.

**NOTE 12 - SUBSEQUENT EVENT**

On October 25, 2022, Island Harvest, LTD. received the deed filed with Suffolk County for its headquarters in Melville, New York, transferring the title of this property and the associated mortgage note payable previously held by the LLC to Island Harvest, LTD. The Organization intends to file paperwork to dissolve the LLC in future, though this paperwork has not been filed as of the report date.