

**KAUAI FOOD BANK**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2012**

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

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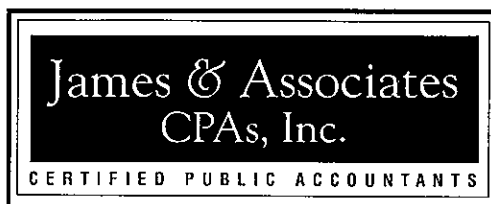
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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Kauai Food Bank, Inc. (DBA) Kauai Independent Food Bank (a nonprofit organization) as of December 31, 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Kauai Food Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Kauai Food Bank, Inc. (DBA) Kauai Independent Food Bank as of December 31, 2012, and the changes in its net assets and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2013, on our consideration of Kauai Food Bank, Inc. (DBA) Kauai Independent Food Bank'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*James and Associates CPA's, Inc.*

Wailuku, Hawaii  
April 18, 2012

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# KAUAI FOOD BANK

## Statement of Financial Position

December 31, 2012

### ASSETS

#### CURRENT ASSETS

Cash and Cash Equivalents (Note 2e)	\$ 374,453
Grants Receivables	33,339
Deposits and Other Receivables	4,776
Inventory (Note 2f)	55,036
Unemployment Insurance	29,600
Prepaid Expenses	<u>6,690</u>
Total Current Assets	503,894

#### FIXED ASSETS

Furniture, Equipment and Software (Note 3)	167,452
Vehicles	50,251
Assets Available for Sale	<u>22,891</u>
Total Fixed Assets	240,594
Less Accumulated Depreciation	<u>(222,917)</u>
Net Fixed Assets	<u>17,676</u>
TOTAL ASSETS	<u>\$ 521,570</u>

### LIABILITIES AND NET ASSETS

#### CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	\$ 4,698
Accrued Payroll Liabilities	<u>12,817</u>
TOTAL CURRENT LIABILITIES	17,515

#### NET ASSETS

Unrestricted Net Assets	451,836
Temporarily Restricted Net Assets	<u>52,219</u>
Total Net Assets	<u>504,055</u>
TOTAL LIABILITIES AND NET ASSETS	<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, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Federal Grants and Contracts	\$ -	\$ 6,908	\$ 6,908
State Grants and Contracts	-	81,002	81,002
Trusts and Foundations	-	60,092	60,092
Contributions	257,332	-	257,332
Food Contribution	396,265	-	396,265
Fundraising	11,812	-	11,812
In-Kind Donations	12,682	-	12,682
SMC Fees	40,158	-	40,158
EBT Sales	50,742	-	50,742
Sale of Donated Assets	5,500	-	5,500
Other Earned Revenue	4,498	-	4,498
Interest & Dividend Income	11,613	-	11,613
Unrealized Gain or Loss	14,607	-	14,607
Realized Gain or Loss	12,640	-	12,640
Net Assets Released from Restriction	<u>114,386</u>	<u>(114,386)</u>	<u>-</u>
<b>Total Support and Revenue</b>	<u>932,234</u>	<u>33,616</u>	<u>965,850</u>
<b>EXPENSES</b>			
Program Services	786,735	-	786,735
Management & General	174,787	-	174,787
Fund Raising	<u>152,539</u>	<u>-</u>	<u>152,539</u>
<b>Total Expenses</b>	<u>1,114,061</u>	<u>-</u>	<u>1,114,061</u>
<b>CHANGE IN NET ASSETS</b>	<u>(181,827)</u>	<u>33,616</u>	<u>(148,211)</u>
<b>NET ASSETS,</b>			
<b>BEGINNING OF YEAR</b>	<u>633,663</u>	<u>18,603</u>	<u>652,266</u>
<b>NET ASSETS,</b>			
<b>END OF YEAR</b>	<u>\$ 451,836</u>	<u>\$ 52,219</u>	<u>\$ 504,055</u>

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, 2012

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries & Wages (includes PR taxes)	\$ 110,448	\$ 90,905	\$ 91,298	\$ 292,651
Employee Benefits	27,760	20,849	22,644	71,253
Purchased Food	97,066	-	-	97,066
Donated Food	395,218	-	-	395,218
Inventory Adjustment	20,767	-	-	20,767
Contract Services	3,389	-	-	3,389
EBT Farmers Costs	77,167	-	-	77,167
Professional Services	147	20,798	287	21,232
Rent, Utilities & Other Facility Costs	27,094	22,042	22,054	71,190
Insurance	3,543	2,244	2,890	8,677
Program Supplies	7,384	6,020	6,023	19,427
Freight, Vehicle & Transportation Costs	8,692	-	-	8,692
Food Drive Expense	-	-	2,757	2,757
Direct Mail Expense	-	-	4,268	4,268
Advertising	208	-	-	208
Travel	-	8,028	-	8,028
Depreciation	5,113	574	-	5,687
GE Tax	-	-	239	239
Investment Costs	-	1,433	-	1,433
Miscellaneous	2,740	1,894	79	4,712
Total Expenses	<u>\$ 786,735</u>	<u>\$ 174,787</u>	<u>\$ 152,539</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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (148,211)
Adjustments to Reconcile Changes in Net Assets to Net Cash	
Used by Operating Activities:	
Depreciation	5,687
(Increase) Decrease in:	
Grant Receivable	9,578
A/R and Other Assets	8,154
Inventory	56,691
Prepaid Expenses	1,313
Unemployment Ins.	(29,600)
Increase (Decrease) in:	
A/P & Accrued Expenses	(16,011)
Accrued PR Liabilities	<u>(11,626)</u>
Net Cash (Used in) Operating Activities (Note 5)	24,186
CASH FLOWS FROM INVESTING ACTIVITIES	
Equipment Purchases	<u>-</u>
Net Cash Provided (Used) in Investing Activities	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Loan Proceeds	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>-</u>
NET (DECREASE) IN CASH	(124,025)
CASH BALANCE, BEGINNING OF YEAR	<u>498,478</u>
CASH BALANCE, END OF YEAR	<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, 2012

### NOTE 1- NATURE OF ACTIVITIES

The Kauai Food Bank, Inc. (BDA) 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 and subsections (formerly Statement of Financial Accounting Standards [SFAS] No. 117, *Financial Statements of Not-for-Profit Organizations*). 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, 2012

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 through December 31, 2013. At December 31, 2012, KIFB did not have any accounts in excess of insured limits.

The balance of Cash and Cash Equivalents as of December 31, 2012 consists of:

FHB Checking	\$ 130,809
FHB Maximizer	\$ 10,145
FHB Checking - EBT	\$ (4,003)
ASB CD	\$ 10,029
BOH CD	\$ 10,012
CPB CD	\$ 10,578
First Allied Securities	\$ 205,138
First Allied Securities - Cash	<u>\$ 1,746</u>
	\$ 374,453

(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, 2012.



# KAUAI FOOD BANK

## Notes to the Financial Statements For the Year Ended December 31, 2012

### (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 reports 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, temporally 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 year ended December 31, 2012, 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, 2012

(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, 2012.

(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	\$ 167,452

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

#### 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. Management does not anticipate any liabilities of this nature.

#### NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 18, 2013. 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.

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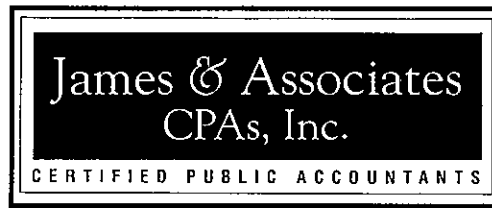
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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Kauai Food Bank

We have audited the financial statements of Kauai Food Bank, Inc. (DBA) Kauai Independent Food Bank as of and for the year ended December 31, 2012, and have issued our report thereon dated April 18, 2013. We conducted our audit 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.

### Internal Control Over Financial Reporting

The management of Kauai Food Bank, Inc. (DBA) Kauai Independent Food Bank (KIFB) is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered KIFB's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KIFB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of KIFB's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether KIFB's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the board of directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*James & Associates, CPA's*

Wailuku, Hawaii  
April 18, 2013.