



ISLAND HARVEST, LTD.

*CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022*

ISLAND HARVEST, LTD.

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
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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, 2023 and 2022, 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, 2023 and 2022, 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 Audits 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 Audits 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 audit.
- 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 audit 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 January 9, 2024 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
January 9, 2024

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30,

2023

2022

ASSETS

Current Assets:

Cash and cash equivalents.....	\$ 1,967,791	\$ 2,748,316
Investments.....	2,748,382	2,614,192
Current portion of contributions receivable, net of allowance for doubtful accounts and present value discount.....	1,172,106	1,649,821
Grants receivable.....	636,771	449,965
Inventory of food and consumer products.....	1,531,051	876,932
Other current assets.....	10,500	13,952
TOTAL CURRENT ASSETS	8,066,601	8,353,178
Long-term portion of contributions receivable, net of allowance for doubtful accounts and present value discount.....	1,747,172	364,152
Property and equipment, net of accumulated depreciation.....	10,511,464	9,908,522
TOTAL ASSETS	\$ 20,325,237	\$ 18,625,852

LIABILITIES AND NET ASSETS

Current Liabilities:

Current portion of mortgage note payable.....	\$ 1,832,766	\$ 1,649,821
Accounts payable and accrued expenses.....	603,892	568,082
Deferred revenue.....	750,000	-
Other current liabilities.....	112	7,000
TOTAL CURRENT LIABILITIES	3,186,770	2,224,903
Mortgage note payable, net of current portion.....	-	2,295,179
TOTAL LIABILITIES	3,186,770	4,520,082
<u>Net Assets:</u>		
Without donor restrictions.....	14,118,159	11,577,441
With donor restrictions.....	3,020,308	2,528,329
TOTAL NET ASSETS	17,138,467	14,105,770
TOTAL LIABILITIES AND NET ASSETS	\$ 20,325,237	\$ 18,625,852

ISLAND HARVEST, LTD.

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Donated food.....	\$ 20,666,324	\$ -	\$ 20,666,324
Contributions.....	6,410,410	3,961,226	10,371,636
Government grants.....	5,114,519	-	5,114,519
Donations in-kind.....	689,109	-	689,109
Special events, net of direct benefit to donors.....	470,349	-	470,349
Investment income, net of advisory fees.....	157,558	-	157,558
Other income.....	43,688	-	43,688
Net assets released from restriction.....	3,469,247	(3,469,247)	-
TOTAL SUPPORT AND REVENUE	37,021,204	491,979	37,513,183
EXPENSES			
Program services.....	32,197,009	-	32,197,009
Management and general.....	981,522	-	981,522
Fundraising.....	1,301,955	-	1,301,955
TOTAL EXPENSES	34,480,486	-	34,480,486
CHANGE IN NET ASSETS	2,540,718	491,979	3,032,697
Net assets, beginning of year.....	11,577,441	2,528,329	14,105,770
Net assets, end of year.....	14,118,159	3,020,308	17,138,467

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

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
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)
Other income.....	49,460	-	49,460
Net assets released from restriction.....	2,000,496	(2,000,496)	-
TOTAL SUPPORT AND REVENUE	34,324,935	40,365	34,365,300
EXPENSES			
Program services.....	32,341,882	-	32,341,882
Management and general.....	885,501	-	885,501
Fundraising.....	1,194,732	-	1,194,732
TOTAL EXPENSES	34,422,115	-	34,422,115
CHANGE IN NET ASSETS	(97,180)	40,365	(56,815)
Net assets, beginning of year, as restated.....	11,674,621	2,487,964	14,162,585
Net assets, end of year.....	11,577,441	2,528,329	14,105,770

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

	Program Services	Management and General	Fundraising	Total
Donated food distributed.....	\$ 19,820,106	\$ -	\$ -	\$ 19,820,106
Purchased food distributed.....	5,524,369	-	-	5,524,369
Salaries.....	3,185,979	424,797	637,196	4,247,972
Payroll taxes and fringe benefits.....	861,204	114,827	172,241	1,148,272
Occupancy, utilities, and maintenance.....	559,414	114,948	91,958	766,320
Food transportation, storage, and distribution....	487,412	-	-	487,412
Professional fees.....	45,270	133,146	87,876	266,292
Printing and publications.....	83,965	18,659	83,965	186,589
Depreciation.....	369,939	20,552	20,552	411,043
Insurance.....	173,240	9,623	9,625	192,488
Postage.....	-	41,247	13,749	54,996
Bank and finance charges.....	60,729	6,832	8,351	75,912
Computer expenses.....	99,266	20,397	16,318	135,981
Educational conferences and meetings.....	22,879	21,905	3,894	48,678
Dues and subscriptions.....	38,165	4,294	5,247	47,706
Publicity.....	94,712	21,047	94,713	210,472
Interest.....	222,570	21,696	27,119	271,385
Program supplies.....	470,387	-	19,712	490,099
Other.....	77,403	7,552	9,439	94,394
TOTAL EXPENSES	\$ 32,197,009	\$ 981,522	\$ 1,301,955	\$ 34,480,486

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

	Program Services	Management and General	Fundraising	Total
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
TOTAL EXPENSES	\$ 32,341,882	\$ 885,501	\$ 1,194,732	\$ 34,422,115

ISLAND HARVEST, LTD.

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets.....	\$ 3,032,697	\$ (56,815)
<u>Adjustments to reconcile change in net assets to net cash provided by operating activities:</u>		
Depreciation.....	411,043	296,478
Donated equipment.....	(150,000)	(105,000)
Unrealized investment (gain)/loss.....	(50,035)	354,670
<u>Changes in operating assets and liabilities:</u>		
Contributions receivable.....	(905,305)	252,223
Grants receivable.....	(186,806)	735,785
Inventory of food and consumer items.....	(654,119)	539,164
Other current assets.....	3,452	23,973
Accounts payable and accrued expenses.....	35,810	54,969
Deferred revenue.....	750,000	-
Other current liabilities.....	(6,888)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,279,849	2,095,447
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments.....	(456,914)	(190,356)
Sales of investments.....	372,759	130,814
Purchases of property and equipment.....	(863,985)	(1,004,501)
NET CASH USED IN INVESTING ACTIVITIES	(948,140)	(1,064,043)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Payments of principal of mortgage note payable.....	(2,112,234)	(775,000)
NET CHANGE IN CASH	(780,525)	256,404
Cash and cash equivalents, beginning of year.....	2,748,316	2,491,912
Cash and cash equivalents, end of year.....	<u>\$ 1,967,791</u>	<u>\$ 2,748,316</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Disposal of fully depreciated property and equipment.....	<u>\$ -</u>	<u>\$ 816,245</u>
Cash paid for interest.....	<u>\$ 271,385</u>	<u>\$ 187,083</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

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 is a leading human services organization whose mission is to end hunger and reduce food waste on Long Island.

The Organization's work tackles real-life issues by investigating and addressing the root causes of poverty, hunger, and food insecurity, resulting in actionable, innovative programs. By continuing to strengthen its community-based agency network, institute equity-focused services, upgrade nutrition policy guidelines and programming to emphasize nutrition-focused education and outreach, the Organization believes it is a true catalyst for change in hunger-relief on Long Island.

In addition, the Organization has formed robust advocacy efforts to advance its work, developed a Workforce Skills Development Institute, and manages an organic farm, a greenhouse, and Giving Gardens across Long Island. The Organization successfully launched a capital campaign in 2016, resulting in the Organization's recent purchase of a food collection/distribution and network services center in Melville, NY.

The Organization's work directly supports children, families, seniors, and veterans who turn to the Organization in times of crisis through its mobile outreach program and supports a network of community-based non-profit organizations and emergency feeding programs. The Organization is a member of Feeding America®, a nationwide network of food banks leading the work to solve hunger in the U.S.

For more than 30 years, the Organization has been successfully providing emergency food relief services and holistic support to people in need. Since its founding in 1992, the Organization has safely transported and delivered more than 200 million pounds of quality food.

As Long Island's largest hunger relief organization, the Organization is among the region's leading organizations in emergency response readiness for food and product distribution and support as evidenced by the Organization's rapid and continued response to community and local disasters, the Government Shutdown, Superstorm Sandy, Hurricanes Irma, Harvey, and Maria, and most recently, the COVID-19 pandemic.

Through the Organization's experience in the field, it has learned that addressing food insecurity involves more than just giving a can of food. It encompasses the delivery of innovative and holistic programs and services, including nutrition education, culinary demonstrations, job training, assistance

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization (continued)

with benefits applications, including the Supplemental Nutrition Assistance Program (“SNAP”), and valuable community referrals.

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.

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 filed paperwork to dissolve the LLC during the year ended June 30, 2023.

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 was a single-member limited liability company whose activities are included in the tax filings of Island Harvest, LTD.

The Organization evaluated for uncertain tax positions and had determined that there were no uncertain tax positions taken during the years ended June 30, 2023 and 2022. 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.

Recent 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

nonfinancial assets, and a description of the valuation techniques and inputs used to arrive at a fair value measure at initial recognition.

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 from 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 may be perpetual in nature, whereby the donor may stipulate 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, 2023 AND 2022**

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 \$83,989 and \$6,528 as of June 30, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022.

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, 2023 and 2022, these volunteers donated approximately 56,423 and 41,822 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, 2023 AND 2022**

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, 2023 and 2022.

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>2023</u>	<u>2022</u>
Mutual funds – Level 1	\$ 2,347,026	\$ 2,201,520
Government and corporate bonds – Level 2.....	401,356	412,672
Total investments.....	<u>\$ 2,748,382</u>	<u>\$ 2,614,192</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, 2023 AND 2022**

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, 2023 and 2022, the Organization distributed approximately 16,121,597 and 15,517,274 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, 2023 and 2022 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, 2023 AND 2022**

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.

Subsequent Events

The Organization has evaluated events and transactions that occurred between July 1, 2023 and January 9, 2024, 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,:

	2023	2022
Transportation equipment.....	\$ 1,291,541	\$ 915,004
Computers, furniture, and fixtures	758,752	563,040
Leasehold improvements.....	1,463,756	1,073,337
Building and improvements.....	5,124,891	5,121,439
Land	3,126,316	3,126,316
Property and equipment, at cost.....	11,765,256	10,799,136
Less accumulated depreciation.....	(1,253,792)	(890,614)
Net property and equipment	<u>\$ 10,511,464</u>	<u>\$ 9,908,522</u>

NOTE 3 - DEBT

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, 2023) until its maturity on January 1, 2024, at which time all unpaid principal will be due or convertible to a 20-year mortgage note payable. Principal pre-payments of \$2,112,234 and \$775,000 were made at the discretion of the Organization during the years ended June 30, 2023 and 2022, respectively. As the loan matures during the year ending June 30, 2024, the remaining balance of mortgage payable has been reflected as a current liability within the accompanying statement of financial position as of June 30, 2023. As of June 30, 2022, the current portions of contributions receivable and the mortgage note payable within the accompanying statements of financial position represent amounts expected to be collected and repaid, respectively, during the year ended June 30, 2023.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 3 - DEBT (continued)

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, 2023). The credit line matured on May 1, 2023, was renewed through May 1, 2024, and was not drawn upon as of, or during the years ended, June 30, 2023 and 2022.

NOTE 4 - AVAILABILITY AND LIQUIDITY

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

	2023	2022
Cash and cash equivalents	\$ 1,967,791	\$ 2,748,316
Investments	2,748,382	2,614,192
Current portion of contributions receivable	1,172,106	1,649,821
Grants receivable	636,771	449,965
Total financial assets available within one year...	6,525,050	7,462,294
Less net assets restricted as to time or use	(1,273,136)	(2,164,177)
Total amounts available for general expenditure within one year	<u>\$ 5,251,914</u>	<u>\$ 5,298,117</u>

The Organization's goal is generally to maintain financial assets to meet ninety days of operating expenses (approximately \$3,526,312). 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,:

	2023	2022
Capital campaign - time restricted	\$ 2,919,278	\$ 2,013,973
Combating childhood hunger.....	72,634	75,496
Sunshine Foundation	7,629	-
Operation: HOPE.....	-	18,174
YPP Produce	20,767	-
Workforce development	-	318,514
Emergency resource center	-	64,067
Wakefern hunger relief program.....	-	38,105
Total	<u>\$ 3,020,308</u>	<u>\$ 2,528,329</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

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	\$	1,172,106
Amounts due in one to five years.....		<u>1,916,641</u>
Total contributions receivable.....		3,088,747
Less: present value discount	(83,989)
Less: allowance for doubtful accounts.....	(85,480)
Total contributions receivable, net	\$	<u>2,919,278</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,:

	<u>2023</u>	<u>2022</u>
Donated food received	\$ 20,666,324	\$ 21,014,570
Occupancy, utilities, and maintenance	406,860	235,705
Donated equipment	150,000	105,000
Special event direct expenses	49,290	43,772
Advertising	30,312	-
Other	44,476	46,050
Printing and publications.....	8,171	1,947
Total donated goods and services.....	<u>\$ 21,355,433</u>	<u>\$ 21,447,044</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, 2023 or 2022.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 6 - DONATED GOODS AND SERVICES (continued)

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,:

	2023	2022
Donated food distributed	\$ 19,820,106	\$ 21,671,314
Occupancy, utilities, and maintenance	406,860	235,705
Advertising	30,312	-
Other	44,476	46,050
Printing and publications	8,171	1,947
Total donated goods and services	<u>\$ 20,309,925</u>	<u>\$ 21,995,016</u>

Special event direct expenses were recorded net of special event proceeds within the consolidated statements of activities for the years ended June 30, 2023 and 2022.

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, 2023 and 2022, the Organization contributed \$129,621 and \$89,209, respectively, 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 - RELATED PARTY TRANSACTIONS

For the year ended June 30, 2023, the Organization recorded approximately \$2,365,236 in monetary and donations in-kind from members of the Board of Directors and approximately \$126,578 in goods and services from companies that have representatives that are members of the Organization's Board of Directors. 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.