

KAUAI FOOD BANK
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2013

A. Kent
James, CPA
Managing Partner
Over 30 years
of CPA experience
Member: AICPA,
HSCPA, ISCPA

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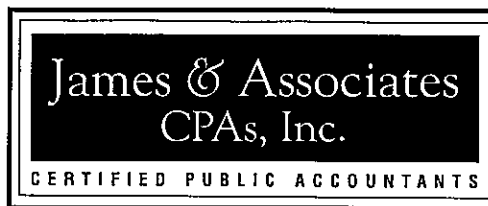
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Kauai Food Bank, Inc.
Lihue, Kauai, Hawaii

We have audited the accompanying financial statements of Kauai Food Bank, Inc. (DBA) Kauai Independent Food Bank (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kauai Independent Food Bank as of December 31, 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

James and Associates CPA's, Inc.

Wailuku, Hawaii
April 29, 2014

KAUAI FOOD BANK

Statement of Financial Position
December 31, 2013

(With Comparative Totals for 2012)

ASSETS	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2e)	\$ 403,939	\$ 374,453
Grants Receivables	1,800	33,339
Deposits and Other Receivables	2,080	4,776
Inventory (Note 2f)	66,698	55,036
Unemployment Insurance	29,600	29,600
Prepaid Expenses	<u>8,090</u>	<u>6,690</u>
Total Current Assets	512,207	503,894
FIXED ASSETS		
Furniture, Equipment and Software (Note 3)	167,452	167,452
Vehicles	50,251	50,251
Assets Available for Sale	<u>22,891</u>	<u>22,891</u>
Total Fixed Assets	240,594	240,594
Less Accumulated Depreciation	<u>(228,324)</u>	<u>(222,917)</u>
Net Fixed Assets	<u>12,270</u>	<u>17,676</u>
TOTAL ASSETS	<u>\$ 524,477</u>	<u>\$ 521,570</u>
 LIABILITIES AND NET ASSETS 		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 4,586	\$ 4,698
Accrued Payroll Liabilities	<u>15,090</u>	<u>12,817</u>
TOTAL CURRENT LIABILITIES	19,676	17,515
NET ASSETS		
Unrestricted Net Assets	371,232	451,836
Temporarily Restricted Net Assets	<u>133,569</u>	<u>52,219</u>
Total Net Assets	<u>504,801</u>	<u>504,055</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 524,477</u>	<u>\$ 521,570</u>

The accompanying notes and independent auditor's report are an integral part of these financial statements.

KAUAI FOOD BANK

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2013

(With Comparative Totals for 2012)

	2013			2012
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
SUPPORT AND REVENUE				
Federal Grants and Contracts	\$ 20,269	\$ -	\$ 20,269	\$ 6,908
State Grants and Contracts	-	18,708	18,708	81,002
Trusts and Foundations	28,051	189,000	217,051	60,092
Disallowed Expenditures from Prior Period (Note 4)	(55,439)	-	(55,439)	-
Contributions	203,753	3,308	207,061	257,332
Food Contribution	354,478	16,765	371,243	396,265
Fundraising	11,032	-	11,032	11,812
In-Kind Donations	15,086	-	15,086	12,682
SMC Fees	21,261	-	21,261	40,158
EBT Sales	-	38,862	38,862	50,742
Sale of Donated Assets	5,629	-	5,629	5,500
Other Earned Revenue	686	-	686	4,498
Interest & Dividend Income	10,171	-	10,171	11,613
Unrealized Gain or Loss	-	-	-	14,607
Realized Gain or Loss	6,436	-	6,436	12,640
Total Support and Revenue	621,413	266,643	888,056	965,850
EXPENSES				
Program Services	677,511	-	677,511	786,735
Management & General	90,916	-	90,916	174,787
Fund Raising	118,883	-	118,883	152,539
Total Expenses	887,310	-	887,310	1,114,061
CHANGE IN NET ASSETS	(265,897)	266,643	746	(148,211)
NET RELEASE FROM RESTRICTION	185,293	(185,293)	-	-
NET ASSETS, BEGINNING OF YEAR	451,836	52,219	504,055	652,266
NET ASSETS, END OF YEAR	\$ 371,232	\$ 133,569	\$ 504,801	\$ 504,055

The accompanying notes and independent auditor's report are an
integral part of these financial statements.

KAUAI FOOD BANK

Statement of Functional Expenses
For the Year Ended December 31, 2013

(With Comparative Totals for 2012)

	<u>2013</u>				
	Program Services	Management & General	Fund Raising	Total	<u>2012</u>
Salaries & Wages (includes PR taxes)	\$ 116,491	\$ 49,004	\$ 85,311	\$ 250,806	\$ 363,904
Volunteer Expenses	1,285	-	-	1,285	-
Purchased Food	36,848	-	-	36,848	97,066
Donated Food	378,915	-	-	378,915	395,218
Inventory Adjustment	-	-	-	-	20,767
Contract Services	6,044	-	-	6,044	3,389
EBT Farmers Costs	57,387	-	-	57,387	77,167
Professional Services	11,045	20,022	757	31,824	21,232
Rent, Utilities & Other Facility Costs	32,331	12,117	21,094	65,542	71,190
Insurance	6,339	3,148	1,009	10,496	8,677
Program Supplies	4,792	1,376	8,435	14,603	19,427
Freight, Vehicle & Transportation Costs	9,892	-	-	9,892	8,692
Food Drive Expense	-	-	-	-	2,757
Direct Mail Expense	-	-	1,741	1,741	4,268
Advertising	2,154	-	-	2,154	208
Travel	3,879	1,080	46	5,005	8,028
Depreciation	5,407	-	-	5,407	5,687
GE Tax	-	-	225	225	239
Investment Costs	-	510	-	510	1,433
Miscellaneous	4,702	3,659	265	8,626	4,712
Total Expenses	<u>\$ 677,511</u>	<u>\$ 90,916</u>	<u>\$118,883</u>	<u>\$ 887,310</u>	<u>\$ 1,114,061</u>

The accompanying notes and independent auditor's report are an
integral part of these financial statements.

KAUAI FOOD BANK

Statement of Cash Flows
For the Year Ended December 31, 2013

(With Comparative Totals for 2012)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 746	\$ (148,211)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	5,406	5,687
Decrease (Increase) in:		
Grant Receivable	31,539	9,578
A/R and Other Assets	2,696	8,154
Inventory	(11,662)	56,691
Prepaid Expenses	(1,400)	1,313
Unemployment Ins.	-	(29,600)
Decrease (Increase) in:		
A/P & Accrued Expenses	(112)	(16,011)
Accrued PR Liabilities	<u>2,273</u>	<u>(11,626)</u>
Net Cash Provided by (Used in) Operating Activities	<u>29,486</u>	<u>(124,025)</u>
NET INCREASE (DECREASE) IN CASH	29,486	(124,025)
CASH BALANCE, BEGINNING OF YEAR	<u>374,453</u>	<u>498,478</u>
CASH BALANCE, END OF YEAR	<u>\$ 403,939</u>	<u>\$ 374,453</u>

The accompanying notes and independent auditor's report are an
integral part of these financial statements.

KAUAI FOOD BANK

Notes to the Financial Statements For the Year Ended December 31, 2013

NOTE 1- NATURE OF ACTIVITIES

The Kauai Food Bank, Inc. (DBA) Kauai Independent Food Bank (KIFB) was incorporated under the laws of the State of Hawaii as a nonprofit corporation on December 16, 1994. KIFB's mission is to provide food for the hungry, respond to emergencies and eliminate hunger. The ultimate goal is to provide food security for all people of Kauai and Niihau.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

(b) Financial Statement Presentation

KIFB prepares financial statements in accordance with Financial Standards Board Accounting Standards Codification (ASC) 958-205 *Presentation of Financial Statements*. Under ASC 958-205, KIFB is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investment and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

(c) Revenues and Other Support

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

KAUAI FOOD BANK

Notes to the Financial Statements
For the Year Ended December 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Income Tax

KIFB is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar State provisions.

(e) Cash and Cash Equivalents

For the purpose of the statement of cash flows, KIFB considers all highly liquid investments with an initial maturity of three months, or less, to be cash equivalents. The FDIC insurance amount currently is \$250,000 per depositor for all deposit accounts. At December 31, 2013, KIFB did not have any accounts in excess of insured limits.

The balance of cash and cash equivalents as of December 31 consists of:

	(Comparative)	
	<u>2013</u>	<u>2012</u>
FHB Checking	\$ 132,302	\$ 130,809
FHB Maximizer	-	10,145
FHB Checking - EBT	-	(4,003)
ASB CD	10,032	10,029
BOH CD	10,015	10,012
CPB CD	10,603	10,578
First Allied Securities	237,748	205,138
First Allied Securities - Cash	<u>3,239</u>	<u>1,746</u>
	<u>\$ 403,939</u>	<u>\$ 374,453</u>

(f) Inventory

The inventory cost is valued using first-in, first-out (FIFO) method. The purchased food is stated at cost and the donated food is stated at The USDA estimated cost-per-pound of \$1.59.

(g) Receivables

Support under grants and contracts is recorded when the related amounts are due from grantor agencies. KIFB does not anticipate any collection losses with respect to the receivable balances. As a result, no allowance has been established at December 31, 2013.

KAUAI FOOD BANK

Notes to the Financial Statements
For the Year Ended December 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Investments

In accordance with the provisions of ASC Topic 320, Investments – Debt and Equity Securities, generally accepted accounting principles require that nonprofit organizations report certain investments at fair value. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains or losses are included in the change in net assets.

(i) Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designed for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net assets classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purposed restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

(j) Contributions In-kind

Contributions in-kind are also recognized in accordance with applicable accounting standard. Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which KIFB would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. KIFB also receives donated services that do not require specific expertise but which are nonetheless central to KIFB's operations.

(k) Donated Food

Food contributions received by KIFB are capitalized as food inventory and recorded as unrestricted contributions. Upon distribution, food inventory is reduced and expense is charged to food donations to agencies.

(l) Shared Maintenance Fees

Shared maintenance fees are charged to the agencies to which KIFB distributes food on a per pound basis. During the years ended December 31, 2012 and 2013 the maximum price charged for shared maintenance fees was \$0.19 per pound.

KAUAI FOOD BANK

Notes to the Financial Statements
For the Year Ended December 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Compensated Absences

Employees at KIFB are entitled to paid vacation depending on the job classification, length of services and other factors. Accrued compensated absences represent KIFB's liability for the cost of unused employee vacation at December 31, 2013.

(n) Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires that management make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 – LAND, PROPERTY, EQUIPMENT AND IMPROVEMENTS

Furniture, Equipment and Software consists of:

Office & Computer Equipment	\$ 71,786
Furniture & Fixtures	4,148
Machinery & Equipment	<u>91,518</u>
Furniture, Equipment and Software	<u>\$ 167,452</u>

Depreciation is computed using the straight-line method for 3 to 39 years. Depreciation expense for the year ended December 31, 2013 and 2012 were \$5,406 and \$5,687 respectively.

NOTE 4 – CONTINGENCIES

KIFB receives a portion of its revenue from government grants and contracts. Most of these grants are subject to spending restrictions. If it were ultimately determined by the grantor that the funds have not been expended for the purposes intended, KIFB would be liable for a refund of part or all of such grant funds. In 2013 KIFB refunded \$55,439 to the DHS for disallowed expenses billed to the DHS grant from 2009 to 2011.

KAUAI FOOD BANK

Notes to the Financial Statements
For the Year Ended December 31, 2013

NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 29, 2014. There are no subsequent events that would have a material effect on the financial statements and this is the date the financial statements were available to be issued.