

HAWAII FOODBANK, INC.

**FINANCIAL STATEMENTS,
INDEPENDENT AUDITOR'S REPORTS,
AND SUPPLEMENTARY INFORMATION
As of and for the Year Ended June 30, 2021
With Prior Year Comparative Information**



CW Associates
A Hawaii Certified Public Accounting Corporation

HAWAII FOODBANK, INC.

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HAWAII FOODBANK, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

**As of and for the Year Ended June 30, 2021
(With Prior Year Comparative Information)**



INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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, 2021, 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 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 from 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 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, 2021, and the changes in its net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, during the year ended June 30, 2021, the Organization adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) *Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Prior Year Comparative Information

We have previously audited the June 30, 2020 financial statements of the Organization, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 21, 2021. In our opinion, the summarized comparative information 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 May 16, 2022, on our consideration of the Organization'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 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
May 16, 2022

HAWAII FOODBANK, INC.

STATEMENT OF FINANCIAL POSITION

**As of June 30, 2021
(With Prior Year Comparative Information)**

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,847,262	\$ 3,877,223
Receivables – net	799,193	992,847
Investments in marketable securities	8,342,418	5,051,623
Inventory – net	2,755,424	1,497,400
Prepaid expenses and other assets	150,165	276,695
Total current assets	<u>16,894,462</u>	<u>11,695,788</u>
NONCURRENT ASSETS		
Cash and cash equivalents – board designated	675,693	978,846
Investments in marketable securities – board designated	10,624,307	9,803,440
Property and equipment – net	5,738,202	5,762,406
Beneficial interest in perpetual trust	266,937	216,165
Endowment for building maintenance	-	400,000
Endowment for agency assistance	-	400,000
Total noncurrent assets	<u>17,305,139</u>	<u>17,560,857</u>
TOTAL ASSETS	<u>\$34,199,601</u>	<u>\$29,256,645</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 563,567	\$ 545,090
Accrued liabilities	532,723	727,137
Due to agencies	318,653	454,538
Deferred revenue	6,500	170,999
Total current liabilities	<u>1,421,443</u>	<u>1,897,764</u>
ASSET RETIREMENT OBLIGATION	<u>40,948</u>	<u>38,630</u>
TOTAL LIABILITIES	<u>1,462,391</u>	<u>1,936,394</u>
NET ASSETS		
Net assets without donor restrictions		
Undesignated	15,136,390	9,487,682
Board designated	11,300,000	10,782,286
Invested in property and equipment	3,739,015	3,692,229
Total net assets without donor restrictions	<u>30,175,405</u>	<u>23,962,197</u>
Net assets with donor restrictions	2,561,805	3,358,054
Total net assets	<u>32,737,210</u>	<u>27,320,251</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$34,199,601</u>	<u>\$29,256,645</u>

See accompanying notes to the financial statements.

HAWAII FOODBANK, INC.

STATEMENT OF ACTIVITIES

**For the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

	<u>2021</u>	<u>2020</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Food contributions	\$ 31,904,336	\$ 33,552,663
Contributions from the public without donor restrictions	15,528,611	8,802,752
Net assets released from donor restrictions	5,016,211	3,081,670
Public and private grants without donor restrictions	2,217,522	3,050,633
Investment income – net	1,912,481	530,874
Shared maintenance fees	831,300	473,173
In-kind donations	651,853	36,987
Special events – net	-	138,562
Loss on sale of asset	(659)	(127,224)
Other income	70,949	31,684
Total revenue and support	<u>58,132,604</u>	<u>49,571,774</u>
Expenses		
Program services	<u>49,085,865</u>	<u>43,580,294</u>
Supporting services		
Fundraising and development	1,539,558	1,129,636
Management and general	1,293,973	1,175,102
Total supporting services	<u>2,833,531</u>	<u>2,304,738</u>
Total expenses	<u>51,919,396</u>	<u>45,885,032</u>
Increase in net assets without donor restrictions	<u>6,213,208</u>	<u>3,686,742</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions and grants with donor restrictions	4,157,739	2,931,008
Change in value of charitable trust	50,772	(6,456)
Interest income – net	11,451	15,787
Net assets released from donor restrictions	<u>(5,016,211)</u>	<u>(3,081,670)</u>
Decrease in net assets with donor restrictions	<u>(796,249)</u>	<u>(141,331)</u>
INCREASE IN NET ASSETS	5,416,959	3,545,411
NET ASSETS – Beginning of year	<u>27,320,251</u>	<u>23,774,840</u>
NET ASSETS – End of year	<u><u>\$ 32,737,210</u></u>	<u><u>\$ 27,320,251</u></u>

See accompanying notes to the financial statements.

HAWAII FOODBANK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

**For the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

	Program <u>Services</u>	<u>Supporting Services</u>			2021 <u>Total</u>	2020 <u>Total</u>
		<u>Fundraising</u>	<u>Management and General</u>	<u>Total Supporting Services</u>		
Food donations to agencies	\$41,310,052	\$ 2,415	\$ 120,245	\$ 122,660	\$41,432,712	\$34,385,274
Salaries and wages	2,242,726	716,990	579,535	1,296,525	3,539,251	3,058,624
Agency and neighbor island support	2,758,044	9,459	4,628	14,087	2,772,131	5,303,271
Payroll taxes, employee benefits and training	653,870	174,500	194,232	368,732	1,022,602	821,785
Equipment, supplies, and miscellaneous	570,536	34,796	95,259	130,055	700,591	263,107
Occupancy	498,556	34,827	83,654	118,481	617,037	502,072
Transportation	470,752	10,317	597	10,914	481,666	395,870
Depreciation	380,999	33,968	2,860	36,828	417,827	312,420
Professional fees	36,353	163,710	159,404	323,114	359,467	356,997
Printing and bulk mail costs	3,160	211,502	10,540	222,042	225,202	154,338
Dues, subscriptions, membership fees, and meetings	52,031	33,663	39,950	73,613	125,644	181,704
Fundraising costs	3,780	104,503	-	104,503	108,283	120,194
Volunteers	72,787	5,839	-	5,839	78,626	54,569
Insurance	32,219	3,069	3,069	6,138	38,357	33,865
Total expense by function	<u>49,085,865</u>	<u>1,539,558</u>	<u>1,293,973</u>	<u>2,833,531</u>	<u>51,919,396</u>	<u>45,944,090</u>
Fundraising event direct costs net in special events revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(59,058)</u>
Total expenses	<u>\$49,085,865</u>	<u>\$1,539,558</u>	<u>\$1,293,973</u>	<u>\$2,833,531</u>	<u>\$51,919,396</u>	<u>\$45,885,032</u>

See accompanying notes to the financial statements.

HAWAII FOODBANK, INC.

STATEMENT OF CASH FLOWS

**For the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 5,416,959	\$ 3,545,411
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	417,827	312,420
Loss on sale of property and equipment	659	127,224
Accretion of asset retirement obligation	2,318	2,187
Change in value of beneficial interest in perpetual trust	(50,772)	6,456
Net realized and unrealized gains on investments	(1,633,396)	(232,911)
Amortization of discount on use of contributed property	(97,437)	(98,492)
Amortization of fair value of use of contributed property	111,760	111,760
(Increase) decrease in		
Receivables – net	193,654	(523,931)
Inventory – net	(1,258,024)	563,797
Prepaid expenses and other assets	126,530	(240,140)
Increase (decrease) in		
Accounts payable	18,477	520,600
Accrued liabilities	(194,414)	303,554
Due to agencies	(135,885)	(140,633)
Deferred revenue	(164,499)	170,999
Net cash provided by operating activities	<u>2,753,757</u>	<u>4,428,301</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments in marketable securities	14,002,281	13,803,475
Purchases of investments in marketable securities	(16,480,547)	(14,649,212)
Release of endowment funds	800,000	-
Purchases of property and equipment	(408,605)	(2,691,461)
Net cash used by investing activities	<u>(2,086,871)</u>	<u>(3,537,198)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	666,886	891,103
CASH AND CASH EQUIVALENTS AND BOARD DESIGNATED CASH AND CASH EQUIVALENTS – Beginning of year	<u>4,856,069</u>	<u>3,964,966</u>
CASH AND CASH EQUIVALENTS AND BOARD DESIGNATED CASH AND CASH EQUIVALENTS – End of year	<u>\$ 5,522,955</u>	<u>\$ 4,856,069</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash operating and investing activity –		
Contribution of marketable securities	\$ 9,421	\$ 39,000
Noncash investing activity –		
Allocation of board designated investment to board designated cash and cash equivalents	\$ 303,153	\$ 18,076

See accompanying notes to the financial statements.

HAWAII FOODBANK, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021 (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.

During the last quarter of fiscal year 2020 and throughout fiscal year 2021, the COVID-19 pandemic created an increase in activity for the Organization, which included increased food and monetary donations and grant funding to provide food to individuals and families with food insecurities due to the pandemic.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions consist of net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net Assets with Donor Restrictions consist of net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity (\$266,937 and \$1,016,165 at June 30, 2021 and 2020, respectively).

The financial statements include certain prior year comparative information that is not in sufficient detail to constitute a complete presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with the financial statements of the Organization as of and for the year ended June 30, 2020, from which the information was derived.

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

HAWAII FOODBANK, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP 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 revenue and expenses during the reporting year. Actual results could differ from those estimates, it is reasonably possible that such estimates may change within the near term, and such differences could be material to the financial statements.

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.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to credit risk include cash and cash equivalents, receivables, and investments in marketable securities (including board designated investments in marketable securities and the beneficial interest in perpetual trust). Cash on deposit with financial institutions exceeded the related federal deposit insurance by approximately \$6,457,100 and \$4,834,500 at June 30, 2021 and 2020, respectively. Management evaluates the credit standings of these financial institutions to ensure that all funds are adequately safeguarded.

Receivables consist of amounts due from grants, agencies, contributions, and others. Amounts due from grants, agencies, and others are stated at unpaid balances, less an allowance for doubtful accounts, which was approximately \$3,000 at June 30, 2021 and 2020. The allowance is based on experience and other circumstances, which may affect the ability of grantors, agencies, and others to meet their obligations. Such receivables are considered doubtful if payments are not received in accordance with the contractual terms. Contributions receivable are also stated at unpaid balances, less an allowance for doubtful accounts, which was approximately \$21,000 and \$12,600 at June 30, 2021 and 2020, respectively. Contributions receivable are determined to be collectible or uncollectible based on assessments by management of the facts and circumstances related to the individual accounts, including historical experience, an assessment of economic conditions, and a review of subsequent collections. It is the Organization's policy to write off uncollectible receivables when management determines the receivables will not be collected. There were no amounts written off during the years ended June 30, 2021 and 2020.

Investments in marketable securities are insured by federal and private insurance, as represented by the custodian. Future changes in market prices may make such investments less valuable.

HAWAII FOODBANK, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Marketable Securities

Investments in marketable securities are stated at fair value. Net realized and unrealized gains, determined using the specific cost of the investments, are included in investment income without donor restrictions and with donor restrictions. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met either by passage of time or by use in the reporting period in which the income and gains are recognized.

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. Management's estimate for food received from the U.S. Department of Agriculture (USDA) is based on the most recently published price per pound price in the USDA donated foods catalog. Management's estimate for food received from non-USDA sources is based on the results of a product valuation survey provided by Feeding America. Inventory is adjusted for unsalvageable items of approximately \$15,300 at June 30, 2021 and 2020.

Board Designated Cash and Cash Equivalents and Investments in Marketable Securities

The Organization has cash and cash equivalents and investments in marketable securities 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. The investments in marketable securities are reported at fair value. The Board has full discretion over the use of the board designated funds, which remain unrestricted as to use. Such designations may be changed by the Board at any time.

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, 2021 and 2020. 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 asset.

HAWAII FOODBANK, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 trust represents assets held in a perpetual trust by an independent trustee and represent resources neither in the possession nor under the control of the Organization, although the Organization derives income from the assets of such trust. The Organization's percentage of its 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 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, 2021 and 2020, the due to agencies balance represents amounts to be applied to various agency accounts.

Revenue and Expense Recognition

Revenue is recognized when the required goods and services are provided to the customer. Revenue from performance obligations satisfied at a point in time include shared maintenance fees of \$831,300 and \$473,173 and special event revenues of \$0 and \$117,804 for the years ended June 30, 2021 and 2020, respectively. Revenue from performance obligations satisfied over time include other income of \$70,949 and \$31,684 as of June 30, 2021 and 2020, respectively. The Organization records special event revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. Amounts received prior to the provision of the goods or services are reported as due to agencies or deferred revenue. All other revenue was derived from other sources recognized under other accounting standards.

Expenses, including advertising expenses (\$1,822 and \$1,000 at June 30, 2021 and 2020), are recorded when the related liability is incurred. 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 such as square footage for capital costs, salaries and headcount for labor related costs, and time spent by administrative and management personnel. Expenses related to the operations of the Kauai branch, included in the allocation of functional expenses, totaled \$1,123,342 and \$1,011,730 for the years ended June 30, 2021 and 2020, respectively.

HAWAII FOODBANK, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2021 (With Prior Year Comparative Information)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Food Contributions

Food contributions received by the Organization are capitalized as food inventory and recorded as revenue without donor restrictions. Food contributions received from the USDA are valued based on a weighted average of the most recently published cost-per-pound priced in the USDA donated foods catalog and the cost per pound from the prior year. The average price per pound for food contributions received from the USDA was \$1.60 and \$1.51 for the years ended June 30, 2021 and 2020, respectively.

Food contributions from non-USDA sources are computed by the average price per pound based on the most recent two periods of the Feeding America Product Valuation Methodology Survey. The average price per pound for non-USDA food contributions was \$1.77 and \$1.68 for the years ended June 30, 2021 and 2020, respectively.

Upon distribution, the value of the food is recorded as a decrease in net assets without donor restrictions as food donations to agencies.

Donor Contributions

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Support is considered to be available for unrestricted use unless restricted by the donor. Donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction is satisfied or expires, net assets with donor restrictions are released to net assets without donor restrictions.

Grants and Contracts

The Organization recognizes grants and contracts as either contributions or exchange transactions depending on whether the transaction is reciprocal or nonreciprocal. The majority of the Organization's grants and contracts are cost-reimbursable grants and contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with the grant or contract provisions. Amounts received prior to incurring the qualifying expenditures are reported as refundable advances in the statement of financial position (none in 2021 and 2020). Qualifying expenditures that have been incurred, but for which reimbursement has not yet been received, are reported in the statement of financial position as receivables (\$540,355 and \$701,193 as of June 30, 2021 and 2020, respectively). Amounts received from such grants and contracts for which the conditions and any restrictions are met in the same reporting period are reported as net assets without donor restrictions.

HAWAII FOODBANK, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contracts (continued)

The Organization was awarded cost-reimbursable grants and contracts of approximately \$384,700 that have not been recognized as of June 30, 2021 because the qualifying expenditures have not yet been incurred.

In-Kind Donations and Donated Services

In-kind donations, including marketable securities, are reflected as contributions at their estimated fair values when received or when an unconditional promise to give has been received by the Organization.

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 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.

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, a 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 and the County of Kauai. Hawaii general excise and use tax amounted to \$215,971 and \$56,452 for the years ended June 30, 2021 and 2020, respectively.

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.

HAWAII FOODBANK, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (continued)

U.S. GAAP requires 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, 2021 and 2020 and for the years then ended, and determined the Organization had no uncertain tax positions required to be reported in accordance with U.S. GAAP. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

Adoption of New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services. This ASU eliminated the transaction-specific and industry-specific revenue recognition guidance under previous U.S. GAAP and replaced it with a principle based approach for determining revenue recognition.

To achieve the core principle, an entity applies the following steps:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Organization implemented ASU No. 2014-09 during the year ended June 30, 2021 using the modified retrospective transition method, whereby contracts that were not substantially complete as of July 1, 2020 were evaluated under this ASU and the cumulative effect of initially applying this ASU, if any, would be recognized as an adjustment to net assets as of that date. The cumulative effect of applying this ASU was not significant to the statement of financial position or statement of activities of the Organization as of July 1, 2020 and for the year ended June 30, 2021.

NOTE B – LIQUIDITY

The Organization monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the investment returns on its available funds. The Organization has various sources of liquidity available for use including cash, receivables, and investments in marketable securities. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general operating expenditures.

HAWAII FOODBANK, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

NOTE B – LIQUIDITY (Continued)

At June 30, 2021 and 2020, the Organization’s financial assets and the amounts of those assets that are available within one year of the statement of financial position date to meet general expenditures were as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,847,262	\$ 3,877,223
Receivables – net	799,193	992,847
Investments in marketable securities	8,342,418	5,051,623
Cash and cash equivalents – board designated	675,693	978,846
Investments in marketable securities – board designated	10,624,307	9,803,440
Beneficial interest in perpetual trust	266,937	216,165
Endowment for building maintenance	-	400,000
Endowment for agency assistance	-	400,000
Total financial assets	<u>25,555,810</u>	<u>21,720,144</u>
Total net assets with donor restrictions	<u>(2,561,805)</u>	<u>(3,358,054)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$22,994,005</u>	<u>\$18,362,090</u>

NOTE C – UNDESIGNATED AND BOARD DESIGNATED CASH AND CASH EQUIVALENTS

The following provides a reconciliation of cash and cash equivalents and board designated cash and cash equivalents reported within the statement of financial position that total the amounts shown in the statement of cash flows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$4,847,262	\$3,877,223
Cash and cash equivalents – board designated investments	<u>675,693</u>	<u>978,846</u>
Cash and cash equivalents and board designated cash and cash equivalents	<u>\$5,522,955</u>	<u>\$4,856,069</u>

HAWAII FOODBANK, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

NOTE D – RECEIVABLES

At June 30, 2021 and 2020, receivables consisted of the following:

	<u>2021</u>	<u>2020</u>
Grants receivable	\$ 540,355	\$ 701,193
Contributions receivable	225,833	144,821
Accounts receivable	56,885	152,891
Other receivables	<u>120</u>	<u>9,542</u>
Total receivables	823,193	1,008,447
Allowance for doubtful accounts	<u>(24,000)</u>	<u>(15,600)</u>
Receivables – net	<u>\$ 799,193</u>	<u>\$ 992,847</u>

NOTE E – INVENTORY

For the years ended June 30, 2021 and 2020, food inventory transactions, net of reserves, were as follows:

	<u>Pounds</u>	<u>Value</u>
Balances at June 30, 2019 – net of reserve	1,203,435	\$ 2,056,503
Food contributions	20,276,339	33,552,663
Food distributions	(15,134,164)	(24,987,564)
Unsalvageable food and valuation adjustment	(3,682,496)	(6,186,593)
Other	<u>(1,748,577)</u>	<u>(2,937,609)</u>
Balances at June 30, 2020 – net of reserve	914,537	1,497,400
Food contributions and purchases	28,538,742	42,828,267
Food distributions	(23,527,223)	(34,045,445)
Unsalvageable food and valuation adjustment	(3,991,724)	(6,976,316)
Other	<u>(464,274)</u>	<u>(548,482)</u>
Balances at June 30, 2021 – net of reserve	<u>1,470,058</u>	<u>\$ 2,755,424</u>

As of June 30, 2021 and 2020, the Organization had no non-food inventory items.

HAWAII FOODBANK, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

NOTE F – UNDESIGNATED AND BOARD DESIGNATED INVESTMENTS IN MARKETABLE SECURITIES

The Organization allocates cash and cash equivalents and the fair value of investments in marketable securities between undesignated and board designated net assets without donor restrictions. At June 30, 2021 and 2020, the fair value of total investments held by the Organization were as follows:

	<u>2021</u>	<u>2020</u>
Mutual funds and exchange traded funds	\$ 8,118,465	\$ 6,300,751
Equity securities	5,188,841	3,466,897
Government obligations	2,937,644	2,604,767
Money market funds	1,912,202	1,974,954
Certificates of deposit	<u>809,573</u>	<u>507,694</u>
 Total investments	 <u>\$ 18,966,725</u>	 <u>\$ 14,855,063</u>

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, 2021 and 2020, the investments in marketable securities and cash and cash equivalents balances were allocated as follows:

	<u>2021</u>	<u>2020</u>
Board designated		
Investments in marketable securities	\$ 9,814,734	\$ 9,295,746
Certificates of deposit	809,573	507,694
Cash and cash equivalents	675,693	978,846
Total board designated	<u>11,300,000</u>	<u>10,782,286</u>
Undesignated		
Investments in marketable securities	<u>8,342,418</u>	<u>5,051,623</u>
Total undesignated	<u>8,342,418</u>	<u>5,051,623</u>
 Total fund assets	 <u>\$ 19,642,418</u>	 <u>\$ 15,833,909</u>

HAWAII FOODBANK, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2021
(With Prior Year Comparative Information)

NOTE F – UNDESIGNATED AND BOARD DESIGNATED INVESTMENTS IN MARKETABLE SECURITIES (Continued)

For the years ended June 30, 2021 and 2020, investment income earned on investments in marketable securities consisted of the following:

	<u>2021</u>	<u>2020</u>
Net realized and unrealized gains	\$ 1,633,396	\$ 232,911
Interest and dividend income	398,304	392,436
Investment fees	<u>(119,219)</u>	<u>(94,473)</u>
Total investment income – net	<u>\$ 1,912,481</u>	<u>\$ 530,874</u>

NOTE G – ENDOWMENTS FOR BUILDING MAINTENANCE AND AGENCY ASSISTANCE

The endowments for building maintenance and agency assistance consisted of restricted certificates of deposit (CDs) received from The Harry and Jeanette Weinberg Foundation, which were reported at carrying value. The Organization had access to the interest income generated by the CDs, but not to the principal, which was to be invested in perpetuity. Interest income was 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 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 and cash equivalents. During the year ended June 30, 2021, the Harry and Jeanette Weinberg Foundation allowed the endowment funds to be used to service the needs of lower-income individuals and families. As such, the funds were released from net assets with donor restrictions and the CDs were not renewed.

NOTE H – FAIR VALUE MEASUREMENTS

U.S. GAAP 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.

HAWAII FOODBANK, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2021
(With Prior Year Comparative Information)

NOTE H – FAIR VALUE MEASUREMENTS (Continued)

At June 30, 2021 and 2020, the fair value measurements reportable by the Organization consisted of investments in mutual funds and exchange traded funds, equity securities and U.S. treasury obligations valued using quoted market prices (Level 1 measurements); money market funds and certificates of deposit valued at stated value (Level 1 measurement); U.S. government agency 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 a beneficial interest 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.

The following sets forth by level, within the fair value hierarchy, investments at fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Mutual funds and exchange traded funds	\$ 8,118,465	\$ -	\$ -	\$ 8,118,465
Equity securities	5,188,841	-	-	5,188,841
Government obligations				
U.S. government agencies	-	1,540,932	-	1,540,932
U.S. treasury obligations	1,396,712	-	-	1,396,712
Total government obligations	1,396,712	1,540,932	-	2,937,644
Money market funds	1,912,202	-	-	1,912,202
Certificates of deposit	809,573	-	-	809,573
Total investments	17,425,793	1,540,932	-	18,966,725
Beneficial interest in perpetual trust	-	-	266,937	266,937
Total investments at fair value	<u>\$17,425,793</u>	<u>\$1,540,932</u>	<u>\$266,937</u>	<u>\$19,233,662</u>

HAWAII FOODBANK, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

NOTE H – FAIR VALUE MEASUREMENTS (Continued)

The following sets forth by level, within the fair value hierarchy, investments at fair value as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Mutual funds and exchange traded funds	\$ 6,300,751	\$ -	\$ -	\$ 6,300,751
Equity securities	3,466,897	-	-	3,466,897
Money market fund	507,694	-	-	507,694
Government obligations				
U.S. government agencies	-	1,988,818	-	1,988,818
U.S. treasury obligations	615,949	-	-	615,949
Total government obligations	615,949	1,988,818	-	2,604,767
Certificates of deposit	1,974,954	-	-	1,974,954
Total investments	12,866,245	1,988,818	-	14,855,063
Beneficial interest in perpetual trust	-	-	216,165	216,165
 Total investments at fair value	 <u>\$ 12,866,245</u>	 <u>\$ 1,988,818</u>	 <u>\$ 216,165</u>	 <u>\$ 15,071,228</u>

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

Balance at June 30, 2019	\$ 222,621
Sales and distributions	(29,685)
Purchases	20,256
Realized and unrealized gains – net	2,973
Balance at June 30, 2020	216,165
Sales and distributions	(26,855)
Purchases	36,954
Realized and unrealized gains – net	40,673
 Balance at June 30, 2021	 <u>\$ 266,937</u>

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, 2021 and 2020.

HAWAII FOODBANK, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

NOTE I – PROPERTY AND EQUIPMENT

At June 30, 2021 and 2020, property and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Building	\$ 7,013,408	\$ 6,876,299
Leasehold improvements – Kauai	170,509	170,509
Vehicles	1,308,759	1,269,420
Office furniture and equipment	426,735	428,323
Warehouse equipment	<u>363,455</u>	<u>272,667</u>
Total property and equipment	9,282,866	9,017,218
Accumulated depreciation	<u>(4,807,185)</u>	<u>(4,531,656)</u>
Property and equipment without contributed property	4,475,681	4,485,562
Contributed use of property – net	<u>1,262,521</u>	<u>1,276,844</u>
 Property and equipment – net	 <u>\$ 5,738,202</u>	 <u>\$ 5,762,406</u>

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2021 and 2020, net assets with donor restrictions for programs consisted of the following:

	<u>2021</u>	<u>2020</u>
Net assets with donor restrictions for programs		
Contributed use of property	\$ 1,262,521	\$ 1,276,844
CDBG Grant	736,666	793,333
Aloha United Way	211,005	125,989
Strategic capacity building	30,000	-
Oahu Emergency Relief	-	33,814
Vehicle acquisition	19,242	67,000
Food purchases	17,423	17,000
Kauai United Way	14,827	18,832
Other	<u>3,184</u>	<u>9,077</u>
 Net assets with donor restrictions for programs	 <u>\$ 2,294,868</u>	 <u>\$ 2,341,889</u>

HAWAII FOODBANK, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

At June 30, 2021 and 2020, net assets with donor restrictions for endowments consisted of the following:

	<u>2021</u>	<u>2020</u>
Net assets with donor restrictions for endowments		
Beneficial interest in perpetual trust	\$266,937	\$ 216,165
The Harry and Jeanette Weinberg Foundation	-	600,000
Funds designated for matching grant	-	<u>200,000</u>
Net assets with donor restrictions for endowments	<u>\$266,937</u>	<u>\$1,016,165</u>

NOTE K – 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 net assets with donor restrictions, absent explicit donor stipulations to the contrary. Unless otherwise stated, other donor-restricted gifts are also classified as net assets with donor restrictions. 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 U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions (none for the years ended June 30, 2021 and 2020).

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>Donor Restricted for Programs</u>	<u>Donor Restricted for Endowments</u>	<u>Total</u>
Balance at June 30, 2019	\$ -	\$ 7,857	\$ 1,022,621	\$ 1,030,478
Change in investment value	-	15,788	(6,456)	9,332
Appropriation of endowment earnings for expenditure	14,568	(14,568)	-	-
Expenditure of endowment earnings	<u>(14,568)</u>	<u>-</u>	<u>-</u>	<u>(14,568)</u>
Balance at June 30, 2020	-	9,077	1,016,165	1,025,242
Release from restriction	800,000	(8,648)	(800,000)	-
Change in investment value	-	-	50,772	50,772
Expenditure of endowments released	<u>(800,000)</u>	<u>-</u>	<u>-</u>	<u>(800,000)</u>
Balance at June 30, 2021	<u>\$ -</u>	<u>\$ 429</u>	<u>\$ 266,937</u>	<u>\$ 276,014</u>

HAWAII FOODBANK, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

NOTE L – 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 statement of activities.

At June 30, 2021 and 2020, the Organization’s contributed use of property was as follows:

	<u>2021</u>	<u>2020</u>
Fair value of lease rent	\$ 5,029,200	\$ 5,029,200
Accumulated amortization of lease rent	<u>(2,086,186)</u>	<u>(1,974,426)</u>
Net fair value of lease rent	<u>2,943,014</u>	<u>3,054,774</u>
Discount on lease rent	(3,609,778)	(3,609,778)
Accumulated amortization of discount	<u>1,929,285</u>	<u>1,831,848</u>
Net discount on lease rent	<u>(1,680,493)</u>	<u>(1,777,930)</u>
Contributed use of property – net	<u>\$ 1,262,521</u>	<u>\$ 1,276,844</u>

The Organization also leases a warehouse on Kauai, which expires in November 2022.

The Organization also leases office equipment that expires on various dates through November 2026. Office equipment and space rent for the years ended June 30, 2021 and 2020 were approximately \$184,000 and \$119,000, respectively. At June 30, 2021, the future minimum operating lease payments were as follows:

Years Ending June 30th		
2022	\$	131,900
2023	\$	88,300
2024	\$	65,000
2025	\$	63,000
2026	\$	52,300
Thereafter		\$ 1,081,400

HAWAII FOODBANK, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended June 30, 2021
(With Prior Year Comparative Information)

NOTE M – SPECIAL EVENTS

There were no special events held during the year ended June 30, 2021. Revenue and direct costs from special events held during the year ended June 30, 2020 was as follows:

Special events revenue and contributions	
Golf tournament	\$ 156,599
Black Out Hunger	41,021
Total revenue	<u>197,620</u>
Direct costs of the special events	<u>(59,058)</u>
Special events – net	<u>\$ 138,562</u>

For the years ended June 30, 2020, the Organization recognized special event revenue equal to the fair value of the direct benefit to donors of \$117,804, and contribution income for the excess received for the event of \$79,816.

NOTE N – RETIREMENT PLAN

The Organization has a defined contribution plan under Section 401(k) under the Internal Revenue Code (Plan). Employees are eligible to participate in the Plan after one year of service if they work at least 1,000 hours a year. Participating employees may make voluntary contributions to the Plan. For the years ended June 30, 2021 and 2020, the Organization contributed 3% of an eligible participant's compensation, as defined, to the Plan. Total contributions to the Plan approximated \$77,000 and \$65,000 for the years ended June 30, 2021 and 2020, respectively.

NOTE O – 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, installation, operation, and maintenance of a solar power generation system (System) on the Organization's premises, and for purchase of the electric energy generated by the System. The rate per KWH is \$0.1045.

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, would not be material to the financial statements.

HAWAII FOODBANK, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**For the Year Ended June 30, 2021
(With Prior Year Comparative Information)**

NOTE O – COMMITMENTS AND CONTINGENCIES (Continued)

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.

The Organization operates in the State of Hawaii. Local, national, and international events (such as the COVID-19 pandemic) can have severe, adverse effects on economic conditions in Hawaii. These financial statements do not include adjustments that would result if the Organization were to account for future losses or asset impairments, as the effects on the financial statements of the Organization from such changes in economic conditions are not presently determinable.

NOTE P – CONFLICT OF INTEREST POLICY

The Organization's Board of Directors, committee members, and volunteers are from the financial and 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 Directors 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 Q – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 16, 2022, 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.

HAWAII FOODBANK, INC.

SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2021

HAWAII FOODBANK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Sub- recipients</u>
<u>U.S. Department of Agriculture</u>				
Passed-through State of Hawaii, Department of Labor and Industrial Relations, Office of Community Services <i>Food Distribution Cluster</i>				
Emergency Food Assistance Program	10.569	Unknown	\$ 7,297,614	\$ 7,297,614
Commodity Supplemental Food Program	10.565	OCS-CSFP-20-01 & 21-01	1,412,606	1,249,942
Emergency Food Assistance Program	10.568	OCS-TEFAP-20-01 & 21-01	<u>363,755</u>	<u>-</u>
<i>Total Food Distribution Cluster</i>			9,073,975	8,547,556
Senior Farmers Market Nutrition Program	10.576	OCS-SFMNP-20-01 & 21-01	<u>364,326</u>	<u>-</u>
Total passed-through State of Hawaii, Department of Labor and Industrial Relations, Office of Community Services			<u>9,438,301</u>	<u>8,547,556</u>
Total U.S. Department of Agriculture			<u>9,438,301</u>	<u>8,547,556</u>
<u>U.S. Department of Treasury</u>				
Passed-through Hawaii Community Foundation				
Coronavirus Relief Fund	21.019 *	20HCF-103901	3,150,000	-
Coronavirus Relief Fund	21.019 *	20HCF-106259	<u>15,832</u>	<u>-</u>
Total passed-through Hawaii Community Foundation			<u>3,165,832</u>	<u>-</u>
Passed-through County of Kauai				
Coronavirus Relief Fund	21.019 *	GA CARES-10007	224,999	-
Coronavirus Relief Fund	21.019 *	001-0501-512-35-00	<u>88,491</u>	<u>-</u>
Total passed-through County of Kauai			<u>313,490</u>	<u>-</u>
Passed-through City and County of Honolulu, Department of Community Services				
Coronavirus Relief Fund	21.019 *	PO-DCS-2100241, v2	<u>200,000</u>	<u>-</u>
Total U.S. Department of Treasury			<u>3,679,322</u>	<u>-</u>

(Continued)

HAWAII FOODBANK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2021

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Sub- recipients</u>
<u>U.S. Department of Human Services</u>				
Passed-through State of Hawaii, Department of Human Services <i>477 Cluster</i>		DHS-15-ETPO-0023 Supplemental		
Temporary Assistance to Needy Families	93.558	Agreement #1 & #3	\$ 404,415	\$ 404,415
<i>Total 477 Cluster</i>			<u>404,415</u>	<u>404,415</u>
Total passed-through State of Hawaii, Department of Human Services			<u>404,415</u>	<u>404,415</u>
Total U.S. Department of Human Services			<u>404,415</u>	<u>404,415</u>
<u>U.S. Department of Homeland Security</u>				
Passed-through State of Hawaii, Department of Defense				
Emergency Food and Shelter National Board Program	97.024	Phase 37 & 38	199,270	199,270
Emergency Food and Shelter National Board Program	97.024	CARES	<u>101,470</u>	<u>101,470</u>
Total passed-through State of Hawaii, Department of Defense			<u>300,740</u>	<u>300,740</u>
Total U.S. Department of Homeland Security			<u>300,740</u>	<u>300,740</u>
Total Expenditures of Federal Awards			<u>\$13,822,778</u>	<u>\$9,252,711</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

HAWAII FOODBANK, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Hawaii Foodbank, Inc. (Organization) and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

(*) Denotes the major program.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The expenditures are recognized following the cost principles contained in the Uniform Guidance, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement. In addition, agency or pass-through entity identifying numbers are presented where available.

The food commodities received from the U.S. Department of Agriculture (USDA) are valued based on management's estimate of the average wholesale value per pound of food received from the USDA. Management's estimate is based on the results of a product valuation survey conducted by Feeding America. The value of USDA food commodities distributed during the year includes amounts held in inventory at the beginning of the year. As of June 30, 2021, the Organization had an inventory of USDA food commodities of \$311,396.

NOTE C – INDIRECT COST RATES

The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

HAWAII FOODBANK, INC.
REPORT IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2021



CW Associates

A Hawaii Certified Public Accounting Corporation

**INDEPENDENT AUDITOR'S 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***

Hawaii Foodbank, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hawaii Foodbank, Inc. (Organization), a nonprofit Hawaii corporation, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 16, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

CW ASSOCIATES, CPAs

Honolulu, Hawaii
May 16, 2022

HAWAII FOODBANK, INC.
REPORTS IN ACCORDANCE WITH THE UNIFORM GUIDANCE
For the Year Ended June 30, 2021



CW Associates

A Hawaii Certified Public Accounting Corporation

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Hawaii Foodbank, Inc.:

Report on Compliance for Each Major Federal Program

We have audited the compliance of Hawaii Foodbank, Inc. (Organization), a nonprofit Hawaii corporation, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2021. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to the Organization's federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CW ASSOCIATES, CPAs

Honolulu, Hawaii
May 16, 2022

HAWAII FOODBANK, INC.
FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

HAWAII FOODBANK, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

SUMMARY OF AUDITOR'S RESULTS

Financial statements

Type of auditor's report issued on the financial statements	<u> X </u> Unmodified <u> </u> Adverse	<u> </u> Qualified <u> </u> Disclaimer
Internal control over financial reporting		
Material weaknesses(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None Reported
Noncompliance material to the financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal awards

Internal control over major federal program		
Material weaknesses(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None Reported
Type of auditor's report on compliance for the major federal program	<u> X </u> Unmodified <u> </u> Adverse	<u> </u> Qualified <u> </u> Disclaimer
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> Yes	<u> X </u> No
Identification of major federal award program CFDA No. 21.019 – Coronavirus Relief Fund		
Dollar threshold used to distinguish between Type A and Type B programs		\$750,000
Auditee qualified as a low-risk auditee	<u> X </u> Yes	<u> </u> No

FINDINGS – FINANCIAL STATEMENT AUDIT

No matters were reported in the current year.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD AUDIT

No matters were reported in the current year.