

Financial Statements Together with
Report of Independent Certified Public Accountants

CITY HARVEST, INC.

June 30, 2011 and 2010

CITY HARVEST, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying statements of financial position of City Harvest, Inc. (“City Harvest”) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of City Harvest’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of City Harvest as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



New York, New York
November 2, 2011

CITY HARVEST, INC.
Statements of Financial Position
As of June 30, 2011 and 2010

ASSETS	2011	2010
Cash and cash equivalents	\$ 10,764,633	\$ 8,993,167
Contributions receivable - current portion	1,304,854	1,130,103
Grants and awards receivable	513,086	433,001
Prepaid expenses and other current assets	<u>299,329</u>	<u>341,357</u>
Total current assets	12,881,902	10,897,628
Investments	612,097	312,032
Property and equipment, net	1,668,656	1,084,284
Contributions receivable, net - long-term portion	474,202	744,809
Deferred lease costs	17,560	31,730
Security deposits	<u>307,276</u>	<u>173,377</u>
Total assets	<u>\$ 15,961,693</u>	<u>\$ 13,243,860</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 623,112	\$ 344,432
Accrued expenses	1,074,146	633,194
Leases payable, current portion	<u>160,726</u>	<u>97,888</u>
Total current liabilities	<u>1,857,984</u>	<u>1,075,514</u>
Deferred rent	220,038	275,957
Leases payable, long-term portion	<u>558,441</u>	<u>354,131</u>
Total long-term liabilities	<u>778,479</u>	<u>630,088</u>
Total liabilities	<u>2,636,463</u>	<u>1,705,602</u>
Commitments and contingencies		
 NET ASSETS		
Unrestricted	9,087,458	8,688,138
Temporarily restricted	3,906,425	2,850,120
Permanently restricted	<u>331,347</u>	<u>-</u>
Total net assets	<u>13,325,230</u>	<u>11,538,258</u>
Total liabilities and net assets	<u>\$ 15,961,693</u>	<u>\$ 13,243,860</u>

The accompanying notes are an integral part of these statements.

CITY HARVEST, INC.
Statements of Activities
For the years ended June 30, 2011 and 2010

	2011			2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUES							
Public support:							
Contributions:							
Donated food	\$ 40,819,359	\$ -	\$ -	\$ 40,819,359	\$ 36,119,775	\$ -	\$ 36,119,775
Donated vehicle	-	-	-	-	144,882	-	144,882
Corporations	2,902,676	27,850	-	2,930,526	2,933,882	147,150	3,081,032
Foundations	3,532,112	841,050	300,000	4,673,162	4,188,777	337,807	4,526,584
Individuals	7,031,179	572,057	-	7,603,236	5,843,313	1,534,468	7,377,781
Other organizations	236,808	-	-	236,808	221,051	-	221,051
Special events (net of direct benefits to donors of \$952,267 in 2011 and \$918,632 in 2010)	2,142,167	-	-	2,142,167	1,583,848	-	1,583,848
Total public support	<u>56,664,301</u>	<u>1,440,957</u>	<u>300,000</u>	<u>58,405,258</u>	<u>51,035,528</u>	<u>2,019,425</u>	<u>53,054,953</u>
Revenues:							
Government grants and awards	1,115,248	-	-	1,115,248	802,492	-	802,492
Investment income	68,756	-	31,347	100,103	26,696	-	26,696
Other income	136,565	-	-	136,565	89,084	-	89,084
Total revenues	<u>1,320,569</u>	<u>-</u>	<u>31,347</u>	<u>1,351,916</u>	<u>918,272</u>	<u>-</u>	<u>918,272</u>
Net assets released from restrictions	<u>384,652</u>	<u>(384,652)</u>	<u>-</u>	<u>-</u>	<u>200,416</u>	<u>(200,416)</u>	<u>-</u>
Total public support, revenues and net assets released from restrictions	<u>58,369,522</u>	<u>1,056,305</u>	<u>331,347</u>	<u>59,757,174</u>	<u>52,154,216</u>	<u>1,819,009</u>	<u>53,973,225</u>
EXPENSES							
Program services:							
Food distributions	47,407,109	-	-	47,407,109	41,748,675	-	41,748,675
Food operations	5,521,831	-	-	5,521,831	4,690,640	-	4,690,640
Total program services	<u>52,928,940</u>	<u>-</u>	<u>-</u>	<u>52,928,940</u>	<u>46,439,315</u>	<u>-</u>	<u>46,439,315</u>
Supporting services:							
Management and general	515,831	-	-	515,831	495,905	-	495,905
Development	4,525,431	-	-	4,525,431	4,018,725	-	4,018,725
Total supporting services	<u>5,041,262</u>	<u>-</u>	<u>-</u>	<u>5,041,262</u>	<u>4,514,630</u>	<u>-</u>	<u>4,514,630</u>
Total expenses	<u>57,970,202</u>	<u>-</u>	<u>-</u>	<u>57,970,202</u>	<u>50,953,945</u>	<u>-</u>	<u>50,953,945</u>
Change in net assets before effect of donated services	399,320	1,056,305	331,347	1,786,972	1,200,271	1,819,009	3,019,280
Donated services - revenue	1,354,269	-	-	1,354,269	1,061,208	-	1,061,208
Donated services - expenses	<u>(1,354,269)</u>	<u>-</u>	<u>-</u>	<u>(1,354,269)</u>	<u>(1,061,208)</u>	<u>-</u>	<u>(1,061,208)</u>
Change in net assets	399,320	1,056,305	331,347	1,786,972	1,200,271	1,819,009	3,019,280
Net assets, beginning of year	8,688,138	2,850,120	-	11,538,258	7,487,867	1,031,111	8,518,978
Net assets, end of year	<u>\$ 9,087,458</u>	<u>\$ 3,906,425</u>	<u>\$ 331,347</u>	<u>\$ 13,325,230</u>	<u>\$ 8,688,138</u>	<u>\$ 2,850,120</u>	<u>\$ 11,538,258</u>

The accompanying notes are an integral part of these statements.

CITY HARVEST, INC.

Statement of Functional Expenses

For the year ended June 30, 2011, with comparative information for 2010

	Program Services			Supporting Services			Total Expenses	
	Food Distributions	Food Operations	Total	Management and General	Development	Total	2011	2010
Salaries	\$ 2,446,147	\$ 2,372,288	\$ 4,818,435	\$ 201,273	\$ 1,605,339	\$ 1,806,612	\$ 6,625,047	\$ 5,483,872
Employee benefits	695,611	420,934	1,116,545	42,940	248,241	291,181	1,407,726	1,245,525
Payroll taxes and related benefits	212,147	191,567	403,714	27,986	122,721	150,707	554,421	490,582
Food distributed	41,086,993	-	41,086,993	-	-	-	41,086,993	36,406,468
Food transportation and distribution	1,849,946	896,237	2,746,183	2,603	1,790	4,393	2,750,576	2,109,228
Food packaging supplies	-	78,310	78,310	-	-	-	78,310	72,436
Communication, printing and postage	66,034	73,604	139,638	7,530	1,150,683	1,158,213	1,297,851	1,264,879
Rent, utilities and cleaning	266,060	203,725	469,785	90,522	102,942	193,464	663,249	682,001
Promotion	575	55,885	56,460	1,312	566,081	567,393	623,853	594,441
Computer support	53,731	35,339	89,070	16,063	29,638	45,701	134,771	73,277
Professional fees	243,917	633,496	877,413	58,997	566,819	625,816	1,503,229	1,320,215
Office supplies and miscellaneous	214,078	512,119	726,197	44,638	106,281	150,919	877,116	771,523
Total expenses before depreciation and amortization and donated services	47,135,239	5,473,504	52,608,743	493,864	4,500,535	4,994,399	57,603,142	50,514,447
Depreciation and amortization	271,870	48,327	320,197	21,967	24,896	46,863	367,060	439,498
Donated services	96,533	72,400	168,933	32,909	1,152,427	1,185,336	1,354,269	1,061,208
Total expenses	<u>\$ 47,503,642</u>	<u>\$ 5,594,231</u>	<u>\$ 53,097,873</u>	<u>\$ 548,740</u>	<u>\$ 5,677,858</u>	<u>\$ 6,226,598</u>	<u>\$ 59,324,471</u>	<u>\$ 52,015,153</u>

The accompanying notes are an integral part of this statement.

CITY HARVEST, INC.
Statement of Functional Expenses
For the year ended June 30, 2010

	Program Services			Supporting Services			Total
	Food Distributions	Food Operations	Total	Management and General	Development	Total	
Salaries	\$ 2,216,520	\$ 1,867,531	\$ 4,084,051	\$ 178,933	\$ 1,220,888	\$1,399,821	\$ 5,483,872
Employee benefits	669,068	325,711	994,779	45,374	205,372	250,746	1,245,525
Payroll taxes and related benefits	204,233	158,653	362,886	25,611	102,085	127,696	490,582
Food distributed	36,406,468	-	36,406,468	-	-	-	36,406,468
Food transportation and distribution	1,093,567	1,015,661	2,109,228	-	-	-	2,109,228
Food packaging supplies	-	72,436	72,436	-	-	-	72,436
Communication, printing and postage	66,114	80,532	146,646	-	1,118,233	1,118,233	1,264,879
Rent, utilities and cleaning	297,262	179,299	476,561	89,494	115,946	205,440	682,001
Promotion	-	23,028	23,028	25,614	545,799	571,413	594,441
Computer support	33,386	18,050	51,436	9,777	12,064	21,841	73,277
Professional fees	209,683	500,486	710,169	61,635	548,411	610,046	1,320,215
Office supplies and miscellaneous	212,819	404,245	617,064	34,537	119,922	154,459	771,523
Total expenses before depreciation and amortization and donated services	41,409,120	4,645,632	46,054,752	470,975	3,988,720	4,459,695	50,514,447
Depreciation and amortization	339,555	45,008	384,563	24,930	30,005	54,935	439,498
Donated services	108,513	63,519	172,032	34,407	854,769	889,176	1,061,208
Total expenses	<u>\$ 41,857,188</u>	<u>\$ 4,754,159</u>	<u>\$ 46,611,347</u>	<u>\$ 530,312</u>	<u>\$ 4,873,494</u>	<u>\$5,403,806</u>	<u>\$52,015,153</u>

The accompanying notes are an integral part of this statement.

CITY HARVEST, INC.
Statements of Cash Flows
For the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,786,972	\$ 3,019,280
Adjustments to reconcile changes in net assets to net cash provided by activities:		
Depreciation and amortization	352,891	428,592
Donated securities	(335,149)	(228,316)
Donated vehicle	-	(144,882)
Net realized and unrealized gain on investments	(7,138)	(1,106)
Permanently restricted contributions	(300,000)	-
Changes in assets and liabilities:		
Contributions receivable	95,856	(924,272)
Grants receivable	(80,085)	(282,318)
Prepaid and other current assets	42,028	(56,221)
Deferred lease costs	14,170	(10,906)
Security deposits	(133,899)	(4,773)
Accounts payable	278,680	128,499
Accrued expenses	440,952	229,965
Deferred rent	(55,919)	(114,302)
Net cash provided by operating activities	<u>2,099,359</u>	<u>2,039,240</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(937,263)	(651,343)
Purchases of securities	(300,000)	(312,032)
Proceeds from sales of securities	<u>342,222</u>	<u>229,422</u>
Net cash used in investing activities	<u>(895,041)</u>	<u>(733,953)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from capital leases	267,148	450,076
Permanently restricted contributions	<u>300,000</u>	<u>-</u>
Net cash provided by financing activities	<u>567,148</u>	<u>450,076</u>
Increase in cash and cash equivalents	1,771,466	1,755,363
Cash and cash equivalents, beginning of year	<u>8,993,167</u>	<u>7,237,804</u>
Cash and cash equivalents, end of year	<u>\$ 10,764,633</u>	<u>\$ 8,993,167</u>

The accompanying notes are an integral part of these statements.

CITY HARVEST, INC.
Notes to Financial Statements
June 30, 2011 and 2010

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 and a similar provision under New York State tax laws.

City Harvest is an affiliate of Feeding America, the Nation’s Food Bank Network.

Nature of Activities

Now serving New York City for more than 25 years, City Harvest is the world's first food rescue organization, and is dedicated to feeding the city's hungry men, women, and children. This year, City Harvest will collect more than 30 million pounds of excess food from all segments of the food industry, including restaurants, grocers, corporate cafeterias, manufacturers, and farms. This food is then delivered free of charge to nearly 600 community food programs throughout New York City using a fleet of trucks and bikes as well as volunteers on foot. Each week, City Harvest helps over 300,000 hungry New Yorkers find their next meal.

Our principal programs are:

Emergency Food: City Harvest collects high-quality, surplus food from more than 2,400 food donors, including restaurants, greenmarkets, wholesalers and manufacturers, and redistributes it to a network of nearly 600 community programs. In the 29 years since our founding, we have collected more than 320 million pounds of donated food and distributed it free of charge, enabling agencies across the city to provide groceries or prepared meals to the working poor, children, and seniors. Nutrient-rich food comprises more than 75 percent of our deliveries, and our food collection increasingly emphasizes excess fresh, local food from farm sources.

Healthy Neighborhoods: Our Healthy Neighborhoods Project envisions the creation of communities where nutritious food like fresh produce is available, affordable, and in high demand. City Harvest strategically focuses on low-income communities where affordable, healthy food is not readily available and where residents often suffer from high rates of diet-related diseases like diabetes and obesity. To maximize our impact, we have identified communities with high hunger and poverty rates including the South Bronx, Bedford-Stuyvesant in Brooklyn, North Shore of Staten Island, and Washington Heights in Manhattan. By flooding these neighborhoods with resources – from fresh, free food to nutrition education to community support – and working closely with local residents, organizations, and community leaders we will create communities that provide low-income New Yorkers with the food and resources they need for a healthy diet.

HarvestWorks: Through its HarvestWorks initiative, City Harvest offers New York State growers incentives to harvest, pack, and deliver food that might not be brought to market due to changes in price, drops in demand, or a bumper crop that yields more product than the market can absorb.

CITY HARVEST, INC.
Notes to Financial Statements
June 30, 2011 and 2010

Agency Capacity Expansion: Through Agency Capacity Expansion, City Harvest works closely with selected emergency food programs to strengthen their overall ability to serve their communities and feed hungry New Yorkers.

Fruit Bowl: Children are one of New York City's most vulnerable populations. Through Fruit Bowl, City Harvest delivers fresh fruit and vegetables to preschool, afterschool and Head Start agencies, enabling staff to provide healthy snacks and ensuring that children at these agencies have regular access to healthy food.

Nutrition Education: Nutrition Education courses bring neighbors and families together to prepare meals, learn about foods that will positively impact their health, and learn ways to stretch their dollars so they need not go hungry. Hands-on and discovery-based courses include intergenerational programming as well as courses designed specifically for children, teens, young mothers, parents, adults, and seniors, all taught by our staff and volunteer culinary and nutrition professionals.

Anti-hunger and Food System Advocacy: City Harvest is a respected voice in anti-hunger and food systems advocacy, with established relationships at all levels of government. City Harvest collaborates with government to examine food access and other environmental changes necessary to promote health, and also works to influence hunger and food systems policy at the city, state, and federal levels in a way that is closely aligned with our program goals.

Green Fleet: Over the last two fiscal years, City Harvest has upgraded its fleet of refrigerated diesel trucks to utilize more environmentally friendly technology. City Harvest continues to employ multiple technologies to facilitate and complete the conversion to a "green" fleet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Functional Allocation of Expenses

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

Use of Estimates

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

CITY HARVEST, INC.
Notes to Financial Statements
June 30, 2011 and 2010

Cash Equivalents

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

Investments

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

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

Deferred Lease Costs

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

Accrued Vacation

Based on their tenure, City Harvest's employees are entitled to be paid for unused vacation time if they leave City Harvest's employ. 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, 2011 and 2010, this accrued vacation obligation was \$243,510 and \$100,326, respectively, and was reported in the accompanying statements of financial position as a component of accrued expenses.

Net Assets

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

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

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

CITY HARVEST, INC.
Notes to Financial Statements
June 30, 2011 and 2010

Permanently restricted net assets - contain donor-imposed restrictions that stipulate that resources be maintained permanently. City Harvest had \$331,347 of permanently restricted net assets at June 30, 2011. City Harvest did not have any permanently restricted net assets as of June 30, 2010.

Public Support

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

Grants and Awards

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

In-Kind Contributions

City Harvest records donated food, marketable securities, and other noncash donations as contributions at the time of receipt, at their estimated fair values. The fair value of gifts of donated food over which City Harvest has control (i.e., variance power) is reported as unrestricted public support and shortly thereafter, as expense when granted to donors or other food banks. In fiscal 2011 and 2010, the estimated fair value of donated food is based upon the wholesale value of donated product at the national level, as determined by an independent study for applicable food categories for perishable and packaged food received by City Harvest (Note 7).

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

Income Taxes

Effective June 30, 2010, City Harvest adopted the provisions of FASB Interpretation No. 48 (FIN 48") Accounting for Uncertainties in Income Taxes – an interpretation of FASB Statement No. 109," now incorporated in Accounting Standards Codification ("ASC") 740. ASC 740-10 clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This section provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

City Harvest is exempt from federal income taxation by virtue of being an organization described in Section 501(c)(3) of the Internal Revenue Code. Nevertheless, City Harvest may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The tax years ending June 30, 2008, 2009, 2010 and 2011 are still open to audit for both federal and state purposes. The adoption of ASC 740-10 did not have a material impact on City Harvest's financial statements, as management determined that there are no uncertain tax positions within its financial statements.

CITY HARVEST, INC.
Notes to Financial Statements
June 30, 2011 and 2010

Fair Value of Financial Instruments

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

Fair Value Measurements

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

Concentrations of Credit Risk

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

Subsequent Events

City Harvest evaluated its June 30, 2011 financial statements for subsequent events through November 2, 2011, the date the financial statements were available to be issued. City Harvest is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

3. CONTRIBUTIONS RECEIVABLE

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

	June 30,	
	2011	2010
Gross amounts due in:		
One year	\$ 1,304,854	\$ 1,130,103
One to five years	406,000	704,751
More than five years	<u>110,543</u>	<u>117,542</u>
	1,821,397	1,952,396
Discount to present value (rates ranging from .68% to 3.99%)	<u>(42,341)</u>	<u>(77,484)</u>
	<u>\$ 1,779,056</u>	<u>\$ 1,874,912</u>

CITY HARVEST, INC.
Notes to Financial Statements
June 30, 2011 and 2010

At June 30, 2011 and 2010, City Harvest estimates that, based on past history and subsequent collections, contributions receivable will be substantially collected in full. Accordingly, no allowance for uncollectible amounts has been provided. Contributions receivable are nonrecurring fair value measurements. Any multiyear pledge received in 2011 and 2010 is recorded at the present value of the expected future cash flows using a credited adjusted discount rate.

4. INVESTMENTS

At June 30, 2011 and 2010, investments at fair value were comprised of the following:

	<u>2011</u>	<u>2010</u>
Money market funds	\$ 25,994	\$ -
Equities	273,302	-
Government & corporate obligations	264,765	312,031
Asset backed securities	48,036	-
Total investments	<u>\$ 612,097</u>	<u>\$ 312,031</u>

City Harvest adopted 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. At June 30, 2011, City Harvest's investments were classified as follows within the fair value hierarchy of the standard:

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 U.S. Treasury securities.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed securities, and corporate-debt securities.

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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.

	2011			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 25,994	\$ -	\$ -	\$ 25,994
Equities	273,302	-	-	273,302
Government & corporate obligations	-	264,765	-	264,765
Asset backed securities	-	48,036	-	48,036
Total investments	<u>\$ 299,296</u>	<u>\$ 312,801</u>	<u>\$ -</u>	<u>\$ 612,097</u>

	2010			
	Level 1	Level 2	Level 3	Total
Government & corporate obligations	\$ -	\$ 312,031	\$ -	\$ 312,031
Total investments	<u>\$ -</u>	<u>\$ 312,031</u>	<u>\$ -</u>	<u>\$ 312,031</u>

The following schedules summarize the investment return and its classification in the accompanying statements of activities for the years ended June 30, 2011 and 2010:

2011	Unrestricted	Permanently Restricted	Total
Investment income	\$ 57,842	\$ -	\$ 57,842
Net realized gains	7,073	5,854	12,927
Net unrealized appreciation	3,841	25,493	29,334
Total investment return	<u>\$ 68,756</u>	<u>\$ 31,347</u>	<u>\$ 100,103</u>

2010	Unrestricted
Investment income	\$ 26,696
Net realized losses	-
Net unrealized appreciation	-
Total investment return	<u>\$ 26,696</u>

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5. PROPERTY AND EQUIPMENT

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

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Transportation vehicles and equipment	\$ 1,641,447	\$ 1,116,086
Furniture and fixtures	84,229	84,229
Computer equipment	653,641	546,342
Office equipment	46,145	46,145
Leasehold improvements	1,309,400	1,308,000
Construction in progress (food rescue facility)	304,488	-
	<u>4,039,350</u>	<u>3,100,802</u>
Less accumulated depreciation and amortization	(2,370,694)	(2,016,517)
	<u>\$ 1,668,656</u>	<u>\$ 1,084,285</u>

Depreciation expense for the years ended June 30, 2011 and 2010 was \$352,891 and \$426,649, respectively.

Included in transportation vehicles and equipment are vehicles acquired under a capital lease arrangement for 3-5 years with a cost of approximately \$1,010,304, and with accumulated amortization of approximately \$340,000 at June 30, 2011. Amortization expense under capital leases totaled approximately \$142,000 at June 30, 2011. Amounts outstanding under this capital lease included in the accompanying statements of financial position totaled approximately \$719,000 at June 30, 2011.

Construction in progress relates to spending for leasehold improvements at a newly leased 45,000 square foot food rescue facility in Long Island City, Queens.

6. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Restricted as to purpose:		
Emergency food	\$ -	\$ 50,000
Healthy neighborhoods	622,941	-
Nutrition education	7,500	7,500
Anti-hunger and food system advocacy	294,112	222,017
Green fleet fund	2,527,260	2,272,973
	<u>3,451,813</u>	<u>2,552,490</u>
Time-restricted	454,612	297,631
	<u>\$ 3,906,425</u>	<u>\$ 2,850,121</u>

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

	<u>Year Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Emergency food	\$ 50,000	\$ -
Nutrition education	7,500	-
Anti-hunger and food system advocacy	<u>222,017</u>	<u>200,416</u>
	279,517	200,416
 Time-restricted	 <u>105,135</u>	 <u>-</u>
	<u>\$ 384,652</u>	<u>\$ 200,416</u>

7. IN-KIND CONTRIBUTIONS

Food products are donated to City Harvest by restaurants, corporations and individuals, and are subsequently distributed to a network of nearly 600 community food programs. City Harvest also arranges for food from its donors to be distributed directly to other food banks or directly to agencies. In addition to donations of food products, City Harvest also accepts donations of prepared food and meals. All food has been valued based on the wholesale value of the donated product at the national level, as determined by an independent study, which has been calculated by City Harvest at \$1.38 and \$1.28 per pound for fiscal years 2011 and 2010, respectively. During fiscal-years 2011 and 2010, the total pounds and value of food distributed consisted of the following:

	<u>2011</u>		<u>2010</u>	
	<u>Pounds</u>	<u>Value</u>	<u>Pounds</u>	<u>Value</u>
Donated food	29,530,000	\$ 40,819,359	28,289,561	\$ 36,119,775
Purchased food	<u>288,946</u>	<u>267,634</u>	<u>317,425</u>	<u>286,693</u>
Total food distributed	<u>29,818,946</u>	<u>\$ 41,086,993</u>	<u>28,606,986</u>	<u>\$ 36,406,468</u>

City Harvest also recognized donated legal services in connection with its program and administrative operations, the estimated fair value of which was approximately \$239,140 and \$248,800 for each of the fiscal-years 2011 and 2010, respectively. Additionally, City Harvest recorded donated advertising services for public service announcements, the fair value of which was approximately \$1,115,130 and \$812,400 for fiscal-years 2011 and 2010, respectively.

In connection with City Harvest's special event auction and gala during the fiscal-years 2011 and 2010, City Harvest recorded the value of donated items and services, the fair value of which was approximately \$510,644 and \$568,825, respectively.

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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. New accounting guidance issued by the Financial Accounting Standards Board (FSP 117-1) in August 2008 addressed the disclosure of endowment funds and addressed the net asset classification of donor-restricted endowment funds for organizations subject to the State enacted Prudent Management of Institutional Funds Act. A key component of this guidance is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. In addition, the FASB issued guidance requiring new disclosures about an organization's donor-restricted and board-designated endowment funds.

Interpretation of Relevant Law

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

The following table illustrates the composition of City Harvest's endowment fund as of June 30, 2011:

	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ 331,347
Board-designated endowment funds	<u>-</u>
Total	<u>\$ 331,347</u>
Endowment net assets, beginning of year	<u>\$ -</u>
Investment return:	
Additions	300,000
Net realized and unrealized appreciation	<u>31,347</u>
Total investment return	<u>331,347</u>
Endowment net assets, end of year	<u>\$ 331,347</u>

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9. RETIREMENT PLAN

City Harvest offers a defined contribution plan, as defined in U.S. Internal Revenue Code (the “Code”) Section 403(b), to all eligible employees who may make voluntary contributions to the plan, up to the maximum amount allowed by the Code. City Harvest contributes an amount equal to 3% of the salary for each employee who has completed one year of service. City Harvest also makes an additional matching contribution of up to 2% of annual salaries for those employees that contribute to the plan. City Harvest’s contribution for fiscal-years 2011 and 2010 was approximately \$246,000 and \$194,000, respectively.

10. COMMITMENTS AND CONTINGENCIES

City Harvest is obligated under operating leases for office space and storage, office equipment and trucks. The leases for office space and storage, which expire through September 2012, provide for a minimum annual base rent, as well as for an additional rent based on escalations in real estate taxes and other expenses. In June 2006, City Harvest entered into a sublease agreement to rent a portion of office space to an unrelated third party, which expires September 2012. In July 2009, City Harvest entered into another sublease agreement to rent a portion of office space to another unrelated third party, which expires September 2012. Rental income from the sublease amounted to approximately \$110,000 and \$110,000 in fiscal-years 2011 and 2010, respectively, and is included in other income in the accompanying statements of activities. In April 2011, City Harvest entered into a lease for a 45,000 square feet distribution center in Long Island City, Queens. The lease provides for minimum annual base rent, as well as escalations in real estate taxes and other expenses, and expires in June 2021. The truck leases and office equipment expire at various dates through December 2013.

Future minimum rent obligations under all of the lease agreements, net of rental income from sublease, as of June 30, 2011, are as follows:

Year Ending June 30,	Amount	Rental Income	Net Commitment
2012	\$ 1,447,628	\$ 124,440	\$ 1,323,188
2013	936,692	32,043	904,649
2014	740,828	-	740,828
2015	692,053	-	692,053
Thereafter	<u>649,323</u>	<u>-</u>	<u>649,323</u>
	<u>\$ 4,466,524</u>	<u>\$ 156,483</u>	<u>\$ 4,310,041</u>

Rental expense under operating leases (which includes payments for rentals of additional trucks on an as-needed basis) for fiscal-years 2011 and 2010 was approximately \$680,000 and \$889,000, respectively.

Government-supported projects are subject to audit by the applicable government granting agencies. At June 30, 2011 and 2010, there were no material obligations outstanding as a result of such audits, and management believes that unaudited projects will not result in any material obligations.

City Harvest maintains a \$1,000,000 unsecured line-of-credit from a financial institution. Interest is to be calculated at the financial institution’s prime rate of interest plus 50 basis points. As of June 30, 2011 and 2010, City Harvest had no outstanding balances due, and there were no borrowings in either year. The line of credit agreement expires September 30, 2011.