

Financial Statements Together with  
Report of Independent Certified Public Accountants

**CITY HARVEST, INC.**

June 30, 2018 and 2017

# CITY HARVEST, INC.

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Directors of  
**City Harvest, Inc.:**

We have audited the accompanying financial statements of City Harvest, Inc. (“City Harvest”), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management’s responsibility for the financial statements**

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

### **Auditor’s responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City Harvest’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City Harvest’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City Harvest as of June 30, 2018 and 2017, 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.

A handwritten signature in black ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

New York, New York  
November 15, 2018

**CITY HARVEST, INC.**  
**Statements of Financial Position**  
**As of June 30, 2018 and 2017**

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$ 4,361,107	\$ 6,858,182
Contributions receivable - current portion	5,358,912	3,775,580
Grants and awards receivable	764,699	798,950
Prepaid expenses and other current assets	<u>171,697</u>	<u>292,415</u>
Total current assets	10,656,415	11,725,127
Investments	11,065,654	9,939,949
Inventory	1,501,185	1,650,201
Security deposits	477,367	477,367
Contributions receivable, net - long-term portion	-	57,650
Property and equipment, net	<u>1,850,599</u>	<u>1,860,917</u>
Total assets	<u>\$ 25,551,220</u>	<u>\$ 25,711,211</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 389,654	\$ 808,408
Accrued expenses	2,639,884	1,632,835
Deferred revenue	1,381,051	2,338,821
Leases payable, current portion	<u>87,646</u>	<u>152,650</u>
Total current liabilities	4,498,235	4,932,714
Deferred rent	1,441,650	1,489,965
Leases payable, long-term portion	<u>-</u>	<u>87,646</u>
Total long-term liabilities	<u>1,441,650</u>	<u>1,577,611</u>
Total liabilities	<u>5,939,885</u>	<u>6,510,325</u>
Commitments and contingencies		
<b>NET ASSETS</b>		
Unrestricted	9,018,062	17,250,035
Unrestricted - Board designated	<u>8,300,000</u>	<u>-</u>
Total unrestricted net assets	<u>17,318,062</u>	<u>17,250,035</u>
Temporarily restricted	1,988,075	1,640,276
Permanently restricted	<u>305,198</u>	<u>310,575</u>
Total net assets	<u>19,611,335</u>	<u>19,200,886</u>
Total liabilities and net assets	<u>\$ 25,551,220</u>	<u>\$ 25,711,211</u>

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

**CITY HARVEST, INC.**  
**Statements of Activities**  
**For the years ended June 30, 2018 and 2017**

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>PUBLIC SUPPORT AND REVENUES</b>								
Public support:								
Contributions:								
Donated food (Note 7)	\$ 104,140,767	\$ -	\$ -	\$ 104,140,767	\$ 94,039,157	\$ -	\$ -	\$ 94,039,157
Corporations	3,949,382	515,000	-	4,464,382	3,909,498	575,000	-	4,484,498
Foundations	8,916,383	801,580	-	9,717,963	8,212,094	230,070	-	8,442,164
Individuals	10,353,196	1,817	-	10,355,013	10,974,228	216,214	-	11,190,442
Organizations	765,153	6,678	-	771,831	359,122	-	-	359,122
Special events (net of direct benefits to donors of \$970,919 in 2018 and \$1,022,053 in 2017)	5,882,148	-	-	5,882,148	3,589,934	-	-	3,589,934
Total public support	<u>134,007,029</u>	<u>1,325,075</u>	<u>-</u>	<u>135,332,104</u>	<u>121,084,033</u>	<u>1,021,284</u>	<u>-</u>	<u>122,105,317</u>
Revenues:								
Government grants and awards	892,343	238,000	-	1,130,343	1,309,899	-	-	1,309,899
Investment income (loss)	111,754	-	(5,377)	106,377	71,553	-	(2,688)	68,865
Other income	48,911	-	-	48,911	35,724	-	-	35,724
Total revenues	<u>1,053,008</u>	<u>238,000</u>	<u>(5,377)</u>	<u>1,285,631</u>	<u>1,417,176</u>	<u>-</u>	<u>(2,688)</u>	<u>1,414,488</u>
Net assets released from restrictions	<u>1,138,276</u>	<u>(1,138,276)</u>	<u>-</u>	<u>-</u>	<u>4,674,189</u>	<u>(4,674,189)</u>	<u>-</u>	<u>-</u>
Total public support, revenues and net assets released from restrictions	<u>136,198,313</u>	<u>424,799</u>	<u>(5,377)</u>	<u>136,617,735</u>	<u>127,175,398</u>	<u>(3,652,905)</u>	<u>(2,688)</u>	<u>123,519,805</u>
<b>EXPENSES</b>								
Program services:								
Emergency food operations	122,669,103	-	-	122,669,103	110,856,539	-	-	110,856,539
Healthy neighborhoods and other programming	4,262,207	-	-	4,262,207	4,138,950	-	-	4,138,950
Total program services	<u>126,931,310</u>	<u>-</u>	<u>-</u>	<u>126,931,310</u>	<u>114,995,489</u>	<u>-</u>	<u>-</u>	<u>114,995,489</u>
Supporting services:								
Management and general	1,545,757	-	-	1,545,757	1,044,762	-	-	1,044,762
Development	7,666,153	-	-	7,666,153	6,999,331	-	-	6,999,331
Total supporting services	<u>9,211,910</u>	<u>-</u>	<u>-</u>	<u>9,211,910</u>	<u>8,044,093</u>	<u>-</u>	<u>-</u>	<u>8,044,093</u>
Total expenses	<u>136,143,220</u>	<u>-</u>	<u>-</u>	<u>136,143,220</u>	<u>123,039,582</u>	<u>-</u>	<u>-</u>	<u>123,039,582</u>
Change in net assets before effect of non-operating activity and donated services	<u>55,093</u>	<u>424,799</u>	<u>(5,377)</u>	<u>474,515</u>	<u>4,135,816</u>	<u>(3,652,905)</u>	<u>(2,688)</u>	<u>480,223</u>
Non-operating activity								
Write-off of pledge receivable	12,934	(77,000)	-	(64,066)	-	-	-	-
Total non-operating activity	<u>12,934</u>	<u>(77,000)</u>	<u>-</u>	<u>(64,066)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Donated services - revenue	2,486,848	-	-	2,486,848	1,979,918	-	-	1,979,918
Donated services - expenses	(2,486,848)	-	-	(2,486,848)	(1,979,918)	-	-	(1,979,918)
Change in net assets	<u>68,027</u>	<u>347,799</u>	<u>(5,377)</u>	<u>410,449</u>	<u>4,135,816</u>	<u>(3,652,905)</u>	<u>(2,688)</u>	<u>480,223</u>
Net assets, beginning of year	<u>17,250,035</u>	<u>1,640,276</u>	<u>310,575</u>	<u>19,200,886</u>	<u>13,114,219</u>	<u>5,293,181</u>	<u>313,263</u>	<u>18,720,663</u>
Net assets, end of year	<u>\$ 17,318,062</u>	<u>\$ 1,988,075</u>	<u>\$ 305,198</u>	<u>\$ 19,611,335</u>	<u>\$ 17,250,035</u>	<u>\$ 1,640,276</u>	<u>\$ 310,575</u>	<u>\$ 19,200,886</u>

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

**CITY HARVEST, INC.**  
**Statement of Functional Expenses**  
**For the year ended June 30, 2018, with comparative information for 2017**

	Program Services			Supporting Services			Total Expenses	
	Emergency Food Operations	Healthy Neighborhoods and Other Programming	Total	Management and General	Development	Total	2018	2017
Salaries	\$ 6,123,817	\$ 2,402,667	\$ 8,526,484	\$ 558,575	\$ 3,315,596	\$ 3,874,171	\$ 12,400,655	\$ 11,492,426
Employee benefits and payroll taxes	2,089,702	690,584	2,780,286	119,699	695,436	815,135	3,595,421	3,563,126
Food distributed	104,494,661	-	104,494,661	-	-	-	104,494,661	93,779,164
Food transportation and distribution	6,393,627	-	6,393,627	275	5,980	6,255	6,399,882	5,361,561
Food packaging supplies	146,246	11,655	157,901	-	-	-	157,901	136,421
Communication, printing and postage	125,668	44,422	170,090	31,744	999,959	1,031,703	1,201,793	1,156,308
Rent, utilities and cleaning	998,373	198,707	1,197,080	340,534	298,085	638,619	1,835,699	1,862,888
Promotion	14,632	13,619	28,251	7,993	656,287	664,280	692,531	666,208
Computer support	240,580	67,654	308,234	102,324	99,576	201,900	510,134	492,511
Professional fees	823,071	562,148	1,385,219	261,613	1,280,102	1,541,715	2,926,934	2,454,852
Grant expense	162,908	2,095	165,003	-	-	-	165,003	279,174
Office supplies and miscellaneous	401,258	258,055	659,313	101,174	299,131	400,305	1,059,618	987,700
Total expenses before depreciation and amortization and donated services	<u>122,014,543</u>	<u>4,251,606</u>	<u>126,266,149</u>	<u>1,523,931</u>	<u>7,650,152</u>	<u>9,174,083</u>	<u>135,440,232</u>	<u>122,232,339</u>
Depreciation and amortization	654,559	10,597	665,156	21,824	16,006	37,830	702,986	807,243
Donated services	<u>174,674</u>	<u>51,124</u>	<u>225,798</u>	<u>53,255</u>	<u>2,207,795</u>	<u>2,261,050</u>	<u>2,486,848</u>	<u>1,979,918</u>
Total expenses	<u>\$ 122,843,776</u>	<u>\$ 4,313,327</u>	<u>\$ 127,157,103</u>	<u>\$ 1,599,010</u>	<u>\$ 9,873,953</u>	<u>\$ 11,472,963</u>	<u>\$ 138,630,066</u>	<u>\$ 125,019,500</u>

*The accompanying notes are an integral part of this financial statement.*

**CITY HARVEST, INC.**  
**Statement of Functional Expenses**  
**For the year ended June 30, 2017**

	Program Services			Supporting Services			Total Expenses
	Emergency Food Operations	Healthy Neighborhoods and Other Programming	Total	Management and General	Development	Total	2017
Salaries	\$ 5,865,986	\$ 2,332,293	\$ 8,198,279	\$ 402,106	\$ 2,892,041	\$ 3,294,147	\$ 11,492,426
Employee benefits and payroll taxes	1,970,924	674,163	2,645,087	80,685	837,354	918,039	3,563,126
Food distributed	93,779,164	-	93,779,164	-	-	-	93,779,164
Food transportation and distribution	5,361,561	-	5,361,561	-	-	-	5,361,561
Food packaging supplies	136,421	-	136,421	-	-	-	136,421
Communication, printing and postage	115,522	55,995	171,517	14,314	970,477	984,791	1,156,308
Rent, utilities and cleaning	1,095,582	222,319	1,317,901	240,792	304,195	544,987	1,862,888
Promotion	15,390	12,405	27,795	-	638,413	638,413	666,208
Computer support	249,033	69,632	318,665	84,113	89,733	173,846	492,511
Professional fees	836,861	511,468	1,348,329	85,319	1,021,204	1,106,523	2,454,852
Grant expense	279,174	-	279,174	-	-	-	279,174
Office supplies and miscellaneous	425,707	237,065	662,772	111,532	213,396	324,928	987,700
Total expenses before depreciation and amortization and donated services	<u>110,131,325</u>	<u>4,115,340</u>	<u>114,246,665</u>	<u>1,018,861</u>	<u>6,966,813</u>	<u>7,985,674</u>	<u>122,232,339</u>
Depreciation and amortization	725,214	23,610	748,824	25,901	32,518	58,419	807,243
Donated services	<u>73,680</u>	<u>21,880</u>	<u>95,560</u>	<u>22,327</u>	<u>1,862,031</u>	<u>1,884,358</u>	<u>1,979,918</u>
Total expenses	<u>\$ 110,930,219</u>	<u>\$ 4,160,830</u>	<u>\$ 115,091,049</u>	<u>\$ 1,067,089</u>	<u>\$ 8,861,362</u>	<u>\$ 9,928,451</u>	<u>\$ 125,019,500</u>

*The accompanying notes are an integral part of this financial statement.*



**CITY HARVEST, INC.**  
**Statements of Cash Flows**  
For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 410,449	\$ 480,223
Adjustments to reconcile changes in net assets to net cash		
Depreciation and amortization	702,986	807,243
Donated securities	(826,954)	(491,311)
Proceeds from the sale of donated securities	831,949	494,340
Net realized and unrealized loss on investments	73,435	39,126
Changes in assets and liabilities:		
Contributions receivable	(1,525,682)	676,349
Grants receivable	34,251	79,350
Prepaid and other current assets	120,718	102,058
Inventory	149,016	(653,548)
Security deposits	-	131,261
Accounts payable	(418,754)	181,346
Accrued expenses	1,007,049	390,536
Deferred revenue	(957,770)	459,381
Deferred rent	(48,315)	(2,674)
	<u>(447,622)</u>	<u>2,693,680</u>
Net cash (used in) provided by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(692,668)	(93,478)
Purchase of securities	(2,603,182)	(5,898,620)
Proceeds from sales of securities	<u>1,399,047</u>	<u>549,773</u>
	<u>(1,896,803)</u>	<u>(5,442,325)</u>
Net cash used in investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net payments from capital leases	<u>(152,650)</u>	<u>(146,280)</u>
	<u>(152,650)</u>	<u>(146,280)</u>
Net cash used in financing activities		
Decrease in cash and cash equivalents	(2,497,075)	(2,894,925)
Cash and cash equivalents, beginning of year	<u>6,858,182</u>	<u>9,753,107</u>
Cash and cash equivalents, end of year	<u>\$ 4,361,107</u>	<u>\$ 6,858,182</u>

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

**CITY HARVEST, INC.**  
**Notes to the Financial Statements**  
**June 30, 2018 and 2017**

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**1. THE ORGANIZATION**

**Organization**

City Harvest, Inc. (“City Harvest”) was incorporated in the State of New York pursuant to the Not-for-Profit Corporation Law in 1983. City Harvest was determined to be a publicly supported organization by the Internal Revenue Service and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the “Code”) and a similar provision under New York State tax laws.

City Harvest is a member of Feeding America, the nationwide network of food banks.

**Nature of Activities**

City Harvest pioneered food rescue in 1982 and this year collected 60.5 million pounds of excess food to help feed the nearly 1.3 million New Yorkers struggling to put meals on their tables. Through relationships with farms, grocers, restaurants, and manufacturers, City Harvest collects nutritious food that would otherwise go to waste and delivers it free of charge to 400 soup kitchens, food pantries and other community food programs across the five boroughs. In addition, our Healthy Neighborhoods initiative addresses long-term food insecurity through community partnerships that work to increase access to affordable and wholesome food.

Our principal programs are:

**Emergency Food:** City Harvest was founded on the visionary concept that excess food should feed someone who is hungry rather than be thrown away. With a fleet of 22 trucks, we rescue and distribute food that would otherwise go to waste and deliver it free of charge to community programs that provide nutritious food to hungry New Yorkers. We rescue food from farms, grocers, restaurants, and manufacturers. We focus on sourcing fresh, local food, and more than 50% of the food we deliver is produce, and 75% is nutrient-dense. Since we were founded in 1982, we have collected more than 600 million pounds of food and distributed it to New Yorkers in need across the five boroughs.

**Healthy Neighborhoods and Other Programming:** Through our *Healthy Neighborhoods* initiative, City Harvest addresses long-term food insecurity through community-based solutions. We developed partnerships in low-income neighborhoods where residents suffer from high rates of hunger, poverty, and diet-related diseases and where healthy, affordable food has not been readily accessible.

City Harvest believes that addressing hunger and diet-related illnesses requires an integrated, holistic approach. We address hunger and a lack of access to healthy, affordable food while inspiring positive changes to healthy eating, cooking and shopping behaviors. Our *Healthy Neighborhoods* model combines a series of initiatives including free food distribution, nutrition education, and partnerships with local organizations and businesses to improve the local food landscape.

City Harvest is a respected voice in anti-hunger and food systems advocacy, with established relationships at the federal, state, and local levels. City Harvest collaborates with elected officials to examine food access and other environmental changes necessary to promote health, and also works to influence hunger and food systems policy in a way that is closely aligned with our program goals.

**CITY HARVEST, INC.**  
**Notes to the Financial Statements**  
**June 30, 2018 and 2017**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements of City Harvest have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (“US GAAP”) as applicable to not-for-profit entities.

**Functional Allocation of Expenses**

The cost of providing City Harvest’s various programs and supporting services has been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. The most significant estimates pertain to the valuation of donated food, operating accruals and estimated useful lives of long-lived assets.

**Cash Equivalents**

City Harvest considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. City Harvest places its temporary cash investments with high credit quality financial institutions. At times, such investments may exceed federally insured limits. However, management believes that City Harvest does not face a significant risk of loss on these accounts due to the possible failure of these financial institutions.

**Investments**

Investments in equity, debt and government-backed securities with readily determined fair values are reported at their fair values, with gains and losses included in the accompanying statements of activities. Net investment income is recorded as unrestricted or restricted in accordance with donor intent.

Donated securities are recorded at their fair values on the dates of receipt. It is City Harvest’s policy to sell donated securities immediately, and accordingly, for purposes of the accompanying statement of cash flows, donated securities and the proceeds generated from their sales are included as operating activities.

**Inventory**

Contributed food is valued on a first-in, first-out basis. Public donations are valued based on the weighted average price per pound as determined by the annual Product Valuation Survey provided by Feeding America. Purchased items are valued at cost (Note 7). Management has determined that no obsolescence reserve was required based on the nature and rapid turnover of City Harvest’s inventory at June 30, 2018 and 2017.

**Property and Equipment**

Property and equipment are stated at their costs at the dates of acquisition or at their fair values at the dates of donation. Depreciation is provided using the straight-line method, applied over the assets’ estimated useful

**CITY HARVEST, INC.**  
**Notes to the Financial Statements**  
**June 30, 2018 and 2017**

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lives, which range from 4 to 10 years. Expenditures for leasehold improvements are capitalized and amortized using the straight-line method over the shorter of the estimated useful life of the specific asset or the term of the applicable lease. Equipment acquired under capital lease arrangements is amortized using the straight-line method over the lesser of the lease term or the estimated useful life of the asset.

**Deferred Lease Costs**

Costs incurred in connection with the issuance of a lease agreement are amortized using the straight-line method over the term of the lease agreement.

**Accrued Vacation**

Based on their tenure, City Harvest's employees are entitled to be paid for unused vacation time if they leave City Harvest. Accordingly, at each fiscal year end, City Harvest must recognize a liability for the amount that would be incurred if the employees with such vacation were to leave. At June 30, 2018 and 2017, this accrued vacation obligation was \$335,176 and \$286,481, respectively, and was reported in the accompanying statements of financial position as a component of accrued expenses.

**Net Assets**

The net assets of City Harvest and changes therein are classified and reported as follows:

*Unrestricted net assets* - represent expendable resources that are used to carry out City Harvest's operations and are not subject to donor imposed stipulations.

*Unrestricted board-designated net assets* - represent funds intended to ensure the stability of the mission of City Harvest by providing an internal source of funds for organizational priorities including building repairs and improvement, program opportunity and capacity building.

*Temporarily restricted net assets* - represent those resources the use of which has been restricted by donors to specific purposes or by a time restriction. Temporarily restricted contributions, the requirements of which are met in the same year of donation, are reported as unrestricted. Net assets are released from restrictions through the satisfaction of the restricted purposes specified by the donor or the passage of time. The interest income generated by temporarily restricted net assets is recorded in the unrestricted net asset class and is available to fulfill the charitable purposes of City Harvest unless specified otherwise by the donor.

*Permanently restricted net assets* - contain donor-imposed restrictions that stipulate that resources be maintained permanently. City Harvest had \$305,198 and \$310,575 of permanently restricted net assets at June 30, 2018 and 2017, respectively.

**Public Support**

Contributions and grants are reported as revenue upon the receipt of cash or unconditional pledges. Contributions and grants are considered available for unrestricted use unless specifically restricted by the donors. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved. Contributions of marketable securities are recorded at their fair values at the dates of donation.

**CITY HARVEST, INC.**  
**Notes to the Financial Statements**  
**June 30, 2018 and 2017**

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**Grants and Awards**

Grants and awards receivable are amounts reimbursable to City Harvest under the terms of client service and other agreements with various governmental agencies. Revenues from grants and awards are recognized when costs are incurred or services have been performed. Grants received in advance are recorded as deferred revenue, and revenue is deferred until the related expenses are incurred.

**In-Kind Contributions**

City Harvest records donated food, marketable securities, and other noncash donations as contributions at the time of receipt, at their estimated fair values. The fair value of gifts of donated food over which City Harvest has control (i.e., variance power) is reported as unrestricted public support and shortly thereafter, as expense when granted to donors or other food banks. In fiscal year 2018 and 2017, the estimated fair value of donated food is based upon the wholesale value of donated product at the national level, as determined by an independent study for applicable food categories for perishable and packaged food received by City Harvest (Note 7).

In addition, a substantial number of unpaid volunteers have made significant contributions of their time to City Harvest. These contributed services do not meet the criteria for recognition required by US GAAP and are not reflected in the accompanying financial statements.

**Income Taxes**

City Harvest follows the provisions of Accounting Standards Codification (“ASC”) 740. ASC 740-10 clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This section provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

City Harvest is exempt from federal income taxation by virtue of being an organization described in Section 501(c)(3) of the Code. Nevertheless, City Harvest may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Management determined that there are no uncertain tax positions within its financial statements.

**Fair Value of Financial Instruments**

The carrying amounts of cash, contributions receivable, prepaid expenses and other assets, and accounts payable and accrued expenses reported in the accompanying statements of financial position approximate fair value due to the short maturity of these financial instruments. The carrying value of amounts due from government agencies and other receivables is based on historical collection experience and is believed to approximate net realizable value.

**CITY HARVEST, INC.**  
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**Fair Value Measurements**

City Harvest defines fair value in a way that focuses on an exit price between market participants in an orderly transaction. City Harvest also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three level hierarchy for fair value measurements based on the transparency of information used in the valuation of the respective financial instrument.

**Concentrations of Credit Risk**

Cash, cash equivalents, and investments are exposed to various risks, such as interest rate, market, and credit. City Harvest maintains its cash and cash equivalents in various bank deposit accounts which, at times, may exceed federally insured limits. City Harvest's cash accounts are placed with high credit quality financial institutions and accordingly, City Harvest does not expect nonperformance.

**Reclassifications**

Certain reclassifications were made to the 2017 financial statements to conform to the 2018 presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses or changes in net assets as previously reflected in the 2017 consolidated financial statements.

**3. CONTRIBUTIONS RECEIVABLE**

At each fiscal year end, City Harvest's pledges receivable consisted of the following:

	<u>2018</u>	<u>2017</u>
Gross amounts due in:		
One year	\$ 5,358,912	\$ 3,775,580
One to five years	-	31,542
More than five years	-	<u>42,000</u>
	<u>5,358,912</u>	3,849,122
Discount to present value (1.74%)	-	<u>(15,892)</u>
	<u>\$ 5,358,912</u>	<u>\$ 3,833,230</u>

At June 30, 2018 and 2017, City Harvest estimates that, based on past history and subsequent collections, contributions receivable will be substantially collected in full. Accordingly, no allowance for uncollectible amounts has been provided. Contributions receivable are nonrecurring fair value measurements. Any multi-year pledges received were recorded at the present value of the expected future cash flows using a credited adjusted discount rate.

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**Notes to the Financial Statements**  
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**4. INVESTMENTS**

City Harvest’s investments are classified as follows within the fair value hierarchy of the standard. At June 30, 2018 and 2017, investments at fair value were comprised of the following:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 195,589	\$ 204,639	\$ 183,035	\$ 200,876
Government and corporate obligations	3,620,068	3,617,324	3,552,340	3,558,296
Debt securities	<u>7,320,268</u>	<u>7,243,691</u>	<u>6,206,944</u>	<u>6,180,777</u>
Total investments	<u>\$ 11,135,925</u>	<u>\$ 11,065,654</u>	<u>\$ 9,942,319</u>	<u>\$ 9,939,949</u>

City Harvest follows the Financial Accounting Standards Board (“FASB”) standard on fair value measurements. The standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three level hierarchy for fair value measurements based on the transparency of information used in the valuation of the respective financial instrument.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as certain U.S. Treasury securities.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed securities, and corporate debt securities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.

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At June 30, 2018 and 2017, City Harvest's investments were classified as follows within the fair value hierarchy standard:

	<b>2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equities	\$ 192,134	\$ 12,505	\$ -	\$ 204,639
Government and corporate obligations	-	3,617,324	-	3,617,324
Debt securities	<u>25,556</u>	<u>7,218,135</u>	-	<u>7,243,691</u>
Total investments	<u>\$ 217,690</u>	<u>\$ 10,847,964</u>	<u>\$ -</u>	<u>\$ 11,065,654</u>

  

	<b>2017</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equities	\$ 200,876	\$ -	\$ -	\$ 200,876
Government and corporate obligations	-	3,558,296	-	3,558,296
Debt securities	<u>39,400</u>	<u>6,141,377</u>	-	<u>6,180,777</u>
Total investments	<u>\$ 240,276</u>	<u>\$ 9,699,673</u>	<u>\$ -</u>	<u>\$ 9,939,949</u>

The following schedules summarize the investment return and its classification in the accompanying statements of activities for the fiscal years ended June 30, 2018 and 2017:

<b><u>2018</u></b>	<b><u>Unrestricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Investment income	\$ 193,872	\$ -	\$ 193,872
Net realized (losses)	(23,938)	8,611	(15,327)
Net unrealized (depreciation)	<u>(58,180)</u>	<u>(13,988)</u>	<u>(72,168)</u>
Total investment return	<u>\$ 111,754</u>	<u>\$ (5,377)</u>	<u>\$ 106,377</u>

  

<b><u>2017</u></b>	<b><u>Unrestricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Investment income	\$ 115,751	\$ -	\$ 115,751
Net realized (losses)	(7,871)	(814)	(8,685)
Net unrealized (depreciation) appreciation	<u>(36,327)</u>	<u>(1,874)</u>	<u>(38,201)</u>
Total investment return	<u>\$ 71,553</u>	<u>\$ (2,688)</u>	<u>\$ 68,865</u>



**CITY HARVEST, INC.**  
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**5. PROPERTY AND EQUIPMENT**

At each fiscal year end, property and equipment consisted of the following:

	<u>2018</u>	<u>2017</u>
Transportation vehicles and equipment	\$ 2,662,880	\$ 2,662,880
Furniture and fixtures	578,705	578,705
Computer equipment	671,788	671,788
Office equipment	956,801	930,702
Leasehold improvements	1,166,969	1,113,340
Construction in progress	<u>632,115</u>	<u>19,179</u>
	6,669,258	5,976,594
Less accumulated depreciation and amortization	<u>(4,818,659)</u>	<u>(4,115,677)</u>
	<u>\$ 1,850,599</u>	<u>\$ 1,860,917</u>

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 were \$702,986 and \$807,243, respectively.

Included in construction in progress are the costs committed to building three trucks that are in the process of being assembled at June 30, 2018.

Included in transportation vehicles and equipment are vehicles acquired under a capital lease arrangement for 3-6 years with a cost of approximately \$855,230, and with accumulated amortization of approximately \$781,936 and \$639,398 at June 30, 2018 and 2017, respectively. Amortization expense under capital leases totaled approximately \$142,538 and \$146,280 at June 30, 2018 and 2017, respectively. Amounts outstanding under this capital lease included in the accompanying statements of financial position totaled approximately \$87,646 and \$248,804 at June 30, 2018 and 2017, respectively.

**6. TEMPORARILY RESTRICTED NET ASSETS**

At each fiscal year end, temporarily restricted net assets were available for the following purposes:

	<u>2018</u>	<u>2017</u>
Restricted as to purpose:		
Emergency food	\$ 11,580	\$ -
Healthy neighborhoods	1,046,678	120,103
Nutrition education	-	15,000
Capital	338,000	-
Strategic plan	<u>250,000</u>	<u>-</u>
	1,646,258	135,103
Time restricted	<u>341,817</u>	<u>1,505,173</u>
	<u>\$ 1,988,075</u>	<u>\$ 1,640,276</u>

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During each fiscal year, temporarily restricted net assets were released from restrictions in fulfillment of the following purposes:

	<u>2018</u>	<u>2017</u>
Emergency food	\$ -	\$ 270,452
Healthy neighborhoods	100,102	210,000
Nutrition education	15,000	85,122
Capital	100,000	269,456
Green Fleet*	-	2,849,348
Harvest works	-	250,000
	<u>215,102</u>	<u>3,934,378</u>
Time restricted	<u>923,174</u>	<u>739,811</u>
	<u>\$ 1,138,276</u>	<u>\$ 4,674,189</u>

\* The Green Fleet Fund was established in 2008 to support the acquisition, operation and maintenance of a green fleet of trucks. This fund was fully released from restriction during 2017 as it was determined that expenditures in fulfillment of the funds purpose had been incurred.

**7. IN-KIND CONTRIBUTIONS**

Food products are donated to City Harvest by restaurants, corporations and individuals. These food products are subsequently distributed to a network of approximately 400 community food programs. City Harvest also arranges for food from its donors to be distributed directly to other food banks or directly to agencies. In addition to donations of food products, City Harvest also accepts donations of prepared food and meals. All donated food has been valued based on the wholesale value of the donated product at the national level, as determined by an independent study, which has been calculated by City Harvest at \$1.73 per pound and \$1.67 per pound for fiscal year 2018 and 2017, respectively. During fiscal years 2018 and 2017, the total pounds and value of food distributed consisted of the following:

	<u>2018</u>		<u>2017</u>	
	<u>Pounds</u>	<u>Value</u>	<u>Pounds</u>	<u>Value</u>
Donated food	60,538,973	\$ 104,140,767	56,149,028	\$ 94,039,157
Purchased food	<u>177,660</u>	<u>204,878</u>	<u>287,434</u>	<u>393,555</u>
Total food contributed	60,716,633	104,345,645	56,436,462	94,432,712
Decrease (increase) in inventory	<u>125,217</u>	<u>149,016</u>	<u>(407,591)</u>	<u>(653,548)</u>
Total food distributed	<u>60,841,850</u>	<u>\$ 104,494,661</u>	<u>56,028,871</u>	<u>\$ 93,779,164</u>

City Harvest also recognized donated legal services in connection with its program and administrative operations, the estimated fair value of which was \$351,478 and \$146,467 for each of the fiscal years 2018 and 2017, respectively. Additionally, City Harvest recorded donated advertising services for public service announcements, the fair value of which was \$2,135,370 and \$1,833,451 for fiscal years 2018 and 2017, respectively.

**CITY HARVEST, INC.**  
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In connection with City Harvest’s special event auction and gala during the fiscal years 2018 and 2017, City Harvest recorded the value of donated items and services, the fair value of which was approximately \$220,030 and \$342,754, respectively.

**8. ENDOWMENT FUND**

On September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). NYPMIFA applies to donor-restricted endowments and, among other things, updates requirements governing investment conduct, expenditure of funds, delegation of management and investment, and release or modification of restrictions. Accounting guidance issued by the FASB addresses the disclosure of endowment funds and addresses the net asset classification of donor-restricted endowment funds for organizations subject to the State enacted Prudent Management of Institutional Funds Act. A key component of this guidance is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. In addition, the FASB issued guidance requiring new disclosures about an organization’s donor-restricted and board-designated endowment funds.

**Interpretation of Relevant Law**

City Harvest’s Board of Directors has interpreted the NYPMIFA as requiring City Harvest, absent explicit donor stipulations to the contrary, to act in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances in making determinations to appropriate or accumulate endowment funds, taking into account both its obligations to preserve the value of the endowment and its obligation to use the endowment to achieve the purposes for which it was donated. City Harvest classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment required by the applicable donor gift instrument.

The following table illustrates the composition of City Harvest’s endowment fund, which is managed by a donor designated asset manager, as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Donor-restricted endowment funds	\$ 310,575	\$ 313,263
Total	<u>\$ 310,575</u>	<u>\$ 313,263</u>
<b>Endowment net assets, beginning of year</b>	<u>\$ 310,575</u>	<u>\$ 313,263</u>
Investment return:		
Net realized and unrealized (depreciation) appreciation	<u>(5,377)</u>	<u>(2,688)</u>
Total investment return	<u>(5,377)</u>	<u>(2,688)</u>
<b>Endowment net assets, end of year</b>	<u>\$ 305,198</u>	<u>\$ 310,575</u>

**CITY HARVEST, INC.**  
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**9. RETIREMENT PLAN**

City Harvest offers a defined contribution plan, as defined in U.S. Internal Revenue Code (the “Code”) Section 403(b), to all eligible employees who may make voluntary contributions to the plan, up to the maximum amount allowed by the Code. City Harvest contributes an amount equal to 3% of the salary for each employee who has completed one year of service. City Harvest also makes an additional matching contribution for those employees that contribute to the plan. During the year ended June 30, 2017, the matching contribution for employees who have completed one year of service changed from a maximum of 2% of eligible compensation to a maximum of 3%. City Harvest’s contribution for fiscal years 2018 and 2017 was approximately \$514,000 and \$460,000, respectively.

**10. COMMITMENTS AND CONTINGENCIES**

In April 2011, City Harvest entered into a lease for a 45,000 square feet Food Rescue Facility in Long Island City, Queens. The lease provides for minimum annual base rent, as well as escalations in real estate taxes and other expenses, and expires in June 2021.

In April 2012, City Harvest entered into a twelve year lease for new administrative office space located in Midtown, Manhattan.

Future minimum rent obligations under all of the lease agreements as of June 30, 2018, are as follows:

<b>Year Ending June 30,</b>	<b><u>Commitment</u></b>
2019	\$ 1,993,715
2020	1,909,012
2021	1,894,141
2022	1,326,592
2023	1,375,117
Thereafter	<u>1,764,030</u>
	<u>\$ 10,262,607</u>

Rental expense under operating leases (which includes payments for rentals of additional trucks on an as-needed basis) for fiscal years 2018 and 2017 was approximately \$1,716,200 and \$1,708,550, respectively.

Government-supported projects are subject to audit by the applicable government granting agencies. At June 30, 2018 and 2017, there were no material obligations outstanding as a result of such audits, and management believes that unaudited projects will not result in any material obligations.

City Harvest maintains a \$3,000,000 unsecured line of credit from a financial institution. City Harvest may elect the method of calculating the interest rate at the time of the drawdown; the interest rate calculation methods are outlined in the Line of Credit Note maintained with the financial institution. As of June 30, 2018 and 2017, City Harvest had no outstanding balances due, and there were no borrowings in either year. The line of credit agreement expires February 28, 2019.

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**11. SUBSEQUENT EVENTS**

City Harvest evaluated its June 30, 2018 financial statements for subsequent events through November 15, 2018, the date the financial statements were available to be issued. Management is not aware of any subsequent events which would require recognition or disclosure in the financial statement.