HAWAII FOODBANK, INC.

FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018
With Prior Year Comparative Information
And Independent Auditor's Report

CW Associates
A Hawaii Certified Public Accounting Corporation

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INDEPENDENT AUDITOR'S REPORT

Hawaii Foodbank, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Hawaii Foodbank, Inc. (Organization), a nonprofit Hawaii corporation, which comprise the statement of financial position as of June 30, 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 representation 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 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 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.

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Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Prior Year Comparative Information

We have previously audited the financial statements of the Organization as of and for the year ended June 30, 2017, and our report dated March 29, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the accompanying prior year comparative information presented herein is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated March 28, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

CW ASSOCIATES, CPAs

Honolulu, Hawaii
March 28, 2019

HAWAII FOODBANK, INC.

STATEMENT OF FINANCIAL POSITION

As of June 30, 2018
(With Prior Year Comparative Information)

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (including interest-bearing accounts)	$ 4,091,044	$ 4,073,067
Receivables – net	621,492	368,723
Inventory – net	1,661,280	1,988,093
Investments	2,105,539	2,079,421
Prepaid expenses and other assets	71,255	64,981
Total current assets	8,550,610	8,574,285
NONCURRENT ASSETS		
Board designated investments	10,815,117	10,795,116
Property and equipment – net	3,477,444	3,511,273
Beneficial interest in perpetual trust	222,351	219,126
Endowment for building maintenance	400,000	400,000
Endowment for agency assistance	400,000	400,000
Total noncurrent assets	15,314,912	15,325,515
TOTAL ASSETS	$ 23,865,522	$ 23,899,800
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 59,691	$ 89,195
Accrued liabilities	353,953	442,593
Due to agencies	578,098	511,555
Total current liabilities	991,742	1,043,343
ASSET RETIREMENT OBLIGATION	34,380	32,434
TOTAL LIABILITIES	1,026,122	1,075,777
NET ASSETS		
Unrestricted		
Undesignated	7,057,946	6,959,269
Board designated	10,815,117	10,795,116
Invested in property and equipment	1,268,373	1,234,150
Total unrestricted net assets	19,141,436	18,988,535
Temporarily restricted	2,675,613	2,816,362
Permanently restricted	1,022,351	1,019,126
Total net assets	22,839,400	22,824,023
TOTAL LIABILITIES AND NET ASSETS	$ 23,865,522	$ 23,899,800

See accompanying notes to the financial statements.

HAWAII FOODBANK, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018
(With Prior Year Comparative Information)

	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS		
Revenue and support		
Food contributions	$23,889,101	$25,462,779
Contributions from the public	3,455,662	3,063,730
Public and private grants	1,091,567	1,187,972
Net assets released from restrictions	987,298	867,457
Investment and other income	468,557	637,235
Shared maintenance fees	491,007	549,477
Special events – net	139,111	153,556
Total revenue and support	30,522,303	31,922,206
Expenses		
Program services	28,747,129	28,960,160
Supporting services		
Management and general	716,552	858,039
Fundraising and development	905,721	903,165
Total supporting services	1,622,273	1,761,204
Total expenses	30,369,402	30,721,364
Increase in unrestricted net assets	152,901	1,200,842
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Temporarily restricted contributions and grants	833,296	794,143
Temporarily restricted interest income	13,253	6,772
Net assets released from restrictions	(987,298)	(867,457)
Decrease in temporarily restricted net assets	(140,749)	(66,542)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Change in value of charitable trust	3,225	12,195
Increase in permanently restricted net assets	3,225	12,195
INCREASE IN NET ASSETS	15,377	1,146,495
NET ASSETS – Beginning of year	22,824,023	21,677,528
NET ASSETS – End of year	$22,839,400	$22,824,023

See accompanying notes to the financial statements.

HAWAII FOODBANK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2018
(With Prior Year Comparative Information)

	Program Services	Management and General	Fundraising	2018 Total	2017 Total
Food donations to agencies	$24,443,355	$ -	$ -	$24,443,355	24,937,536
Salaries and wages	1,386,575	306,625	443,136	2,136,336	2,077,756
Agency and neighbor island support	1,394,227	-	-	1,394,227	1,237,856
Payroll taxes, employee benefits and training	384,780	82,660	123,670	591,110	600,322
Occupancy	434,396	32,695	25,816	492,907	508,514
Depreciation	227,341	19,538	20,852	267,731	273,120
Equipment, supplies, and miscellaneous	163,240	48,484	43,586	255,310	293,168
Transportation	235,776	938	1,364	238,078	248,627
Professional fees	-	188,705	25,016	213,721	176,764
Printing and bulk mail costs	-	6,230	145,221	151,451	171,518
Fund raising event direct costs	11,569	-	67,340	78,909	84,574
Dues, subscriptions, membership fees, and meetings	28,113	27,391	2,978	58,482	60,489
Insurance	31,531	3,286	3,524	38,341	41,036
Volunteer expenses	6,226	-	3,218	9,444	10,084
Total expenses	$28,747,129	$716,552	$905,721	$30,369,402	$30,721,364

See accompanying notes to the financial statements.

HAWAII FOODBANK, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2018
(With Prior Year Comparative Information)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 15,377	$1,146,495
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	267,731	271,284
Loss on sale of property and equipment	-	2,000
Accretion of asset retirement obligation	1,946	1,836
Change in value of beneficial interest in perpetual trust	(3,225)	(12,195)
Net realized and unrealized gains on investments	(115,738)	(381,033)
Amortization of discount on use of contributed property	(100,373)	(101,211)
Amortization of fair value of use of contributed property	111,759	111,760
Contributions restricted for property and equipment	(42,000)	(100,000)
(Increase) decrease in		
Receivables – net	(252,769)	(8,975)
Inventory – net	326,813	(708,874)
Prepaid expenses and other assets	(6,274)	8,029
Increase (decrease) in		
Accounts payable	(29,504)	26,573
Accrued liabilities	(88,640)	74,297
Due to agencies	66,543	144,947
Net cash provided by operating activities	151,646	474,933
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	5,690,349	847,366
Purchase of investments	(5,633,042)	(2,437,989)
Purchases of property and equipment	(245,288)	(171,770)
Change in Board designated cash	12,312	(131,460)
Net cash used by investing activities	(175,669)	(1,893,853)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in property and equipment	42,000	100,000
Net cash provided by financing activities	42,000	100,000
NET INCREASE (DECREASE) IN CASH	17,977	(1,318,920)
CASH – Beginning of year	4,073,067	5,391,987
CASH – End of year	$ 4,091,044	$4,073,067

See accompanying notes to the financial statements.

HAWAII FOODBANK, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018
(With Prior Year Comparative Information)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activity

Hawaii Foodbank, Inc. (Organization) is a nonprofit organization established on December 3, 1982 under the laws of the State of Hawaii to collect, warehouse, and distribute salvageable food to social agencies that feed individuals in need on Oahu and Kauai, Hawaii. The Organization is a certified member of Feeding America, a nonprofit organization that provides surplus food, employee and technical training, and fund assistance to a nationwide network of food banks.

Basis of Accounting

The Organization reports 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. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support is reported when pledged and is considered to be available for unrestricted use unless restricted by the donor. Donor-restricted support is reported when pledged as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a restriction is satisfied or expires, restricted net assets are reclassified to unrestricted net assets. Grants are recognized to the extent of expenditures made in accordance with the related agreements. Expenses are recognized when the related liability is incurred.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills that are performed by people with those skills and would otherwise be purchased by the Organization. A substantial number of unpaid volunteers have made contributions of their time to the Organization. The value of this time is not reflected in these financial statements because it did not meet the criteria for recognition.

The Organization allocates its expenses on a functional basis among program and supporting services based on estimates by management. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service using natural expense classifications. Other expenses that are common to several functions are allocated by various bases. Expenses related to the operations of the Kauai branch, included in the allocation of functional expenses, totaled $501,504 and $487,348 for the years ended June 30, 2018 and 2017, respectively.

Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require 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 revenue and expenses during the reporting period. Actual results could differ from those estimates, and it is reasonably possible that such estimates may change within the near term.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to credit risk include cash and cash equivalents, receivables, and investments (including board designated funds and beneficial interest in perpetual trust). Cash on deposit with financial institutions exceeded the related federal deposit insurance by approximately $6,135,500 and $6,571,700 at June 30, 2018 and 2017, respectively. Management evaluates the credit standings of these financial institutions to ensure that all funds are adequately safeguarded as required by federal regulations. Receivables are unsecured. Such receivables have been adjusted for all known doubtful accounts based on assessments by management of the facts and circumstances related to the individual receivable amounts. The Organization's investments are exposed to various risks, including interest rate, market, and credit risk.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents.

Receivables

Grants, accounts, and other receivables are stated at unpaid balances, less an allowance for doubtful accounts, which was approximately $3,000 at June 30, 2018 and 2017. The allowance is based on experience and other circumstances, which may affect the ability of agencies to meet their obligations. Accounts receivable are considered doubtful if payments are not received in accordance with the contractual terms. It is the Organization's policy to write off uncollectible accounts receivable when management determines the receivable will not be collected. There were no amounts written off during the years ended June 30, 2018 and 2017.

Contributions receivable are expected to be collected during the next fiscal year. Management analyzes the collectability of the contributions receivable and have adjusted such receivables for all known doubtful accounts of approximately $16,000 at June 30, 2018 and 2017.

Inventory

Inventory, which consists primarily of food, beverages, and other sundry items, is valued based on management's estimate of the average wholesale value per pound of food. Management's estimate is based on the results of a product valuation survey provided by Feeding America. Inventory is adjusted for unsalvageable items of approximately $4,400 and $42,400 at June 30, 2018 and 2017, respectively.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Board Designated Funds

The Organization has cash and various investments that have been designated by the Board of Directors (Board) for future building expansion, agency assistance, building and capital equipment, disaster mitigation needs, food purchases, a rainy day fund, and neighbor island emergencies. These investments are reported at fair value. The Board has full discretion over the use of the board designated funds, which remain unrestricted as to use.

Property and Equipment

Property and equipment is stated at cost or, if contributed, at the estimated fair market value at the date of contribution. Depreciation is provided using the straight-line method over estimated useful lives of 30 years for the building; five to 10 years for leasehold improvements; and three to 10 years for vehicles, office furniture and equipment, and warehouse equipment. Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. No impairment was recognized during the years ended June 30, 2018 and 2017. Repairs and maintenance are expensed as incurred. Major improvements in excess of $1,500 are capitalized.

The Organization capitalizes property and equipment purchased with government grants, although the property is legally owned by the granting agency, if management considers it probable that the Organization will be permitted to keep the property and equipment for the estimated useful life of the assets.

Beneficial Interest in Perpetual Trust

The Organization recognizes charitable trusts, such as perpetual trusts, when a donor makes an initial irrevocable gift to a trust in which the Organization has a beneficial interest. Beneficial interest in perpetual trusts represents assets held in perpetual trusts by independent trustees and represent resources neither in the possession nor under the control of the Organization, although the Organization derives income from the assets of such trusts. The Organization's percentage of the beneficial interest in the trust is carried at fair value as reported to the Organization by the trustee.

Due to Agencies

The Organization receives contributions that are restricted for its Grant-In-Aid (GIA) program to assist agencies with paying for the shared maintenance fees. The GIA funds are applied to the accounts of agencies either at the Organization's discretion or by donor designation. At June 30, 2018 and 2017, the due to agencies balance represents amounts to be applied to various agency accounts.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Food Contributions

Food contributions received by the Organization are capitalized as food inventory and recorded as unrestricted revenue. Upon distribution, the value of the food is recorded as a decrease in unrestricted net assets as food donations to agencies.

Contributions and Exchange Transactions

The Organization receives monies from the community to purchase food to distribute to the public and to cover overhead costs. The Organization evaluates each transaction to determine whether it is a contribution or an exchange transaction. Unconditional promises to give are recognized as contribution revenue in the period in which the promise is received, and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized as contribution revenue when the conditions are substantially met. Revenue from exchange transactions is recognized when earned and expenses are recognized when incurred.

Contributed Merchandise and Other In-Kind Contributions

Contributed merchandise and other in-kind contributions, including equipment, are reflected as contributions at their estimated fair values when received or when an unconditional promise to give has been received by the Organization.

Shared Maintenance Fees

The Organization distributes food to over 200 agencies. Fees may be charged to help cover the costs to receive, warehouse, and distribute the products. Fees are calculated on a per-pound basis, from $0.18 per pound up to 50% of the cost for purchased foods. These charges are reflected as revenue from shared maintenance fees in the accompanying financial statements.

Hawaii General Excise and Use Tax

The State of Hawaii imposes a general excise tax of 4% on the gross receipts of the Organization from certain sales of merchandise and fundraising within Hawaii, use tax of 4% on certain imported products and services, plus an additional 0.5% on such gross receipts and imports within the City and County of Honolulu. Hawaii general excise tax is included in special events – net. Hawaii general excise and use tax amounted to $20,524 and $33,527 for the years ended June 30, 2018 and 2017, respectively.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and is not a private foundation. Accordingly, qualifying contributions to the Organization are tax deductible.

Accounting principles generally accepted in the United States of America require uncertain tax positions to be recognized in the financial statements if they are more likely than not to fail upon regulatory examination. Management has evaluated the Organization's tax positions as of June 30, 2018 and 2017 and for the years then ended by reviewing its income tax returns and conferring with its tax advisors, and determined the Organization had no uncertain tax positions required to be reported in accordance with such generally accepted accounting principles. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 was signed into law. The law includes significant changes to the United States of America income tax system, including changes to unrelated business income tax and limitations on the deductibility of certain expenses. Accounting principles generally accepted in the United States of America require the effect of a change in tax law to be recognized when enacted. The new tax law is not expected to have a significant financial impact on the Organization.

NOTE B – RECEIVABLES

At June 30, 2018 and 2017, receivables consisted of the following:

	2018	2017
Grants receivable	$ 378,869	$ 157,326
Contributions receivable	189,768	191,661
Accounts receivable	49,073	27,806
Other receivables	22,782	10,930
Total receivables	640,492	387,723
Allowance for doubtful accounts	(19,000)	(19,000)
Receivables – net	$ 621,492	$ 368,723

NOTE C – INVENTORY

For the years ended June 30, 2018 and 2017, the food inventory transactions were as follows:

	Pounds	Value
Balances at June 30, 2016	761,621	$ 1,279,219
Food contributions	15,281,704	25,462,777
Food distributions	(13,417,193)	(22,302,681)
Unsalvageable food and valuation adjustment	(1,443,168)	(2,453,386)
Other	-	2,164
Balances at June 30, 2017	1,182,964	1,988,093
Food contributions	14,255,208	23,889,101
Food distributions	(12,275,048)	(20,529,879)
Unsalvageable food and valuation adjustment	(2,084,277)	(3,553,692)
Other	(72,457)	(132,343)
Balances at June 30, 2018	1,006,390	$ 1,661,280

NOTE D – INVESTMENTS AND BOARD DESIGNATED INVESTMENTS

The Organization allocates cash and the fair value of the investments between undesignated and board designated funds. At June 30, 2018 and 2017, the fair value of total investments held by the Organization were as follows:

	2018	2017
Equity securities	$ 3,134,754	$ 3,524,723
Mutual funds – fixed income funds	3,449,566	3,176,305
Mutual funds – equity funds	1,776,809	1,629,380
Government obligations	1,761,122	1,490,501
Money market funds	597,973	223,984
	$10,720,224	$10,044,893

NOTE D – INVESTMENTS AND BOARD DESIGNATED INVESTMENTS (Continued)

The Board designated funds for future building and capital equipment; disaster mitigation needs; food purchases; and emergencies. The Board also designated funds for an agency assistance program. Earnings from the Board designated investments are unrestricted. At June 30, 2018 and 2017, the investment and cash balances were allocated as follows:

	2018	2017
Board designated		
Investments	$ 8,614,685	$ 7,965,472
Certificates of deposit	1,155,028	1,771,928
Cash and cash equivalents	1,045,404	1,057,716
Total board designated	10,815,117	10,795,116
Undesignated		
Investments	2,105,539	2,079,421
Total undesignated	2,105,539	2,079,421
Total investments	$ 12,920,656	$ 12,874,537

For the years ended June 30, 2018 and 2017, investment and other income earned on the board designated funds consisted of the following:

	2018	2017
Net realized and unrealized gains	$ 115,738	$ 381,033
Interest and dividend income	327,335	247,700
Other income	25,484	8,502
Total investment and other income	$ 468,557	$ 637,235

NOTE E – ENDOWMENTS FOR BUILDING MAINTENANCE AND AGENCY ASSISTANCE

The endowments for building maintenance and agency assistance consist of restricted certificates of deposit (CDs) received from The Harry and Jeanette Weinberg Foundation, which are reported at carrying value. The Organization has access to the interest income generated by the CDs, but not to the principal, which must be invested in perpetuity (permanently restricted). Interest income is restricted for the repair and maintenance of the Organization's warehouse and office facility and the agency assistance program which pays the shared maintenance fees of certain food distribution agencies. The CD related to the endowment for building maintenance matures annually in June and the CD related to agency assistance matures annually in February. The agency assistance agreement required that the Organization match the $200,000 from the grantor for each endowment and maintain the funds in perpetuity. These matching funds are held in cash equivalents.

NOTE F – FAIR VALUE MEASUREMENTS

The established framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation methodologies used to measure fair value. There are three levels of the fair value hierarchy. Level 1 inputs to the valuation methodologies consist of unadjusted quoted prices for identical assets or liabilities in active markets that the Organization have the ability to access. Level 2 inputs 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, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs are unobservable and significant to the fair value measurement. The fair value measurement level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation methodologies used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

At June 30, 2018 and 2017, the fair value measurements reportable by the Organization consisted of investments in mutual funds, equity securities, and U.S. treasury obligations valued using quoted market prices (Level 1 measurements); U.S. government agencies obligations valued using pricing models maximizing the use of observable inputs for similar securities, including yields currently available on comparable securities of issuers with similar credit ratings (Level 2 measurement); and beneficial interests in a perpetual trust valued by estimating the present value of the future distributions expected to be received, using published life expectancy tables and discount rates (Level 3 measurement).

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE F – FAIR VALUE MEASUREMENTS (Continued)

The following sets forth by level, within the fair value hierarchy, investments at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds				
Fixed Income	$1,703,190	$ -	$ -	$ 1,703,190
Short-Term Bond	1,059,260	-	-	1,059,260
Technology	312,915	-	-	312,915
Diversified Emerging Markets	228,891	-	-	228,891
Short Government	207,258	-	-	207,258
Industrial	204,647	-	-	204,647
High Yield Bond	200,989	-	-	200,989
Financial	186,449	-	-	186,449
Commodities	181,493	-	-	181,493
Foreign Market	160,421	-	-	160,421
Equity Energy	140,012	-	-	140,012
Consumer Cyclical	133,455	-	-	133,455
Real Estate	107,781	-	-	107,781
Large Value	105,273	-	-	105,273
Natural Resources	101,433	-	-	101,433
Other	192,908	-	-	192,908
Total mutual funds	5,226,375	-	-	5,226,375
Equity securities				
Technology	682,498	-	-	682,498
Consumer goods	666,684	-	-	666,684
Industrial goods	619,899	-	-	619,899
Financial	464,054	-	-	464,054
Utilities and energy	232,972	-	-	232,972
Healthcare	205,276	-	-	205,276
Services	184,577	-	-	184,577
Basic materials	78,794	-	-	78,794
Total equity securities	3,134,754	-	-	3,134,754
Government obligations				
U.S. treasury obligations	627,509	-	-	627,509
U.S. government agencies	-	1,133,613	-	1,133,613
Total government obligations	627,509	1,133,613	-	1,761,122
Money market fund	597,973	-	-	597,973
Total investments	9,586,611	1,133,613	-	10,720,224
Beneficial interest in perpetual trust	-	-	222,351	222,351
Total investments at fair value	$9,586,611	$1,133,613	$222,351	$10,942,575

NOTE F – FAIR VALUE MEASUREMENTS (Continued)

The following sets forth by level, within the fair value hierarchy, investments at fair value as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds				
Fixed Income	$1,450,169	$ -	$ -	$ 1,450,169
Short-Term Bond	1,056,180	-	-	1,056,180
Technology	242,949	-	-	242,949
Diversified Emerging Markets	269,916	-	-	269,916
Short Government	154,025	-	-	154,025
High Yield Bond	204,531	-	-	204,531
Financial	329,641	-	-	329,641
Commodities	173,860	-	-	173,860
Equity Energy	39,666	-	-	39,666
Consumer Cyclical	109,438	-	-	109,438
Real Estate	98,395			98,395
Large Value	96,251	-	-	96,251
Natural Resources	57,395	-	-	57,395
European Stock	177,107	-	-	177,107
World Allocation	103,402			103,402
Other	242,760	-	-	242,760
Total mutual funds	4,805,685	-	-	4,805,685
Equity securities				
Technology	421,858	-	-	421,858
Consumer goods	1,204,951	-	-	1,204,951
Industrial goods	570,499	-	-	570,499
Financial	517,250	-	-	517,250
Utilities and energy	222,791	-	-	222,791
Healthcare	342,879	-	-	342,879
Services	89,677	-	-	89,677
Basic materials	154,818	-	-	154,818
Total equity securities	3,524,723	-	-	3,524,723
Government obligations				
U.S. treasury obligations	525,371	-	-	525,371
U.S. government agencies	-	965,130	-	965,130
Total government obligations	525,371	965,130	-	1,490,501
Money market fund	223,984	-	-	223,984
Total investments	9,079,763	965,130	-	10,044,893
Beneficial interest in perpetual trust	-	-	219,126	219,126
Total assets at fair value	$9,079,763	$965,130	$219,126	$10,264,019

NOTE F – FAIR VALUE MEASUREMENTS (Continued)

The reconciliation of the beginning and ending balances of the fair value measurement using significant unobservable inputs (Level 3) is as follows:

	Value
Balance at June 30, 2016	$ 206,931
Sales and distributions	(13,177)
Purchases	7,238
Realized and unrealized gains, net	18,134
Balance at June 30, 2017	219,126
Sales and distributions	(18,703)
Purchases	15,858
Realized and unrealized gains, net	6,070
Balance at June 30, 2018	$ 222,351

There were no transfers between levels of the fair value hierarchy and valuation techniques utilized to determine fair value were consistently applied during the years ended June 30, 2018 and 2017.

NOTE G – PROPERTY AND EQUIPMENT

At June 30, 2018 and 2017, property and equipment consisted of the following:

	2018	2017
Building	$ 2,262,223	$ 2,204,578
Building Phase II	2,372,466	2,372,466
Leasehold improvements – Kauai	170,509	170,509
Vehicles	1,229,154	1,204,674
Office furniture and equipment	353,590	343,823
Warehouse equipment	301,627	274,801
Total property and equipment	6,689,569	6,570,851
Accumulated depreciation	(4,514,529)	(4,373,368)
Property and equipment without contributed property	2,175,040	2,197,483
Contributed use of property – net	1,302,404	1,313,790
Property and equipment – net	$ 3,477,444	$ 3,511,273

NOTE H – TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2018 and 2017, temporarily restricted net assets consisted of the following:

	2018	2017
Temporarily restricted for		
Contributed use of property	$1,302,404	$1,313,790
CDBG Grant	906,667	963,333
Aloha United Way	171,589	192,239
Kauai Emergency Relief	102,657	-
McInerny Foundation	-	100,000
Walmart Foundation	-	60,000
Kauai United Way	18,180	17,184
Other	174,116	169,816
Temporarily restricted net assets	$2,675,613	$2,816,362

NOTE I – PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2018 and 2017, permanently restricted net assets consisted of the following:

	2018	2017
Permanently restricted for		
The Harry and Jeanette Weinberg Foundation	$ 600,000	$ 600,000
Beneficial interest in perpetual trust	222,351	219,126
Funds designated for matching grant	200,000	200,000
Temporarily restricted net assets	$1,022,351	$1,019,126

NOTE J – ENDOWMENTS

The Organization is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). It is the policy of the Organization to preserve the original gift of donor-restricted endowment funds as permanently restricted net assets, absent explicit donor stipulations to the contrary. Unless otherwise stated, other donor-restricted gifts are classified as temporarily restricted net assets. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets (none for the years ended June 30, 2018 and 2017).

NOTE J – ENDOWMENTS (Continued)

The Organization's endowments include donor-restricted endowment funds in temporarily restricted and permanently restricted net assets.

Changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at June 30, 2016	$ -	$ 4,473	$ 1,006,931	$ 1,011,404
Interest income	-	6,772	-	6,772
Change in investment value	-	-	12,195	12,195
Appropriation of endowment earnings for expenditure	4,360	(4,360)	-	-
Expenditure of endowment earnings	(4,360)	-	-	(4,360)
Balance at June 30, 2017	-	6,885	1,019,126	1,026,011
Interest income	-	-	-	-
Change in investment value	-	13,253	3,225	16,478
Appropriation of endowment earnings for expenditure	14,789	(14,789)	-	-
Expenditure of endowment earnings	(14,789)	-	-	(14,789)
Balance at June 30, 2018	$ -	$ 5,349	$ 1,022,351	$ 1,027,700

NOTE K – LEASES

The Organization's warehouse and office facility is located on land leased from the State of Hawaii under a 55 year lease that expires in 2047. The lease provides that rent will be adjusted to 20% of the prevailing fair market lease rent every ten years.

The Organization recorded the cost of the lease in property, plant, and equipment at the fair rental value, which is amortized over the lease term and is recorded as occupancy expense in the statement of functional expenses. The Organization also recorded a discount of the fair value of the lease rent at a discount rate of 7.67%. The amortization of the discount is recorded as a contribution in the statements of activities.

NOTE K – LEASES (Continued)

At June 30, 2018 and 2017, the Organization's contributed use of property was as follows:

	2018	2017
Fair value of lease rent	$5,029,200	$5,029,200
Accumulated amortization of lease rent	(1,750,906)	(1,639,147)
Net fair value of lease rent	3,278,294	3,390,053
Discount on lease rent	(3,609,778)	(3,609,778)
Accumulated amortization of discount	1,633,888	1,533,515
Net discount on lease rent	(1,975,890)	(2,076,263)
Contributed use of property – net	$1,302,404	$1,313,790

The Organization also leases a warehouse on Kauai. The initial term of the lease expired in August 2015. The Organization exercised its option to renew the lease, which expires in October 2020.

The Organization also leases office equipment that will expire in June 2021. Office equipment and space rent for the years ended June 30, 2018 and 2017 were approximately $128,000 and $124,000, respectively. At June 30, 2018, the future minimum operating lease payments were as follows:

Years Ending June 30th	
2019	$ 118,500
2020	$ 118,500
2021	$ 81,200
2022	$ 62,500
2023	$ 60,100
Thereafter	$1,259,600

NOTE L – SPECIAL EVENTS

Revenue and direct costs from special events held during the years ended June 30, 2018 and 2017 were as follows:

	2018	2017
Special events revenue		
Great Chefs event	$ 132,267	$ 151,463
Golf tournament	65,692	66,723
Total revenue	197,959	218,186
Direct costs of the special events	(58,848)	(64,630)
Special events – net	$ 139,111	$ 153,556

NOTE M– RETIREMENT PLAN

The Organization maintains a simplified employee pension plan. The Organization made annual contributions to eligible employees' retirement accounts equal to approximately 3% and 5% of applicable wages in the years ended June 30, 2018 and 2017, respectively. Pension expense recognized by the Organization approximated $54,000 and $89,000 for the years ended June 30, 2018 and 2017, respectively.

NOTE N – COMMITMENTS AND CONTINGENCIES

On June 15, 2016, the Organization entered into a power purchase agreement with an initial term of 25 years for design, construction, and installation of a solar power generation system (System) on the Organization's premises, and for purchase of the electric energy generated by the System.

Revenue and support is derived primarily from federal, State of Hawaii, and private grants, the loss of which could have a material adverse effect on the Organization. Amounts received from government grants and contracts are subject to audit and adjustment by various government agencies. Any disallowed claim, including amounts already collected, may constitute a liability. Management expects such amounts, if any, to be immaterial to the financial statements.

The Organization may be subject to legal proceedings, claims, or litigation arising in the ordinary course of business for which it may seek the advice of legal counsel. Management estimates that the cost to resolve such matters, if any, would not be material to the financial statements. However, it is reasonably possible that such estimates may change within the near term.

NOTE N – COMMITMENTS AND CONTINGENCIES (Continued)

The Organization operates in the State of Hawaii. Local, national, and international events can have severe, adverse effects on economic conditions in Hawaii. The effects on the financial statements of the Organization, if any, from such changes in economic conditions are not presently determinable.

NOTE O – CONFLICT OF INTEREST POLICY

The Organization's Board of Directors, committee members, and volunteers are from the financial, food wholesale, retail and distribution industries. These individuals provide valuable assistance to the Organization in the development of policies and programs and in the evaluation of awards and grants. The Organization has a conflict-of-interest policy whereby Board and committee members must advise the Board of any direct or indirect interest in any transaction or relationship with the Organization and may not participate in decisions regarding any action, which may affect their individual, professional, or business interest.

NOTE P – FINANCIAL STATEMENT PRESENTATION

The financial statements include certain prior year comparative information that is not in sufficient detail to constitute a complete presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements of the Organization as of and for the year ended June 30, 2017, from which the information was derived.

Certain amounts in the prior year have been reclassified to conform to the current year presentation. These reclassifications have no effect on previously reported changes in net assets.

NOTE Q – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 28, 2019, which is the date the financial statements were available to be issued, and determined that the Organization did not have any subsequent events requiring adjustment to the financial statements or disclosure in the notes to the financial statements.