

BECAUSE IT TAKES MORE THAN FOOD TO FEED THE HUNGRY

**Long Island
Cares[®] INC**

The Harry Chapin Regional Food Bank
licares.org

LONG ISLAND CARES, INC.

**FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT**

**AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

**LONG ISLAND CARES, INC.
INDEX TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

	<u>Page(s)</u>
Independent Auditor's Report	1-3
Statements Of Financial Position	4
Statements Of Activities And Changes In Net Assets	5
Statement Of Functional Expenses For The Year Ended December 31, 2022	6
Statement Of Functional Expenses For The Year Ended December 31, 2021	7
Statements Of Cash Flows	8
Notes To Financial Statements	9 - 22



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Long Island Cares, Inc.:

Opinion

We have audited the accompanying financial statements of Long Island Cares, Inc. (the "Organization", a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Long Island Cares, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under these standards 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

NawrockiSmith

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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Emphasis-of-Matter

As discussed in Note 2 to the financial statements, the Organization adopted Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases*. Our opinion is not modified with respect to this matter.

NawrockiSmith

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and that results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Hauppauge, New York
April 24, 2023

DRAFT

LONG ISLAND CARES, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

ASSETS	2022	2021
CURRENT ASSETS:		
Cash and cash equivalents	\$ 8,670,936	\$ 9,696,244
Accounts receivable, net	2,528,990	2,182,809
Donated product	593,632	1,035,528
Inventory	133,579	124,878
Investments	2,469,078	2,775,107
Current portion of right-of-use assets - operating	395,321	-
Prepaid expense	156,503	136,416
Total current assets	14,948,039	15,950,982
NONCURRENT ASSETS:		
Fixed assets, net	4,017,138	3,505,612
Pre-acquisition costs	-	121,567
Restricted cash	101,335	109,195
Restricted investments	814,767	993,721
Other assets	183,180	131,451
Right-of-use assets, net - operating	2,692,330	-
Total noncurrent assets	7,808,750	4,861,546
Total assets	\$ 22,756,789	\$ 20,812,528
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 1,377,235	\$ 1,019,257
Current portion of lease liabilities - operating	349,359	-
Deferred revenue	211,050	478,050
Total current liabilities	1,937,644	1,497,307
NONCURRENT LIABILITIES:		
Lease liabilities, net of current portion - operating	2,795,482	-
Total noncurrent liabilities	2,795,482	-
Total liabilities	4,733,126	1,497,307
NET ASSETS:		
Net assets without donor restrictions:		
Designated for fixed assets	4,017,138	3,505,612
Designated for donated product	593,632	1,035,528
Designated for endowment fund	485,612	494,181
Undesignated	12,130,221	13,076,367
Total net assets without donor restrictions	17,226,603	18,111,688
Net assets with donor restrictions:		
Purpose restricted	722,060	1,128,533
Restricted in perpetuity	75,000	75,000
Total net assets with donor restrictions	797,060	1,203,533
Total net assets	18,023,663	19,315,221
Total liabilities and net assets	\$ 22,756,789	\$ 20,812,528

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

LONG ISLAND CARES, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues:						
Public support and fundraising:						
Contributions	\$ 3,454,120	\$ 233,018	\$ 3,687,138	\$ 4,003,672	\$ 139,770	\$ 4,143,442
Fundraising	2,536,777	-	2,536,777	3,013,880	-	3,013,880
Grants	129,517	555,505	685,022	1,633,106	168,930	1,802,036
Foundation support	1,497,969	432,100	1,930,069	611,314	736,562	1,347,876
Corporate support	170,568	193,925	364,493	278,256	200,590	478,846
Total public support and fundraising	7,788,951	1,414,548	9,203,499	9,540,228	1,245,852	10,786,080
Government support:						
HPNAP	2,616,517	-	2,616,517	1,763,412	-	1,763,412
Suffolk County	189,128	-	189,128	181,236	-	181,236
Other grants	3,075,505	-	3,075,505	2,434,787	-	2,434,787
Total government support	5,881,150	-	5,881,150	4,379,435	-	4,379,435
Distribution revenue and handling fees:						
Food Bank Agencies	273,685	-	273,685	163,678	-	163,678
HPNAP	355,403	-	355,403	172,743	-	172,743
TEFAP	533,595	24,397	557,992	1,011,650	53,239	1,064,889
Suffolk County	11,403	-	11,403	12,913	-	12,913
Total distribution revenue and handling fees	1,174,086	24,397	1,198,483	1,360,984	53,239	1,414,223
Other income:						
Investment return, net	(288,465)	(149,403)	(437,868)	163,690	131,830	295,520
In-kind contributions	12,042,084	-	12,042,084	17,088,874	-	17,088,874
Other	61,705	-	61,705	65,817	-	65,817
Total other income	11,815,324	(149,403)	11,665,921	17,318,381	131,830	17,450,211
Total revenues	26,659,511	1,289,542	27,949,053	32,599,028	1,430,921	34,029,949
Expenses:						
Program services:						
Food bank fund	22,758,103	-	22,758,103	26,322,581	-	26,322,581
Community outreach fund	3,113,377	-	3,113,377	2,307,050	-	2,307,050
Total program services	25,871,480	-	25,871,480	28,629,631	-	28,629,631
Supporting services:						
Administration	1,068,652	-	1,068,652	1,179,970	-	1,179,970
Fundraising	2,300,479	-	2,300,479	1,909,526	-	1,909,526
Total supporting services	3,369,131	-	3,369,131	3,089,496	-	3,089,496
Total expenses	29,240,611	-	29,240,611	31,719,127	-	31,719,127
Net assets released from restrictions:						
Satisfaction of purpose restrictions	1,696,015	(1,696,015)	-	1,018,588	(1,018,588)	-
Change in net assets	(885,085)	(406,473)	(1,291,558)	1,898,489	412,333	2,310,822
NET ASSETS, BEGINNING OF YEAR	18,111,688	1,203,533	19,315,221	16,213,199	791,200	17,004,399
NET ASSETS, END OF YEAR	\$ 17,226,603	\$ 797,060	\$ 18,023,663	\$ 18,111,688	\$ 1,203,533	\$ 19,315,221

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

LONG ISLAND CARES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services		Supporting Services		Total
	Food Bank Fund	Community Outreach Fund	Administration	Fundraising	
In-kind expenses	\$ 12,480,070	\$ 3,500	\$ -	\$ 410	\$ 12,483,980
Food purchases	5,755,080	448,998	-	-	6,204,078
Salaries	1,401,187	1,225,105	679,982	626,534	3,932,808
Fundraising	-	-	-	1,174,797	1,174,797
Payroll taxes and benefits	454,355	319,635	123,441	122,081	1,019,512
Advertising	174,131	148,458	-	306,038	628,627
Operating lease expense	75,453	536,124	-	-	611,577
Depreciation and amortization	351,460	76,601	13,518	9,012	450,591
Transportation	331,576	-	-	-	331,576
Consultants	247,052	53,844	9,502	6,334	316,732
Professional fees	182,428	39,760	7,016	4,678	233,882
Utilities	164,852	35,929	6,341	4,228	211,350
Building maintenance and sanitation	157,466	34,319	6,056	4,038	201,879
Grants to agencies	194,940	-	-	-	194,940
Information technology	136,966	29,852	5,268	3,512	175,598
Equipment rental and maintenance	68,796	42,411	14,073	24,582	149,862
Travel and conferences	111,460	24,293	4,287	2,858	142,898
HPNAP operational support	132,497	-	-	-	132,497
HPNAP capital equipment	127,924	-	-	-	127,924
Insurance	-	-	110,077	-	110,077
Supplies	68,472	14,923	2,634	1,756	87,785
Printing and postage	66,888	14,578	2,573	1,715	85,754
Telephone and internet	2,437	50,856	11,259	6,237	70,789
Bank charges and miscellaneous fees	-	-	70,121	-	70,121
Dues and membership fees	32,576	7,100	1,253	835	41,764
Program operations	30,428	6,632	1,170	780	39,010
HPNAP client choice	7,500	-	-	-	7,500
Permits and licenses	2,053	447	79	53	2,632
Property taxes	56	12	2	1	71
Total expenses	\$ 22,758,103	\$ 3,113,377	\$ 1,068,652	\$ 2,300,479	\$ 29,240,611

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

LONG ISLAND CARES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services		Supporting Services		Total
	Food Bank Fund	Community Outreach Fund	Administration	Fundraising	
In-kind expenses	\$ 17,477,491	\$ 3,273	\$ -	\$ 6,871	\$ 17,487,635
Food purchases	5,373,782	1,186	-	-	5,374,968
Salaries	1,356,868	1,068,151	630,621	521,637	3,577,277
Fundraising	-	-	-	936,178	936,178
Payroll taxes and benefits	409,743	246,040	121,253	95,605	872,641
Facility rent	26,737	531,280	-	-	558,017
Advertising	100,251	100,629	-	200,501	401,381
Depreciation	289,727	42,992	13,234	16,710	362,663
Transportation	298,716	-	-	-	298,716
Building maintenance and sanitation	154,923	106,488	5,446	5,446	272,303
Equipment rental and maintenance	145,978	13,696	16,518	29,601	205,793
Utilities	97,276	66,556	3,413	3,412	170,657
Professional fees	19,448	1,534	123,122	2,140	146,244
Supplies	78,092	43,400	22,390	2,010	145,892
HPNAP operational support	135,113	-	-	-	135,113
Consultants	45,256	21,794	14,170	52,725	133,945
Grants to agencies	130,268	-	-	-	130,268
Telephone and internet	34,105	30,351	9,457	15,946	89,859
HPNAP capital equipment	84,179	-	-	-	84,179
Bank charges and miscellaneous fees	269	-	76,615	-	76,884
Insurance	-	-	72,809	-	72,809
Dues and membership fees	5,437	3,864	45,494	5,939	60,734
Printing and postage	10,923	13,625	10,824	11,784	47,156
Travel and conferences	9,666	8,159	14,398	2,815	35,038
HPNAP client choice	24,072	-	-	-	24,072
Permits and licenses	5,854	4,004	205	205	10,268
Program operations	8,366	-	-	-	8,366
Property taxes	41	28	1	1	71
Total expenses	\$ 26,322,581	\$ 2,307,050	\$ 1,179,970	\$ 1,909,526	\$ 31,719,127

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

LONG ISLAND CARES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,291,558)	\$ 2,310,822
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	450,591	362,663
Net change in operating lease liabilities	57,190	-
Unrealized (gain) loss on investments	524,188	(196,013)
Decrease (increase) in accounts receivable	(346,181)	1,107,278
Decrease in donated product	441,896	398,760
Decrease (increase) in inventory	(8,701)	203,636
Increase in prepaid expense	(20,087)	(6,983)
Increase in other assets	(51,729)	(28,491)
Increase in accounts payable and accrued liabilities	357,978	159,728
Decrease in deferred revenue	(267,000)	(605,866)
Net cash provided (used) by operating activities	(153,413)	3,705,534
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(958,252)	(517,890)
(Increase) decrease in pre-acquisition costs	121,567	(121,567)
Sale of investments	1,306,335	267,776
Purchase of investments	(1,349,405)	(1,142,625)
Net cash used in investing activities	(879,755)	(1,514,306)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(1,033,168)	2,191,228
CASH, CASH EQUIVALENTS AND RESTRICTED CASH BEGINNING OF YEAR	9,805,439	7,614,211
CASH, CASH EQUIVALENTS AND RESTRICTED CASH END OF YEAR	\$ 8,772,271	\$ 9,805,439
SUPPLEMENTAL CASH FLOW INFORMATION:		
Retirement of fully depreciated fixed assets	\$ 34,500	\$ 259,546
Initial recognition of right-of-use assets obtained via lease liabilities	\$ 3,438,164	\$ -
CASH PAID DURING THE YEAR FOR:		
Interest	\$ 927	\$ -
COMPONENTS OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH ON THE STATEMENTS OF FINANCIAL POSITION:		
Cash and cash equivalents	\$ 8,670,936	\$ 9,696,244
Restricted cash	101,335	109,195
TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	\$ 8,772,271	\$ 9,805,439

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

LONG ISLAND CARES, INC.
NOTES TO FINANCIAL STATEMENTS

(1) Background and current operational considerations:

Long Island Cares, Inc. (the "Organization") is a not-for-profit organization that is community based, regionally responsive, and works in partnership with other charitable agencies to fight hunger in Nassau and Suffolk Counties. The Harry Chapin Food Bank is Long Island's First Food Bank and, together with Community Outreach Programs such as New Paths to Achievement and Job Training, makes the Organization one of the New York Region's most comprehensive hunger action organizations. The Organization was founded in 1980 by the late singer/activist Harry Chapin in response to the immediate needs of hungry Long Islanders. It is continued today by his wife and partner Sandy Chapin. The Organization's goals are to provide emergency food where and when it is needed and to sponsor programs that help families achieve self-sufficiency. The Organization's aims are to promote the food welfare of the Long Island community; to raise the nutritional standards of community life; to bring into closer relation the resources and food needs of the community; and to encourage food self-reliance for all Long Islanders.

When The Harry Chapin Food Bank first opened its doors on Long Island in February 1982, it served a mere handful of agencies in Nassau and Suffolk Counties, New York. Today, the Organization distributes nearly eight million pounds of food and supplies annually via over 540 food pantries, soup kitchens, shelters, group homes, day treatment facilities, senior nutrition sites and day care centers in Nassau and Suffolk Counties. These agencies, in turn, distribute the food and supplies to their clients and/or provide meals from the food received. The Organization obtains this food primarily through these four ways:

Government contracts: The Organization is the only contracted organization in the area for the distribution of food from the New York State Department of Health Hunger Prevention and Nutrition Assistance Program ("HPNAP") and the U.S. Department of Agriculture - The Emergency Food Assistance Program ("TEFAP").

Feeding America: The Organization is a certified member of Feeding America, a national network of food banks and food rescue organizations. Through this membership, the Organization has access to donated food from regional and national food donors and share information and ideas with food banks and food rescue organizations throughout the United States.

Donations: Locally sponsored food drives provide a major source of donated food throughout the year. The Organization accepts donations from local community food drives of all sizes. Additionally, several regional food manufacturers, distributors, supermarkets and specialty stores donate food and other products to the Organization via a Store Pickup Program or through general deliveries to the Food Bank. Food donors are protected from liability by the Bill Emerson Good Samaritan Food Donation Act.

Buying leverage: The Organization gains buying leverage through their administration of government contracts. The Organization uses this leverage to purchase other food at favorable prices.

LONG ISLAND CARES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The Harry Chapin Food Bank is a contracted agency for the distribution of Federal commodities through TEFAP, administered by the New York State Office of General Service under a continuous agreement effective May 1989. In addition, the Organization, under a five-year contract renewed annually, is responsible for the support services of the HPNAP Program administered by the New York State Department of Health. The current annual contract is renewed through June 30, 2024. The supported service provides nutritional assistance to various high-risk groups of individuals, including the homeless, at approved food and nutrition service sites. The Organization also has contractual agreements with Nassau and Suffolk Counties for the acquisition and distribution of emergency food and supplies.

In addition to the network of agencies supported through The Harry Chapin Food Bank, Long Island Cares, Inc. helps get food and assistance into the hands of those in need via:

Emergency Food Pantries located at the Organization's Nassau Service Center in Freeport, the Organization's South Shore Service Center in Lindenhurst, the Organization's Harry Chapin Food Bank and Humanitarian Center in Huntington Station, and the East End Humanitarian Center in Hampton Bays. These First Stop Food Pantries provide individuals and families in need with up to five days' worth of food, along with information about critical community resources such as food stamps, Child Health Plus, WIC, heating and utility assistance, employment resources and mortgage assistance.

Mobile Services (MORE) Vans which provide information, referral assistance and emergency food to people at times when their neighborhood pantries are not open in user-friendly locations such as libraries and shopping centers.

The Pet Pantry, operated in partnership with the Animal Relief Fund Inc. ("ARF"), which makes pet food supplied by ARF and many pet food corporations available to pet-owning families in need.

Beyond feeding the hungry, the Organization works to address the root causes of hunger itself through:

Community outreach programs such as New Paths to Achievement and Job Training. These programs work with individuals most at risk of needing emergency food assistance during their lifetime, helping them acquire job skills and confidence to help them achieve self-sufficiency.

School Tools program, which sends a positive message about the importance of education by making new school supplies available to children in need of assistance.

Kids' Café After-School Food and Mentoring Program, which provides free nutritious meals and snacks to these children in a safe environment.

Pack It Up For Kids, a weekend food program providing nonperishable, easy-to-prepare nutritious food for children on weekends and during school vacation periods when food resources are limited.

Summer Food Service Program, designed to fill the nutritional gap for children in needy areas during the summer.

Hunger Education, an important tool in the fight against hunger. The Organization gives presentations to schools, clubs, religious organizations and local community groups to help them understand why many people in the United States are hungry, and what organizations like Long Island Cares, Inc. are doing to address the problem.

LONG ISLAND CARES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Veterans' Services, which offer a variety of support services to veterans and their families who might be experiencing difficulties returning to the workforce, financial hardships or food insecurity.

(2) Summary of significant accounting policies:

The accompanying financial statements include the assets, liabilities, revenues and expenses of the Organization which are reflected under the accrual basis of accounting. The following is a summary of significant accounting policies followed by the Organization:

Financial statement presentation -

The accompanying financial statements include the accounts of the Organization's programs, administration and fundraising. The Organization presents its financial statements in accordance with U.S. generally accepted accounting principles which require that the Organization's financial statements distinguish net assets and changes in net assets between those with and without donor restrictions. The Organization's net assets consist of the following:

Without donor restrictions - net assets of the Organization which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of the Organization.

With donor restrictions - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

As required by U.S. generally accepted accounting principles, the Organization also presented Statements of Cash Flows for the years ended December 31, 2022 and 2021.

Cash and cash equivalents -

All highly liquid investments purchased with an original maturity of three months or less are considered to be cash, principally money markets and certificates of deposits.

Restricted cash -

Restricted cash as of December 31, 2022 and 2021, relates to TEFAP handling fees and restricted cash in endowments of \$101,335 and \$109,195, respectively.

Accounts receivable -

Accounts receivable primarily consist of grantor agencies and are presented in the Statements of Financial Position, net of an allowance for uncollectible amounts. The allowance is estimated by management based on the Organization's prior years' experience and evaluation of the collectability of individual accounts. As of December 31, 2022 and 2021, allowance for doubtful accounts amounted to \$0 and \$1,787, respectively.

Donated product -

Donated product represents the fair value of donated food, supplies and Federal commodities on hand as of year-end.

LONG ISLAND CARES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Inventory -

Inventory consists primarily of food and supplies on hand as of year-end and are stated at the lower of cost or net realizable value.

Investments -

Investments are stated at fair value for the period presented. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") on fair value measurements also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Fixed assets -

Fixed assets are capitalized at cost or, if donated, at fair market value as of the date of receipt. The cost of fixed assets purchased in excess of \$1,000 is capitalized. Maintenance and repairs are expensed as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (generally periods of three to forty years).

Impairment of long-lived assets and long-lived assets to be disposed of -

The Organization follows the provisions of the FASB ASC on accounting for the impairment or disposal of long-lived assets which require that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. These provisions did not have an impact on the Organization's financial position, results of activities or liquidity during the years ended December 31, 2022 and 2021.

Right-of-use assets and lease liabilities -

Effective January 1, 2022, the Organization adopted FASB Accounting Standards Update ("ASU") No. 2016-02, *Leases* ("Topic 842"). The new guidance increases transparency by requiring the recognition of right-of-use assets and lease liabilities on the Statements of Financial Position. The recognition of these lease assets and lease liabilities represents a change from previous U.S. generally accepted accounting principles ("GAAP"), which did not require lease assets and lease liabilities to be recognized for most leases. The recognition, measurement and presentation of expenses and cash flows arising from a lease have not significantly changed from previous U.S. GAAP requirements.

LONG ISLAND CARES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

On January 1, 2022, the effective date of Topic 842, existing leases of the Organization were required to be recognized and measured. Additionally, any leases entered into during the year were also required to be recognized and measured. In applying Topic 842, the Organization made an accounting policy election not to recognize the right-of-use assets and lease liabilities relating to short-term leases. Implementation of Topic 842 involved an analysis of contracts, including property and equipment leases and service contracts to identify embedded leases, in order to determine the initial recognition of the right-of-use assets and lease liabilities, which required subjective assessment over the determination of the associated discount rates to apply in determining the lease liabilities.

The adoption of Topic 842 with respect to these leases resulted in the recording of operating lease right-of-use assets of \$3,087,651 and operating lease liabilities of \$3,144,841 as of December 31, 2022.

The Organization determines if an arrangement is or contains a lease at inception. The Organization's operating lease arrangements are comprised of building leases and equipment leases. Right-of-use assets represent the Organization's right to use the underlying assets for the lease terms and lease liabilities represent the Organization's obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the lease payments over the lease terms. As the Organization's leases do not provide an implicit rate and the implicit rate is not readily determinable, the Organization estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of the lease payments. The present value of the lease payments was determined using a 8.75% incremental borrowing rate. Right-of-use assets also exclude lease incentives.

The Organization reconciles the operating lease expenses with the operating lease payments by presenting the amortization of the right-of-use assets and the change in the lease liabilities in a single line item within the adjustments to reconcile change in net assets to net cash provided by operating activities in the accompanying Statements of Cash Flows.

Conditional asset retirement obligations -

The FASB ASC on accounting for conditional asset retirement and environmental obligations requires the Organization to recognize a liability for the fair value of its legal obligation to perform an asset retirement activity, even though uncertainty exists about the timing and/or method of settlement, if and when the fair value of the liability can be reasonably estimated. As of December 31, 2022 and 2021, the Organization has met the provisions of and is in compliance with these requirements and no obligation currently exists.

LONG ISLAND CARES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Revenue recognition -

The following are the significant revenue recognition accounting policies of the Organization:

Grants and contributions - Grants and contributions are recognized as income when received and are considered to be available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. Conditional contributions are accounted for as a liability or are not recognized as revenue initially, until the barriers to entitlement are overcome, at which point a transaction is recognized as unconditional and classified as either net assets with donor restrictions, or net assets without donor restrictions.

Contracts - Revenue under contracts are recognized when earned. Revenue is earned when performance obligations, as defined in each contract, are fulfilled. Funds received but not yet earned are shown as deferred revenue. Expenditures under contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Fundraising revenue - The portion of fundraising revenue that relates to the commensurate value the attendee receives in return is recognized when the related events are held, and performance obligations are met.

In-kind contributions -

The Organization follows U.S. generally accepted accounting principles regarding accounting for contributions received and contributions made with respect to donated product including donated food, supplies and Federal commodities. Donated product received, distributed and on hand are accounted for at fair value. The fair value of donated product received and distributed during the year is reflected in the accompanying financial statements as in-kind contributions and in-kind expenses. Significant fluctuations in operating results may occur due to variances in quantity and valuation of donated product.

The Organization has received professional services on a pro-bono basis. The value of these services for the years ended December 31, 2022 and 2021 was \$3,500 and \$15,588, respectively. Such amounts are reflected in the accompanying financial statements as in-kind contributions and in-kind expenses.

Donated services -

A number of volunteers have donated significant amounts of their time in the Organization's program services, administration and fundraising campaigns.

However, since these services do not meet the criteria for recognition under U.S. generally accepted accounting principles, they are not reflected in the accompanying financial statements.

LONG ISLAND CARES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Functional expenses -

Expenses are recognized when incurred. The Statements of Functional Expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The significant expenses that are allocated include: salaries, payroll taxes and benefits which are allocated on the basis of estimates of time and effort. Depreciation is allocated on basis of square footage and use, and all other expenses are allocated on a systematic and rational basis.

Liquidity considerations -

Quantitative

As of December 31, 2022, the Organization has \$13,669,004 of financial assets available to meet cash needs for program and supporting services expenditures within one year of the Statement of Financial Position date, as noted in the current assets section. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for expenditures within the ensuing fiscal year.

Qualitative

As a part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit in the amount of \$300,000, which it could draw upon.

Income taxes -

The Organization is a nonprofit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of the New York State tax law.

Uncertainty in income taxes -

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition. The Organization is no longer subject to examination by the applicable taxing jurisdictions for tax years prior to 2019.

The use of estimates in the preparation of financial statements -

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

LONG ISLAND CARES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(3) Fair value measurement:

The FASB *Fair Value Measurement* standard clarifies the definition of fair value for financial reporting, establishes framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Organization has adopted the standard for its financial assets and liabilities measured on a recurring and nonrecurring basis.

Fair Value Measurement defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reported entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The following methods and assumptions were used by the Organization in addressing the fair value of financial instruments:

Cash and cash equivalents -

The carrying amounts reported in the Statements of Financial Position for cash and cash equivalents approximate those assets' fair values (which include certificates of deposit).

Money market -

Composed of funds invested in accounts at various financial institutions, such accounts are valued based on the amount of deposited funds and net investment earnings less withdrawals and fees. The money market funds consist primarily of cash and cash equivalents, U.S. government stock, foreign stock, and bonds. The fund seeks to maintain a stable net asset value ("NAV") of \$1.

U.S. equities -

U.S. equities are invested principally in stocks, which can be actively or passively (index fund) managed. U.S. equities are principally categorized according to company size, the investment style of the holdings in the portfolio and geography.

Size is determined by a company's market capitalization, while the investment style, reflected in the fund's stock holdings, is also used to categorize equity mutual funds.

Fixed income -

Investments fluctuate in value in response to changes in interest rates and credit risk.

Mutual funds -

Mutual funds consist primarily of flexible bond funds, U.S. equities and fixed income securities.

LONG ISLAND CARES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The following table represents the Organization's fair value hierarchy for investments as of December 31, 2022:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market	\$ 391,113	\$ 391,113	\$ -	\$ -
U.S. equities	1,411,163	1,411,163	-	-
Fixed income	1,058,404	1,058,404	-	-
Mutual funds	<u>423,165</u>	<u>423,165</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,283,845</u>	<u>\$ 3,283,845</u>	<u>\$ -</u>	<u>\$ -</u>

The following table represents the Organization's fair value hierarchy for investments as of December 31, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market	\$ 48,140	\$ 48,140	\$ -	\$ -
U.S. equities	1,855,334	1,855,334	-	-
Fixed income	1,355,606	1,355,606	-	-
Mutual funds	<u>509,748</u>	<u>509,748</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,768,828</u>	<u>\$ 3,768,828</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2022 and 2021, the Organization did not possess any level 2 or 3 type of investments.

(4) Fixed assets:

Fixed assets as of December 31, 2022 and 2021 are comprised of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 885,500	\$ 885,500
Building	1,427,183	1,427,183
Building improvements	1,878,755	1,711,132
Office equipment	914,688	544,889
Vehicles	922,261	746,430
Warehouse equipment	<u>946,982</u>	<u>735,619</u>
	6,975,369	6,050,753
Less: accumulated depreciation	<u>2,958,231</u>	<u>2,545,141</u>
	<u>\$ 4,017,138</u>	<u>\$ 3,505,612</u>

LONG ISLAND CARES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(5) Leases:

The Organization is obligated under various operating leases for certain equipment and space expiring through 2034.

The Organization evaluated current contracts to determine which met the criteria of a leases. The right-of-use (“ROU”) assets represent the Organization’s right to use underlying assets for the lease term, and the lease liabilities represent the Organization’s obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Organization has made an accounting policy election to use its incremental borrowing rate to discount future lease payments. The incremental borrowing rate applied to calculate lease liabilities as of January 1, 2022, was 8.75%.

Cash paid for the operating leases for the year ended December 31, 2022 was \$554,387. There were no noncash investing and financing transactions related to leasing other than the transition entry described in Note 2.

The future minimum lease payments under these leases are as follows:

<u>For The Year Ended December 31,</u>	
2023	\$ 606,187
2024	597,379
2025	608,618
2026	627,782
2027	621,302
2028 and thereafter	<u>1,163,294</u>
Total	4,224,562
Less: discount to present value	<u>(1,079,721)</u>
Total lease liabilities	<u>\$ 3,144,841</u>

(6) Line of credit:

The Organization has a \$300,000 line of credit with a bank. The loan is secured by equipment and bears interest at a variable rate equal to the bank’s prime rate plus .75% per annum. The line is fully available as of December 31, 2022. The agreement expires on July 31, 2023.

LONG ISLAND CARES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(7) Net assets with donor restrictions:

Purpose restricted net assets are available for or relate to the following purposes:

	<u>2022</u>	<u>2021</u>
Endowment	\$ 331,092	\$ 480,495
Stop & Shop / Our Family Foundation	125,000	73,964
Marilyn Lichtman Foundation	47,707	35,222
Other Restricted Donations	43,992	7,150
Legislative Grant OCFS - BMFT	40,908	-
EFSP Transportation	34,400	5,000
TEFAP Handling Fees	24,397	53,239
Sunshine Foundation	23,900	259
Dunkin Joy in Childhood - Child Nutrition Program	11,066	-
Gift Cards and Certificates	9,243	17,959
Food Supply Purchase Donations	8,932	3,500
Feeding America / Walt Disney - Fresh Produce Program	7,369	861
Bae Systems - Veterans Programs	5,000	-
Townwide Fund	3,666	-
Manhasset Community - SOS Program	2,620	-
Lipsay Family Charitable	2,500	-
People's United Community Foundation	268	-
BJ's Charitable Foundation	-	24,603
CACFP	-	40,402
Capital One Bank	-	60,500
Feeding America	-	600
George Link Jr. Foundation	-	9,865
Huntington Townwide Fund	-	4,195
Island Federal Credit Union - Hope for the Homeless	-	40,000
Island Outreach Foundation	-	40,000
Maxine and Irving Castle	-	15,000
PSEG Long Island	-	1,000
Race Awesome / Suffolk County Marathon	-	4,000
ShopRite LPGA	-	16,042
Solages - Leg Grant	-	1,858
Suffolk County Legislators Grant	-	101,662
Take Me Out To The Ball Game Foundation	-	500
The Banyan Tree Roots Foundation	-	85,160
Wakefern ShopRite	-	4,672
Winston Foundation	-	825
	<u>\$ 722,060</u>	<u>\$ 1,128,533</u>

Net assets restricted in perpetuity relate to an endowment of \$75,000 to be maintained, the income from which is expendable to support general operations.

LONG ISLAND CARES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(8) Endowment:

The Organization has interpreted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) as allowing it to appropriate for expenditure or accumulate so much of an endowment fund as is determined prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets of a donor-restricted endowment fund shall be donor-restricted assets until appropriated by the Organization. The Organization classifies the original value of gifts donated to the endowment as net assets with donor restriction in perpetuity. The remaining portion of a donor restricted endowment fund is classified as net assets with donor restrictions until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA. Management has interpreted state law to permit prudent spending from underwater endowments.

As outlined in Note 7, Long Island Cares’ endowment consists of an individual donor restricted fund. In addition, the Organization has Board Designated and purpose restricted net assets related to the endowment fund. The portion of the donor-restricted endowment fund, principally consisting of contributions and unspent investment income are classified as Board Designated and purpose restricted net assets, respectively.

The Organization’s total endowment fund as of December 31, 2022 is comprised of the following:

	Restricted In Perpetuity	Purpose Restricted	Board Designated	Total
Endowment net assets, beginning of year	\$ 75,000	\$ 480,495	\$ 494,181	\$ 1,049,676
Investment return, net	-	(149,403)	(8,569)	(157,972)
Change in endowment net assets	-	(149,403)	(8,569)	(157,972)
Endowment net assets, end of year	<u>\$ 75,000</u>	<u>\$ 331,092</u>	<u>\$ 485,612</u>	<u>\$ 891,704</u>

The Organization’s total endowment fund as of December 31, 2021 is comprised of the following:

	Restricted In Perpetuity	Purpose Restricted	Board Designated	Total
Endowment net assets, beginning of year	\$ 75,000	\$ 348,665	\$ 503,173	\$ 926,838
Investment return, net	-	131,830	(8,992)	122,838
Change in endowment net assets	-	131,830	(8,992)	122,838
Endowment net assets, end of year	<u>\$ 75,000</u>	<u>\$ 480,495</u>	<u>\$ 494,181</u>	<u>\$ 1,049,676</u>

LONG ISLAND CARES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable law requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2022 and 2021.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to protect the original value of the gift.

(9) Employee benefit plan:

The Organization has a 403(b) Tax Deferred Annuity Plan (the "Plan"). Eligible participants in the Plan may contribute up to 25% of compensation, but not in excess of the maximum allowed under the Internal Revenue Code. In 2022, the Organization matched employee contributions to the Plan up to a maximum of 5% of the employee's annual salary.

The Organization's Deferred Compensation Plan (the "Deferred Compensation Plan"), a nonqualified deferred compensation plan, became effective in December 2015. As required by applicable law, participation in the Deferred Compensation Plan is limited to a member of the Organization's management. The amount maintained in the deferred compensation plan as of December 31, 2022 and 2021 was \$66,203 and \$65,569, respectively, and was recorded on the Statements of Financial Position within other assets and accounts payable and accrued expenses.

(10) Concentrations of credit risk:

The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Cash in excess of federally insured limits totaled \$7,057,518 at December 31, 2022 and \$8,037,638 at December 31, 2021, based on actual bank balances. The primary difference between the book and bank account balances is outstanding checks. The Organization believes it is not exposed to any significant credit risk on cash.

(11) Fundraising activities:

<u>2022</u>	<u>Gross Revenues</u>	<u>Direct Fundraising</u>	<u>Fundraising Income, net</u>
Direct Mailing Appeals	\$ 2,364,579	\$ 963,506	\$ 1,401,073
Other fundraising activities	172,198	211,291	(39,093)
	<u>\$ 2,536,777</u>	<u>\$ 1,174,797</u>	<u>\$ 1,361,980</u>

LONG ISLAND CARES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

<u>2021</u>	<u>Gross Revenues</u>	<u>Direct Fundraising</u>	<u>Fundraising Income, net</u>
Direct Mailing Appeals	\$ 2,728,126	\$ 780,071	\$ 1,948,055
Virtual dinner - feed the need	136,178	45,702	90,476
Other fundraising activities	<u>149,576</u>	<u>110,405</u>	<u>39,171</u>
	<u>\$ 3,013,880</u>	<u>\$ 936,178</u>	<u>\$ 2,077,702</u>

(12) Subsequent events:

The Organization has evaluated subsequent events through April 24, 2023 which is the date the financial statements were available to be issued. Based on this evaluation, the Organization has determined there are no matters which require disclosure in the financial statements.

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