

Financial Statements and Report of
Independent Certified Public
Accountants

City Harvest, Inc.

June 30, 2023 and 2022

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
City Harvest, Inc.

Report on the financial statements**Opinion**

We have audited the financial statements of City Harvest, Inc. ("City Harvest"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of City Harvest 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 of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under US GAAS are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City Harvest 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 financial statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 US GAAS 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 financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 City Harvest'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City Harvest'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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

New York, New York
November 28, 2023

City Harvest, Inc.

STATEMENTS OF FINANCIAL POSITION

As of June 30,

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 15,101,385	\$ 33,334,763
Contributions receivable - current portion	13,511,154	14,294,519
Grants and awards receivable	1,591,062	2,719,589
Prepaid expenses and other current assets	821,608	726,043
Total current assets	31,025,209	51,074,914
Investments	23,617,128	5,001,781
Inventory	1,619,211	1,424,093
Security deposits	1,968,944	1,962,633
Contributions receivable, net - long-term portion	3,392,709	8,522,663
Right-of-use asset for finance lease	115,042,787	119,121,062
Right-of-use asset for operating lease	1,371,776	2,444,012
Property and equipment, net	65,909,107	61,876,614
Funds held for others	189,820	133,353
Total assets	\$ 244,136,691	\$ 251,561,125
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 10,706,330	\$ 12,252,325
Current portion of long term debt	3,375,000	3,375,000
Deferred revenue	370,959	963,436
Total current liabilities	14,452,289	16,590,761
Long term debt	4,218,750	7,593,750
Finance lease obligation	124,564,071	126,261,626
Operating lease obligation	1,744,819	3,079,381
Funds held for others	189,820	133,353
Total long-term liabilities	130,717,460	137,068,110
Total liabilities	145,169,749	153,658,871
Net assets		
Without donor restrictions		
Undesignated	71,911,566	49,789,377
Board designated	17,906,303	29,927,323
Total net assets without donor restrictions	89,817,869	79,716,700
With donor restrictions		
Time restricted	8,278,309	7,383,622
Purpose restricted	870,764	10,801,932
Total net assets with donor restrictions	9,149,073	18,185,554
Total net assets	98,966,942	97,902,254
Total liabilities and net assets	\$ 244,136,691	\$ 251,561,125

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

City Harvest, Inc.

STATEMENTS OF ACTIVITIES

For the years ended June 30,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues						
Public support						
Contributions						
Donated food (Note 7)	\$ 136,307,982	\$ -	\$ 136,307,982	\$ 156,390,574	\$ -	\$ 156,390,574
Corporations	5,716,148	290,000	6,006,148	8,596,307	20,000	8,616,307
Foundations	8,489,280	4,222,801	12,712,081	9,106,627	4,728,385	13,835,012
Individuals	22,008,745	3,566,792	25,575,537	22,351,620	2,380,423	24,732,043
Organizations	1,217,190	-	1,217,190	862,328	-	862,328
Special events (net of direct benefits to donors of \$1,749,016 in 2023 and \$1,282,472 in 2022)	6,206,443	-	6,206,443	5,730,645	245,062	5,975,707
Total public support	179,945,788	8,079,593	188,025,381	203,038,101	7,373,870	210,411,971
Revenues						
Government grants and awards	5,553,167	-	5,553,167	4,372,469	7,438	4,379,907
Investment income (loss)	344,473	964	345,437	(225,266)	(9,395)	(234,661)
Other income	679,533	-	679,533	29,831	-	29,831
Total revenues	6,577,173	964	6,578,137	4,177,034	(1,957)	4,175,077
Net assets released from restrictions	8,500,008	(8,500,008)	-	2,078,492	(2,078,492)	-
Total public support, revenues and net assets released from restrictions	195,022,969	(419,451)	194,603,518	209,293,627	5,293,421	214,587,048
Expenses						
Program services						
Emergency food operations	178,351,813	-	178,351,813	206,613,955	-	206,613,955
Other programming	5,815,154	-	5,815,154	4,689,940	-	4,689,940
Total program services	184,166,967	-	184,166,967	211,303,895	-	211,303,895
Supporting services						
Management and general	2,133,380	-	2,133,380	1,846,230	-	1,846,230
Development	13,039,691	-	13,039,691	12,173,538	-	12,173,538
Total supporting services	15,173,071	-	15,173,071	14,019,768	-	14,019,768
Total expenses	199,340,038	-	199,340,038	225,323,663	-	225,323,663
Change in net assets before effect of non-operating activity and donated services	(4,317,069)	(419,451)	(4,736,520)	(16,030,036)	5,293,421	(10,736,615)
Non-operating activity						
Capital campaign revenue (Note 3)	5,801,208	-	5,801,208	144,738	7,767,248	7,911,986
Capital campaign release from restriction	8,617,030	(8,617,030)	-	40,995,121	(40,995,121)	-
Total non-operating activity	14,418,238	(8,617,030)	5,801,208	41,139,859	(33,227,873)	7,911,986
Donated services and supplies - revenue	2,852,933	-	2,852,933	2,028,367	-	2,028,367
Donated services and supplies - expenses	(2,852,933)	-	(2,852,933)	(2,028,367)	-	(2,028,367)
CHANGE IN NET ASSETS	10,101,169	(9,036,481)	1,064,688	25,109,823	(27,934,452)	(2,824,629)
Net assets, beginning of year	79,716,700	18,185,554	97,902,254	54,606,877	46,120,006	100,726,883
Net assets, end of year	\$ 89,817,869	\$ 9,149,073	\$ 98,966,942	\$ 79,716,700	\$ 18,185,554	\$ 97,902,254

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

City Harvest, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2023, with comparative information for 2022

	Program Services			Supporting Services			Total Expenses	
	Emergency Food Operations	Other Programming	Total	Management and General	Development	Total	2023	2022
Salaries	\$ 9,824,292	\$ 2,267,541	\$ 12,091,833	\$ 748,535	\$ 5,228,556	\$ 5,977,091	\$ 18,068,924	\$ 17,855,251
Employee benefits and payroll taxes	2,884,434	667,060	3,551,494	173,206	1,277,543	1,450,749	5,002,243	4,815,785
Food distributed	139,256,548	-	139,256,548	-	-	-	139,256,548	164,341,300
Food transportation and distribution	13,804,951	851	13,805,802	-	-	-	13,805,802	18,273,101
Food packaging supplies	193,740	-	193,740	-	9,196	9,196	202,936	253,545
Communication, printing and postage	108,254	26,263	134,517	31,457	1,306,687	1,338,144	1,472,661	1,263,545
Rent, utilities and cleaning	1,585,429	222,963	1,808,392	320,572	442,932	763,504	2,571,896	2,233,726
Promotion	21,960	9,136	31,096	25,245	1,038,123	1,063,368	1,094,464	1,133,102
Computer support	467,608	74,487	542,095	160,678	352,976	513,654	1,055,749	827,437
Professional fees	560,661	371,722	932,383	112,644	2,281,277	2,393,921	3,326,304	3,303,616
Grant expense	-	1,077,136	1,077,136	-	-	-	1,077,136	1,792,272
Office supplies and miscellaneous	999,931	377,856	1,377,787	180,130	640,784	820,914	2,198,701	1,877,805
Interest on finance lease	1,421,608	141,339	1,562,947	130,241	116,550	246,791	1,809,738	1,834,412
Provision for bad debt	2,778	504	3,282	950	1,411	2,361	5,643	158,781
Total expenses before depreciation and amortization and donated services	171,132,194	5,236,858	176,369,052	1,883,658	12,696,035	14,579,693	190,948,745	219,963,678
Depreciation and amortization	7,219,619	578,296	7,797,915	249,722	343,656	593,378	8,391,293	5,359,985
Donated services and supplies	65,166	14,980	80,146	23,220	2,749,567	2,772,787	2,852,933	2,028,367
Total expenses	\$ 178,416,979	\$ 5,830,134	\$ 184,247,113	\$ 2,156,600	\$ 15,789,258	\$ 17,945,858	\$ 202,192,971	\$ 227,352,030

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

City Harvest, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2022

	Program Services			Supporting Services			Total Expenses 2022
	Emergency Food Operations	Other Programming	Total	Management and General	Development	Total	
Salaries	\$ 10,274,985	\$ 1,828,859	\$ 12,103,844	\$ 657,954	\$ 5,093,453	\$ 5,751,407	\$ 17,855,251
Employee benefits and payroll taxes	3,009,248	491,862	3,501,110	151,726	1,162,949	1,314,675	4,815,785
Food distributed	164,341,300	-	164,341,300	-	-	-	164,341,300
Food transportation and distribution	18,273,101	-	18,273,101	-	-	-	18,273,101
Food packaging supplies	246,379	-	246,379	-	7,166	7,166	253,545
Communication, printing and postage	108,286	24,638	132,924	27,708	1,102,913	1,130,621	1,263,545
Rent, utilities and cleaning	1,458,411	153,068	1,611,479	265,583	356,664	622,247	2,233,726
Promotion	12,198	11,309	23,507	23,031	1,086,564	1,109,595	1,133,102
Computer support	358,386	54,121	412,507	112,346	302,584	414,930	827,437
Professional fees	559,357	553,747	1,113,104	97,850	2,092,662	2,190,512	3,303,616
Grant expense	970,000	822,272	1,792,272	-	-	-	1,792,272
Office supplies and miscellaneous	780,497	388,406	1,168,903	180,635	528,267	708,902	1,877,805
Interest on finance lease	1,530,506	96,067	1,626,573	88,467	119,372	207,839	1,834,412
Provision for bad debt	82,396	12,410	94,806	28,519	35,456	63,975	158,781
Total expenses before depreciation and amortization and donated services	202,005,050	4,436,759	206,441,809	1,633,819	11,888,050	13,521,869	219,963,678
Depreciation and amortization	4,608,905	253,181	4,862,086	212,411	285,488	497,899	5,359,985
Donated services and supplies	42,219	7,714	49,933	15,020	1,963,414	1,978,434	2,028,367
Total expenses	\$ 206,656,174	\$ 4,697,654	\$ 211,353,828	\$ 1,861,250	\$ 14,136,952	\$ 15,998,202	\$ 227,352,030

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

City Harvest, Inc.

STATEMENTS OF CASH FLOWS

For the years ended June 30,

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,064,688	\$ (2,824,629)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization relating to property and equipment	4,313,008	1,278,754
Amortization of right-of-use assets	4,113,403	4,113,402
Loss on disposal of property and equipment	34,414	-
Donated securities	(4,374,269)	(4,241,371)
Proceeds from the sale of donated securities	4,372,819	4,231,212
Net realized and unrealized loss on investments	124,970	389,249
Changes in assets and liabilities:		
Contributions receivable	5,913,319	2,198,606
Grants receivable	1,128,527	460,953
Prepaid and other current assets	(95,565)	539,388
Inventory	(195,118)	136,699
Security deposits	(6,311)	135,953
Right-of-use asset for operating lease	1,072,236	1,050,880
Accounts payable and accrued expenses	3,518,701	505,634
Deferred revenue	(592,477)	518,517
Finance lease obligation	1,774,608	1,802,233
Operating lease obligation	(1,334,562)	(1,264,682)
	<u>20,832,391</u>	<u>9,030,798</u>
Net cash provided by operating activities		
	<u>20,832,391</u>	<u>9,030,798</u>
Cash flows from investing activities:		
Purchases of property and equipment	(13,444,611)	(42,870,746)
Purchase of securities	(19,959,996)	(1,175,705)
Proceeds from sales of securities	1,221,129	1,031,130
	<u>(32,183,478)</u>	<u>(43,015,321)</u>
Net cash used in investing activities		
	<u>(32,183,478)</u>	<u>(43,015,321)</u>
Cash flows from financing activities:		
Proceeds from long term debt	-	13,500,000
Repayment of principal on finance lease	(3,507,291)	(3,405,137)
Repayment of principal on long term debt	(3,375,000)	(2,531,250)
	<u>(6,882,291)</u>	<u>7,563,613</u>
Net cash (used in) provided by financing activities		
	<u>(6,882,291)</u>	<u>7,563,613</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(18,233,378)</u>	<u>(26,420,910)</u>
Cash and cash equivalents, beginning of year	<u>33,334,763</u>	<u>59,755,673</u>
Cash and cash equivalents, end of year	<u>\$ 15,101,385</u>	<u>\$ 33,334,763</u>
Supplemental disclosures for cash flow information:		
Property and equipment purchases included in accounts payable and accrued expenses	<u>\$ (5,064,696)</u>	<u>\$ (2,589,473)</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	<u>\$ 1,340,773</u>	<u>\$ 1,314,879</u>
Operating cash flows from finance leases	<u>\$ 117,153</u>	<u>\$ 66,364</u>
Financing cash flows from finance leases	<u>\$ 3,507,291</u>	<u>\$ 3,405,137</u>

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

City Harvest, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 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 is New York City’s largest food rescue organization, helping to feed the nearly 1.2 million New Yorkers who are struggling to put meals on their tables. This year, City Harvest rescued 79.0 million pounds of food and delivered it, free of charge, to hundreds of food pantries, soup kitchens and other community partners across the five boroughs. City Harvest’s programs empower individuals through nutrition education, increase its partners’ capacity, and strengthen the local food system, helping New Yorkers who are experiencing food insecurity to access, afford, and consume nutritious food.

The Company’s 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 24 trucks, City Harvest rescues food that would otherwise go to waste and delivers it free of charge to community programs that provide nutritious food to New Yorkers in need. City Harvest rescues food from approximately 1,500 donors across the city and country, including farms, grocers, restaurants, and manufacturers. City Harvest focuses on sourcing fresh, local food, and approximately 71% of the food they deliver is produce. Since it was founded in 1982, City Harvest has collected more than 1.2 billion pounds of food and distributed it to New Yorkers in need across the five boroughs.

Other Programming

City Harvest partners with residents, local businesses and non-profit organizations, and other community partners in high-need neighborhoods across New York City to make it easier for New Yorkers experiencing food insecurity to acquire and prepare food that is desired, usable, and nutritious, ensure that there are policies and systems that protect and strengthen local food systems for all New Yorkers, and increase the capacity among individuals and local organizations. City Harvest’s community-tailored programming reaches some 370,000 New Yorkers annually across the five boroughs through its Mobile Markets, food distributions in schools, and nutrition education classes and interventions.

City Harvest works with partners in communities across the city to ensure that residents stay informed about anti-hunger policies and programs, and City Harvest advocates for equity and inclusion in the decision-making process that shapes the local food system. In addition, City Harvest engages elected officials at the city, state and federal levels to help shape policies that address hunger and food insecurity.

City Harvest, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Asset Classifications

The accompanying financial statements of City Harvest have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Those standards require that net assets and revenues, gains, expenses and losses be classified as net assets without restrictions or net assets with restrictions based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions represent resources that are available in support of operations which includes net assets designated by management to be utilized for restricted purposes.

Net Assets With Donor Restrictions

Includes net assets subject to donor-imposed stipulations that expire with the passage of time or can be fulfilled by actions of City Harvest, pursuant to those stipulations.

Another portion of net assets with donor restrictions stipulates that the corpus of the gifts be maintained in perpetuity, but allow for the expenditure of net investment income and gains earned on the corpus for either specified or unspecified purposes.

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. The majority of expenses can be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses including depreciation, occupancy, information technology, and administration services have been allocated among program and supporting service classifications using headcount.

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 U.S. GAAP 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.

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 a component of net assets without donor restrictions or net assets with donor restrictions in accordance with donor intent.

City Harvest, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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 statements 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 five-year 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, 2023 and 2022.

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 lives, which range from four to 20 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 finance lease arrangements is amortized using the straight-line method over the lesser of the lease term or the estimated useful life of the asset.

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, 2023 and 2022, this accrued vacation obligation was \$463,776 and \$485,489, respectively, and was reported in the accompanying statements of financial position as a component of accrued expenses.

Revenue Recognition

City Harvest recognizes revenue from contributions in accordance with Accounting Standards Codification ("ASC") 958-605. In accordance with ASC 958-605, City Harvest evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, City Harvest records the transactions as allowable costs are incurred in accordance with ASC 606. If the transfer of assets is determined to be a contribution, City Harvest evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before City Harvest is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Contributions and Pledges

Contributions to City Harvest are recognized as revenue upon the receipt of cash or of unconditional pledges. Contributions of marketable securities are recorded at their fair values at the dates of donation. Contributions are reported as net assets with donor restrictions if they are received with purpose restrictions or time considerations as to their use. Conditional contributions are recognized when the donor's conditions have been met by requisite actions of City Harvest's management or necessary events have taken place. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

City Harvest, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Donor-restricted contributions that are received and whose restrictions are met in the same fiscal year are recorded as net assets without donor restrictions. Otherwise, once stipulated time restrictions end or purpose restrictions are accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions as net assets released from restrictions in the accompanying statements of activities.

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. Grants are reported as net assets with donor restrictions if they are received with purpose restrictions or time considerations (barriers) as to their use. Revenues from grants and awards are recognized when costs are incurred or services have been performed and entitlement to revenue is earned. Grants received in advance are recorded as deferred revenue, and revenue is deferred until the related expenses are incurred.

Special Events

A portion of the gross proceeds paid by attendees at special events held as fundraising activities represents contribution revenue whereas the other portion serves as the payment of the direct cost of the benefit received by the attendee at the event. Special event income is reported net of the direct benefit to donors. Special event revenues applicable to a current year are recognized as revenue in the year a special event takes place.

Capital Campaign

Contributions related to the capital campaign are recognized as both with and without donor restrictions based on whether the funds are internally designated (without donor restrictions) or raised from donors (with donor restrictions).

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 public support without donor restrictions and, shortly thereafter, as expense when granted to agencies or other food banks. The estimated fair value of donated food is based upon the five-year average 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). All donated food is used in City Harvest's programs.

Volunteers

A number of unpaid volunteers have made significant contributions of their time supporting City Harvest. The value of this contributed time is not recorded in the financial statements because it does not meet the criteria for revenue recognition required by U.S. GAAP.

Income Taxes

City Harvest follows guidance that 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 guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements 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, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

City Harvest is exempt from federal income tax under Section 501(c)(3) of the Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. City Harvest has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated business income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to identify and evaluate other matters that may be considered tax positions. City Harvest has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. In addition, City Harvest has not recorded a provision for income taxes as it has no material tax liability from unrelated business income activities.

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 risk. 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.

Leases

Right-of-use ("ROU") assets are recognized at the lease commencement date and represent City Harvest's right to use an underlying asset for the lease term and lease liabilities represent City Harvest's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. The present value of lease payments is discounted based on the risk-free rate selected that corresponds to the term of the lease.

City Harvest's ROU assets are initially measured based on the corresponding lease liability adjusted for (i) payments made to the lessor at or before the commencement date, (ii) initial direct costs incurred and (iii) lease incentives under the lease. Options to renew or terminate the lease are recognized as part of our ROU assets and lease liabilities when it is reasonably certain the options will be exercised. ROU assets are also assessed for impairment consistent with the long-lived asset guidance.

Operating lease expense for fixed lease payments is recognized on a straight-line basis over the lease term.

New Accounting Standards

In March 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-04, *Reference Rate Reform* (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. In response to concerns about structural risks of interbank offered rates ("IBORs"), and, particularly, the risk of cessation of the London Interbank Offered Rate ("LIBOR"), regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction based and less susceptible to manipulation. The amendments in this update provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. In December 2022, the FASB issued ASU 2022-06, *Deferral of the Sunset Date of Topic 848*, which deferred the sunset date of Topic 848 until

City Harvest, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

December 31, 2024. The amendments to Topic 848 were effective for City Harvest upon issuance and may be applied through December 31, 2024 and are applicable to all contracts and hedging relationships that reference LIBOR or any other reference rate expected to be discontinued. City Harvest has applied this guidance within the financial statements and related disclosures.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation. Such reclassifications did not change total assets, liabilities, net assets, revenues, expenses or changes in net assets as previously reflected in the fiscal 2022 financial statements.

NOTE 3 - CONTRIBUTIONS RECEIVABLE, CAPITAL CAMPAIGN, AND RESILIENCY FUND

Contributions Receivable

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

	2023	2022
Gross amounts due in:		
One year	\$ 13,511,154	\$ 14,294,519
One to five years	3,990,277	9,206,897
	17,501,431	23,501,416
Allowance for uncollectible amounts	(437,740)	(523,326)
Discount to present value (rate of 0.24% - 3.00%)	(159,828)	(160,908)
	\$ 16,903,863	\$ 22,817,182

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. At June 30, 2023 and 2022, pledge receivables included approximately \$8.3 million and \$15.0 million, respectively, related to a capital campaign.

Capital Campaign

In the year ended June 30, 2020, City Harvest launched a capital campaign with a goal of raising \$75 million to fund the renovation of City Harvest's new headquarters in Sunset Park, Brooklyn. This new location has allowed City Harvest to unite its food rescue and delivery operations, programming and administrative staff in one space. It has positioned City Harvest to work more efficiently, and scale the organization's capacity to rescue and deliver a greater volume of food, free of charge, to help meet the need for food assistance in New York City for decades to come.

City Harvest, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Capital campaign revenue recognized and costs incurred relating to the renovation of and move to City Harvest's new headquarters in the years ended June 30, 2023 and 2022 follow:

	2023	2022
Capital campaign revenue	\$ 5,801,208	\$ 7,911,986
Less: costs relating to renovation of and move to new headquarters		
Capitalized renovation costs	(7,875,216)	(38,803,573)
Expendable costs	(1,095,616)	(2,359,312)
Total costs relating to renovation and move to new headquarters	(8,970,832)	(41,162,885)
Net capital campaign activity	\$ (3,169,624)	\$ (33,250,899)

Resiliency Fund

During the year ended June 30, 2021, City Harvest launched a Resiliency Fund with a goal of raising \$25 million. This fund is being used to sustain food rescue and delivery operations above pre-pandemic levels, maximize the capacity of the new Sunset Park facility, and position City Harvest to respond to future crises the city may face. Resiliency Fund-related contribution revenues totaled \$7,762,000 and \$5,324,000 during the years ended June 30, 2023 and 2022, respectively.

NOTE 4 - INVESTMENTS

At June 30, 2023 and 2022, investments at fair value were comprised of the following:

	2023	2022
Certificate of deposit	\$ 2,993,897	\$ -
Money market funds	16,043,464	-
Equities	155,650	176,295
Government and corporate obligations	51,027	25,258
Debt securities	4,373,090	4,800,228
Total investments	\$ 23,617,128	\$ 5,001,781

City Harvest follows the 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, certificates of deposits, and money market funds.

City Harvest, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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.

At June 30, 2023 and 2022, City Harvest's investments were classified as follows within the fair value hierarchy standard:

	2023			Total
	Level 1	Level 2	Level 3	
Certificate of deposit	\$ 2,993,897	\$ -	\$ -	\$ 2,993,897
Money market funds	16,043,464	-	-	16,043,464
Equities	143,835	11,815	-	155,650
Government and corporate obligations	-	51,027	-	51,027
Debt securities	7,875	4,365,215	-	4,373,090
Total investments	\$ 19,189,071	\$ 4,428,057	\$ -	\$ 23,617,128
	2022			
	Level 1	Level 2	Level 3	Total
Equities	\$ 164,250	\$ 12,046	\$ -	\$ 176,296
Government and corporate obligations	-	25,258	-	25,258
Debt securities	11,655	4,788,572	-	4,800,227
Total investments	\$ 175,905	\$ 4,825,876	\$ -	\$ 5,001,781

City Harvest, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE 5 - PROPERTY AND EQUIPMENT, NET

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

	2023	2022
Transportation vehicles and equipment	\$ 2,564,203	\$ 2,564,937
Furniture and fixtures	2,548,957	887,803
Computer equipment	1,252,544	904,295
Office equipment	2,334,334	1,523,959
Leasehold improvements	62,119,866	37,813,548
Construction in progress	4,975,583	23,776,088
	75,795,487	67,470,630
Less: accumulated depreciation and amortization	(9,886,380)	(5,594,016)
	\$ 65,909,107	\$ 61,876,614

Depreciation and amortization expense relating to property and equipment for the years ended June 30, 2023 and 2022 were \$4,313,640 and \$1,278,754, respectively.

Construction in progress is primarily comprised of costs incurred related to phase three of the renovation of a new warehouse space related to spaces that will be renovated and occupied in fiscal year 2024 and 2025.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

At each fiscal year end, net assets with donor restrictions were restricted for the following purposes:

	2023	2022
Restricted as to purpose:		
Emergency food	\$ 480,000	\$ 811,132
Food access	390,764	1,373,770
Capital campaign	-	8,617,030
	870,764	10,801,932
Time restricted	8,278,309	7,383,622
	\$ 9,149,073	\$ 18,185,554

At June 30, 2023 and 2022, net assets with donor restrictions as to purpose that were also time restricted totaled \$95,868 and \$2,184,902, respectively.

City Harvest, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

During each fiscal year, net assets with donor restrictions released from restrictions were due to the following purposes:

	2023	2022
Emergency food	\$ 437,613	\$ 1,014,955
Food access	1,224,250	95,000
Capital campaign	8,617,030	40,995,121
	10,278,893	42,105,076
Time restricted	6,838,145	968,537
	\$ 17,117,038	\$ 43,073,613

NOTE 7 - IN-KIND CONTRIBUTIONS

Food products are donated to City Harvest by restaurants, corporations and individuals. These food products are subsequently distributed, free of charge, 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 pantries or directly to agencies. In addition to donations of food products, City Harvest also accepts donations of prepared food and meals. For the years ended June 30, 2023 and 2022, City Harvest reported the value of food based on a five-year average of the annual wholesale values of donated product at the national level, as determined by an independent study, which has been calculated by City Harvest at \$1.75 and \$1.71 per pound, respectively.

During fiscal years 2023 and 2022, the total pounds and value of food distributed consisted of the following:

	2023		2022	
	Pounds	Value	Pounds	Value
Donated food	78,007,530	\$ 136,307,982	91,544,298	\$ 156,390,574
Purchased food	988,760	3,143,684	10,041,333	7,814,027
Total food contributed	78,996,290	139,451,666	101,585,631	164,204,601
Decrease (increase) in inventory	256,290	(195,118)	236,753	136,699
Total food distributed	79,252,580	\$ 139,256,548	101,822,384	\$ 164,341,300

City Harvest, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

In addition, City Harvest received donated services from specialized volunteers, which are recorded in the accompanying financial statements at their approximate fair values based on current rates for similar services, as follows, for the years ended June 30, 2023 and 2022:

	2023	2022
Donated advertising services	\$ 2,715,110	\$ 1,944,741
Donated legal services	137,823	83,626
Total donated services and supplies	\$ 2,852,933	\$ 2,028,367

In connection with City Harvest’s special event auction and gala during the fiscal years 2023 and 2022, City Harvest recorded the value of donated items and services, the fair value of which was \$0 and \$3,378, respectively. City Harvest does not monetize such nonfinancial assets. All such assets were without donor restrictions and were utilized in the same year in which they were received.

NOTE 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 net assets with donor restrictions as such 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 net assets with donor restrictions (held in perpetuity) (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment required by the applicable donor gift instrument.

City Harvest, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

The following table illustrates the composition of City Harvest's donor-restricted endowment fund, which is managed by a donor-designated asset manager, as of June 30, 2023 and 2022:

	2023	2022
Endowment net assets, beginning of year	\$ 256,068	\$ 265,463
Investment return:		
Net realized and unrealized appreciation (depreciation)	964	(9,395)
Endowment net assets, end of year	\$ 257,032	\$ 256,068

Distributions of \$0 and \$14,102 were received by City Harvest during the years ended June 30, 2023 and 2022, respectively.

NOTE 9 - RETIREMENT PLAN

City Harvest offers a defined contribution plan, as defined in 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. The matching contribution for employees who have completed one year of service is a maximum of 3% of eligible compensation. City Harvest's contribution for fiscal years 2023 and 2022 was approximately \$780,000 and \$696,000, respectively.

NOTE 10 - LEASES

Operating Leases

In April 2012, City Harvest entered into a 12-year lease for new administrative office space located in Midtown, Manhattan. Such lease does not contain any material residual value guarantees or restrictive covenants and has a remaining lease term of 1.25 years. The ROU asset and lease obligation were recognized at the present value of the lease payments over the lease term as of July 1, 2020. City Harvest elected to use a risk-free discount rate of 1.64%, which is based on the 10-year Treasury yield curve rate as of the lease commencement date, to determine the present value of the lease payments. Operating lease cost for such lease, which is recognized on a straight-line basis over the lease term, totaled approximately \$1.1 million for the years ended June 30, 2023 and 2022.

Future minimum rent obligations under City Harvest's operating lease as of June 30, 2023 are as follows:

Years Ending June 30,	
2024	\$ 1,409,495
2025	354,535
Total minimum lease payments	1,764,030
Less: present value discount	(19,211)
Total operating lease obligation	\$ 1,744,819

City Harvest, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

During the years ended June 30, 2023 and 2022, City Harvest also had effective leases for trucks that had lease terms that were each shorter than 12 months and did not include an option to purchase such trucks. City Harvest elected not to apply the recognition requirements in ASC 842 to such short-term leases and instead recognized the related lease payments as expenses on a straight-line basis over the respective lease term in the period in which the obligation for those payments is incurred.

The components of operating lease-related expense included in the statement of activities consist of the following for the years ended June 30, 2023 and 2022:

	2023	2022
Short-term leases	\$ 405,617	\$ 2,288,968
Operating leases	1,112,790	1,112,790
Total operating lease cost	\$ 1,518,407	\$ 3,401,758

Finance Lease

In fiscal year 2020, City Harvest entered into a 31-year lease for a new warehouse space located in Sunset Park, Brooklyn. This lease commenced in September 2020 and has a remaining term of 28.25 years as of June 30, 2023. Lease terms include a nine-month rent abatement, a landlord allowance toward the cost of work required for City Harvest to receive an amended Certificate of Occupancy, and annual rent escalations. The right to use the space is capitalized as right-of-use asset for finance lease on the accompanying statement of financial position and amortized over the term of the lease. The corresponding obligation under the finance lease represents the present value of the rental payments. City Harvest elected to use a risk-free discount rate of 1.43%, which is based on the 30-year Treasury yield curve rate as of the lease commencement date, to determine the present value of the lease payments.

Future minimum rent obligations under City Harvest's finance lease as of June 30, 2023 are as follows:

Years Ending June 30,	
2024	\$ 3,612,509
2025	3,720,885
2026	3,832,511
2027	3,947,487
2028	4,065,911
Thereafter	137,918,859
Total minimum lease payments	157,098,162
Less: imputed interest	(31,474,396)
Less: landlord allowance	(1,059,695)
Total finance lease obligation	\$ 124,564,071

City Harvest, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

The components of finance lease-related expense included in the statement of activities consist of the following for the years ended June 30, 2023 and 2022:

	2023	2022
Amortization of ROU asset for finance lease	\$ 4,113,402	\$ 7,113,402
Interest on finance lease obligation	1,809,736	1,833,033
Total finance lease cost	\$ 5,923,138	\$ 8,946,435

NOTE 11 - LONG TERM DEBT

In October 2021, City Harvest entered into a new \$13.5 million three-year loan at an annual interest rate of 1.73% with Citibank (the "Loan"). The purpose of the Loan is to pay contracting vendors for costs associated with the renovation of City Harvest's new operating location in Sunset Park, Brooklyn in the period during which payments of pledges from donors are staggered over several years. At June 30, 2023 and 2022, the outstanding balance on the Loan was \$7.6 million and \$11.0 million, respectively. The Loan agreement ends on September 30, 2025.

Future loan payments are comprised of the following:

Years Ending June 30,	Principal	Interest	Total
2024	\$ 3,375,000	\$ 111,382	\$ 3,486,382
2025	3,375,000	51,900	3,426,900
2026	843,750	3,731	847,481
Total long term debt obligation	\$ 7,593,750	\$ 167,013	\$ 7,760,763

Interest expense for the long term debt for the years ended June 30, 2023 and 2022, totaled \$170,000 and \$149,000, respectively, and has been reflected in office supplies and miscellaneous expense on the accompanying state of functional expenses. As of June 30, 2023 City Harvest is in compliance with all financial covenants.

In fiscal year 2023, City Harvest renewed the uncommitted \$3 million line of credit with Citibank. The line of credit expired in October 2023 and was subsequently renewed with an expiration date of October 21, 2024 and any outstanding balances under the line of credit would accrue interest at the adjusted term SOFR rate plus 35 basis points. No amounts were drawn down during fiscal year 2023.

NOTE 12 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

City Harvest regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, City Harvest considers all expenditures related to its ongoing activities. City Harvest strives to operate with a balanced budget and anticipates collecting sufficient revenue from contributions, including donated food, individual, foundation, corporate and individuals to cover general expenditures not covered by donor-restricted resources.

City Harvest, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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

<u>Financial Assets as of June 30:</u>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 15,101,385	\$ 33,334,763
Contributions receivable - current portion	13,511,154	14,294,519
Grants and awards receivable	1,591,062	2,719,589
Investments	23,617,128	5,001,781
Total financial assets available within one year	53,820,729	55,350,652
Less:		
Contractual, legal or donor-imposed restrictions:		
Capital campaign pledge receivables	8,261,797	15,014,136
Resiliency fund pledge receivables	3,811,948	1,848,153
Cash held for resiliency	5,446,130	3,644,034
Amounts subject to expenditure after one year	975,209	1,229,101
Endowment funds maintained in perpetuity	257,032	256,068
Total amounts unavailable to management for general expenditures within one year	18,752,116	21,991,492
Total financial assets available to management for general expenditures within one year	\$ 35,068,613	\$ 33,359,160

NOTE 13 - SUBSEQUENT EVENTS

City Harvest evaluated its June 30, 2023 financial statements for subsequent events through November 28, 2023, 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 statements.