

**KAUAI FOOD BANK**

**Audited Financial Statements  
For the Year Ended December 31, 2018**

(With summarized financial information  
for the year ended December 31, 2017)

*Russell Yamane & Associates CPAs, Inc.*

**REPORT OF INDEPENDENT ACCOUNTANTS**

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

***Report on Financial Statements***

We have audited the accompanying statements of the financial position of Kauai Food Bank, Inc. (a nonprofit organization) (d.b.a. Kauai Independent Food Bank - KIFB), which comprise the statement of financial position as of as of December 31, 2018, 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 value 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.

***Auditors' 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 the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 KIFB as of December 31, 2018, and the results of its activities and changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited the KIFB 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Russell Yamane & Associates CPAs Inc." The signature is written in dark ink on a light-colored background.

Wailuku, Hawaii  
June 12, 2019

**KAUAI FOOD BANK INC.**  
**Statement of Financial Position**  
**December 31, 2018**

(With summarized financial information for the year ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 233,756	\$ 148,103
Receivables	10,620	1,677
Inventory	125,447	117,791
Other current assets	12,744	13,963
Total current assets	382,566	281,535
<b>Investments</b>	209,424	176,413
<b>Fixed Assets:</b>		
Furniture, Equipment, and Software	193,138	190,914
Vehicles	74,446	25,251
Leasehold improvements	22,891	22,891
Total fixed assets	290,475	239,056
Less accumulated depreciation	(236,931)	(223,669)
Net fixed assets	53,544	15,387
<b>Deposit</b>	2,080	2,080
<b>Total Assets</b>	\$ 647,614	\$ 475,415
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 1,942	\$ 1,831
Accrued payroll and related liabilities	25,824	21,452
Total current liabilities	27,766	23,284
<b>Net Assets:</b>		
Without donor restrictions	267,763	236,217
With donor restrictions	352,084	215,914
Total net assets	619,848	452,131
<b>Total Liabilities and Net Assets</b>	\$ 647,614	\$ 475,415

*The accompanying notes and independent auditors' report are an integral part of the financial statements.*

**KAUAI FOOD BANK, INC.**  
**Statement of Activities and Changes in Net Assets**  
**For the year ended December 31, 2018**

(With summarized financial information for the year ended December 31, 2017)

	<b>2018</b>			<b>2017</b>
	<u>Without</u>	<u>With Donor</u>	<u>Total</u>	<u>Total</u>
	<u>Donor</u>	<u>Restrictions</u>		
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>	<u>Total</u>
<b>Operating Activities -</b>				
<b>Support and Revenue:</b>				
Contributions	\$ 305,015	\$ 47,864	\$ 352,879	\$ 173,303
Grants and foundations	87,000	150,000	237,000	154,526
Food contributions	257,799	39,831	297,631	340,320
Special events	4,330	-	4,330	29,660
Shared Maintenance Cost fees	10,337	-	10,337	12,445
Other	-	-	-	1,844
Total support and revenue	<u>664,481</u>	<u>237,695</u>	<u>902,177</u>	<u>712,099</u>
<b>Expenses:</b>				
Program services	610,081	-	610,081	570,752
Administrative and General	58,699	-	58,699	57,854
Fundraising	53,761	-	53,761	63,624
Total operating expenses	<u>722,541</u>	<u>-</u>	<u>722,541</u>	<u>692,230</u>
Change in net assets from operating activities	(58,059)	237,695	179,636	19,869
<b>Nonoperating Activities -</b>				
Interest income	8,910	-	8,910	6,356
Investment return, net	(20,828)	-	(20,828)	10,273
Change in net assets from nonoperating activities	<u>(11,919)</u>	<u>-</u>	<u>(11,919)</u>	<u>16,629</u>
<b>Change in Net Assets Total</b>	(69,978)	237,695	167,717	36,498
<b>Net Assets, Beginning of Year</b>	236,217	215,914	452,131	415,633
Net assets released from restriction	<u>101,525</u>	<u>(101,525)</u>	<u>-</u>	<u>-</u>
<b>Net Assets, End of Year</b>	<u>\$ 267,763</u>	<u>\$ 352,084</u>	<u>\$ 619,848</u>	<u>\$ 452,131</u>

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**KAUAI FOOD BANK, INC.**  
**Statement of Functional Expenses**  
**For the year ended December 31, 2018**

(With summarized financial information for the year ended December 31, 2017)

	<b>2018</b>			<b>Total</b>	<b>2017</b>
	<b><u>Program</u></b> <b><u>Services</u></b>	<b><u>Administrative</u></b> <b><u>and General</u></b>	<b><u>Fund</u></b> <b><u>Raising</u></b>		<b><u>Total</u></b>
Wages and related costs	\$ 166,079	\$ 23,129	\$ 29,113	\$ 218,321	\$ 201,047
Volunteer expenses	-	-	-	-	49
Purchased food	36,195	-	-	36,195	32,122
Donated food	296,023	-	-	296,023	310,044
Professional services	1,767	21,500	3,592	26,859	28,533
Occupancy costs	47,688	6,641	8,359	62,688	61,269
Insurance	6,973	2,820	1,192	10,985	10,877
Supplies, printing, postage	19,178	678	8,500	28,356	15,660
Communication	4,536	632	795	5,963	4,415
Vehicle costs	10,266	-	-	10,266	5,411
Direct mail expense	-	-	1,255	1,255	4,343
Equipment and repairs	1,607	-	-	1,607	3,213
Travel, training, meetings	6,053	908	-	6,962	7,828
Depreciation	13,263	-	-	13,263	4,693
Miscellaneous	454	2,390	954	3,798	2,726
	<b><u>\$ 610,081</u></b>	<b><u>\$ 58,699</u></b>	<b><u>\$ 53,761</u></b>	<b><u>\$ 722,541</u></b>	<b><u>\$ 692,230</u></b>

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

**KAUAI FOOD BANK, INC.**  
**Statement of Cash Flows**  
**For the year ended December 31, 2018**

(With summarized financial information for the year ended December 31, 2017)

	<u><b>2018</b></u>	<u><b>2017</b></u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 167,717	\$ 36,498
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	13,262	4,693
Gain on fixed asset disposition	-	(1,606)
Net (appreciation)/depreciation of investments	20,828	(13,121)
(Increase) decrease in receivables	(8,943)	31,988
(Increase) decrease in inventory	(7,655)	(30,496)
(Increase) decrease in other current assets	1,219	290
Increase (decrease) in accounts payable	111	(3,807)
Increase (decrease) in accrued payroll costs	4,372	2,949
Net cash provided by (used in) operating activities	<u>190,911</u>	<u>27,388</u>
<b>Cash Flows from Investing Activities:</b>		
Change in marketable securities, net	(53,839)	(13,485)
Proceed fixed asset disposition	-	1,606
Capital Expenditures	<u>(51,419)</u>	<u>-</u>
Net cash provided by (used in) Investing activities	<u>(105,258)</u>	<u>(11,879)</u>
<b>Net Change in Cash</b>	85,653	15,509
<b>Cash Balance, Beginning of Year</b>	<u>148,103</u>	<u>132,594</u>
<b>Cash Balance, End of Year</b>	<u><u>\$ 233,756</u></u>	<u><u>\$ 148,103</u></u>
<b><u>Non-cash operating activities</u></b>		
Food contributions revenue	\$ 297,631	\$ 340,320
Cost of donated food distributed	\$ 296,023	\$ 310,044

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

**KAUAI FOOD BANK, INC.**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

(With summarized information for the year ended December 31, 2017)  
(See independent auditors' report)

**1. Nature Of Activities**

The Kauai Food Bank, Inc. (d.b.a. 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 educate, provide nutritious food for the hungry and respond to emergencies.

**2. Summary Of Significant Accounting Policies**

***Financial Statement Presentation Framework -***

The financial statements of the KIFB have been presented in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) 958 "Not-for-Profit Entities"

Under provisions of ASC 958, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets or the Center and changes therein are classified as follows:

**Net assets without donor restrictions** - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of KIFB. The KIFB board may designate assets without restriction for specific operational purposes from time to time.

**Net assets with donor restrictions** - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature and will be met by actions of KIFB or by the passage of time. Other donor restrictions may be perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

***Contributions -***

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions, or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions of cash and other assets are reported as donor restricted revenue if they are received with donor stipulations that restrict or limit its use or the passage of time.

Conditional promises to give, or contributions received with conditions, are recognized as revenue when the conditions on which they depend are substantially met.



**KAUAI FOOD BANK, INC.**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

(With summarized information for the year ended December 31, 2017)  
(See independent auditors' report)

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets without donor restriction revenue. Donations of assets, other than cash, are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, building, and equipment are reported as net assets without donor restrictions upon acquisition of the assets and the assets are placed in service.

***Contributions In-Kind -***

Contributions in-kind are recognized in accordance with generally accepted accounting standards. 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 volunteer services that do not require specific expertise but which are nonetheless essential to KIFB operations.

***Donated Food -***

Food donations are recorded when received by KIFB. These items are capitalized as food inventory and recorded as unrestricted contributions. The donated food is valued at the USDA estimated cost-per-pound of \$1.59. Upon distribution, food inventory is reduced and an expense is charged to Donated Food.

***Shared Maintenance Cost (SMC) -***

SMC fees are charged to the agencies to which KIFB distributes food to assist with costs associated with receiving, storing, and distributing inventory. During the years ended December 31, 2017 and 2016, the maximum fees charged for SMC fees were \$.19 per pound.

***Cash and Cash Equivalents***

KIFB considers all highly liquid short-term investments with maturities of three-months or less to be cash equivalents. The FDIC insures \$250,000 per deposit account. As of December 31, 2017, KIFB did not have any accounts in excess of insured limits.

***Marketable Securities -***

Investments in marketable securities are stated at fair value based on a framework that provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure 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 unobservable inputs (level 3 measurements).

**KAUAI FOOD BANK, INC.**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

(With summarized information for the year ended December 31, 2017)

(See independent auditors' report)

The three levels of investments are as follows: **Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that KIFB has the ability to access; **Level 2** – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means; **Level 3** – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investment, is presented in the statement of activities in accordance with donor restrictions as investment return. Investment return is presented net of investment fees.

***Inventory -***

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

***Property and Equipment -***

Property and equipment is recorded at cost and depreciated over periods of 3-39 years using the straight-line method. Gains and losses from the retirement or replacement of property and equipment are included in the statement of activities.

***Compensated Absence –***

Employees at KIFB are entitled to paid vacation depending on the job classification, length of service and other factors. Accrued compensated absences represent KIFB's liability for the cost of unused vested employee vacation. At December 31, 2017 and 2017 accrued vacation balances were \$14,082 and \$11,551, respectively.

***Use of Estimates -***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Risks and Uncertainties -***

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the fair value amounts reported on the financial statements.

**KAUAI FOOD BANK, INC.**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

(With summarized information for the year ended December 31, 2017)  
(See independent auditors' report)

***Measurement of Operations -***

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those transactions attributable to the Center's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more nonrecurring nature.

***Functional Expenses -***

The costs of providing program and other activities have been summarized on a functional basis in support of the statement of activities. Accordingly, certain expenses, that are not direct costs, have been allocated among program services, supporting services and fund raising. Such allocations are determined by management based time and effort, square footage and estimated usage.

***New Accounting Pronouncement -***

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (ASC Topic 958)) - Presentation of Financial Statements of Not-for Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Center has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all period presented.

**3. Marketable Securities**

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Investments in mutual funds are managed by investment companies registered with the Securities and Exchange Commission. The value of each fund is determined at the close of each day based on fair value and are traded in active markets. Purchase and sale of units are performed at the end of the day once the value for that day has been set. Income, gains, or losses from the assets in each fund are credited to or charged against that fund without regard to other income, gains or losses of other funds. All mutual funds above are Level 1 investments.

**KAUAI FOOD BANK, INC.**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

(With summarized information for the year ended December 31, 2017)

(See independent auditors' report)

Investments in exchange traded funds (ETF) are registered with the Securities and Exchange Commission and are similar to mutual funds. ETFs are valued throughout the trading day and can be purchased or sold at any time during this period similar to stocks. The value of each fund is determined based on the fair value at the close of the trading day. ETFs are traded in active markets. Income, gains, or losses from the assets in each fund are credited to or charged against that fund without regard to other income, gains or losses of other funds. All ETFs are Level 1 investments.

	<b>2018</b>	<b>2017</b>
	<u>Fair Value</u>	<u>Fair Value</u>
Money funds	\$ 5,120	\$ 3,926
Mutual funds	-	58,230
Equity securities	65,703	65,336
Exchange traded funds	<u>138,600</u>	<u>48,921</u>
	<u>\$ 209,424</u>	<u>\$ 176,413</u>

**4. Income Taxes**

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

KIFB files its form 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of Hawaii. KIFB is generally no longer subject to examination by the Internal Revenue Service for years before 2014.

**5. Subsequent Events**

In preparing the financial statements management has evaluated the subsequent events and transactions for potential recognition or disclosure through June 12, 2019 the date the financial statements were available to be issued. There are no subsequent events that would have a material effect on the financial statements or that would require disclosure.

**KAUAI FOOD BANK, INC.**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2018**

(With summarized information for the year ended December 31, 2017)  
(See independent auditors' report)

**6. Liquidity**

The KIFB financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 233,756
Investments	209,424
Receivables	10,620
Prepaid expenses	12,744
	<u>\$ 466,544</u>

The KIFB financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date. As part of the KIFB liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.