

# **HAWAII FOODBANK, INC.**

## **FINANCIAL STATEMENTS, INDEPENDENT AUDITOR'S REPORTS, AND SUPPLEMENTARY SCHEDULE**

**As of and for the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**



**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, 2022  
(With Prior Year Comparative Information)**



## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Hawaii Foodbank, Inc.:

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Hawaii Foodbank, Inc. (Organization), a nonprofit Hawaii corporation, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, 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 (U.S. GAAP).

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date the financial statements are issued.

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### *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 presented for purposes for additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements.

The 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 U.S. GAAS. In our opinion, the accompanying 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 Summarized Comparative Information*

We have previously audited the Organization's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 16, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 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 31, 2023 on our consideration of the Organization's internal control over financial reporting and on our test 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 reports 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

CW Associates, CPAs  
Honolulu, Hawaii  
March 31, 2023



CWA

**HAWAII FOODBANK, INC.**

**STATEMENT OF FINANCIAL POSITION**

**As of June 30, 2022**

**(With Prior Year Comparative Information)**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,275,331	\$ 4,847,262
Receivables – net	2,883,474	799,193
Pledge receivable – net	115,000	-
Inventory – net	1,528,938	2,755,424
Investments in marketable securities	7,474,884	8,342,418
Prepaid expenses and other assets	103,953	150,165
Total current assets	<u>16,381,580</u>	<u>16,894,462</u>
<b>NONCURRENT ASSETS</b>		
Cash and cash equivalents – board designated	750,603	675,693
Investments in marketable securities – board designated	10,549,397	10,624,307
Pledge receivable – noncurrent, net	87,379	-
Property and equipment – net	5,485,908	5,738,202
Beneficial interest in perpetual trust	216,528	266,937
Total noncurrent assets	<u>17,089,815</u>	<u>17,305,139</u>
<b>TOTAL ASSETS</b>	<u><b>\$33,471,395</b></u>	<u><b>\$34,199,601</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 265,147	\$ 563,567
Accrued liabilities	542,617	532,723
Due to agencies	783,549	318,653
Refundable advances	107,212	-
Deferred revenue	-	6,500
Total current liabilities	<u>1,698,525</u>	<u>1,421,443</u>
<b>ASSET RETIREMENT OBLIGATION</b>	<u>43,405</u>	<u>40,948</u>
<b>TOTAL LIABILITIES</b>	<u>1,741,930</u>	<u>1,462,391</u>
<b>NET ASSETS</b>		
Net assets without donor restrictions		
Undesignated	13,043,219	15,136,390
Board designated	11,300,000	11,300,000
Invested in property and equipment	3,655,147	3,739,015
Total net assets without donor restrictions	<u>27,998,366</u>	<u>30,175,405</u>
Net assets with donor restrictions	3,731,099	2,561,805
Total net assets	<u>31,729,465</u>	<u>32,737,210</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$33,471,395</b></u>	<u><b>\$34,199,601</b></u>

See accompanying notes to the financial statements.

**HAWAII FOODBANK, INC.**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

	<u>2022</u>	<u>2021</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Food contributions	\$ 24,837,666	\$ 31,904,336
Contributions from the public without donor restrictions	9,787,647	15,528,611
Public and private grants without donor restrictions	4,176,392	2,217,522
Investment income (loss) – net	(1,479,280)	1,912,481
Net assets released from donor restrictions	1,783,424	5,016,211
In-kind donations	789,203	651,853
Shared maintenance fees	537,990	831,300
Loss on sale of asset	(41,697)	(659)
Other income	31,973	70,949
Total revenue and support	<u>40,423,318</u>	<u>58,132,604</u>
Expenses		
Program services	<u>39,305,554</u>	<u>49,085,865</u>
Supporting services		
Fundraising and development	1,857,989	1,539,558
Management and general	1,436,814	1,293,973
Total supporting services	<u>3,294,803</u>	<u>2,833,531</u>
Total expenses	<u>42,600,357</u>	<u>51,919,396</u>
Increase (decrease) in net assets without donor restrictions	<u>(2,177,039)</u>	<u>6,213,208</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions and grants with donor restrictions	3,003,127	4,157,739
Change in value of beneficial interest in perpetual trust	(50,409)	50,772
Interest income – net	-	11,451
Net assets released from donor restrictions	<u>(1,783,424)</u>	<u>(5,016,211)</u>
Increase (decrease) in net assets with donor restrictions	<u>1,169,294</u>	<u>(796,249)</u>
INCREASE (DECREASE) IN NET ASSETS	(1,007,745)	5,416,959
NET ASSETS – Beginning of year	<u>32,737,210</u>	<u>27,320,251</u>
NET ASSETS – End of year	<u>\$ 31,729,465</u>	<u>\$ 32,737,210</u>

See accompanying notes to the financial statements.



**HAWAII FOODBANK, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

	<u>Program Services</u>	<u>Supporting Services</u>			<u>2022 Total</u>	<u>2021 Total</u>
		<u>Fundraising</u>	<u>Management and General</u>	<u>Total Supporting Services</u>		
Food donations to agencies	\$32,478,103	\$ 77	\$ 282,025	\$ 282,102	\$ 32,760,205	\$41,432,712
Salaries and wages	2,505,213	894,059	538,654	1,432,713	3,937,926	3,539,251
Agency and neighbor island support	1,015,385	300,810	10,617	311,427	1,326,812	2,772,131
Transportation and shipping	1,157,094	12,236	15,800	28,036	1,185,130	481,666
Payroll taxes, employee benefits and training	704,793	251,526	151,540	403,066	1,107,859	1,022,602
Occupancy	489,571	23,367	18,090	41,457	531,028	617,037
Professional fees	156,355	52,857	255,248	308,105	464,460	359,467
Equipment, supplies, and miscellaneous	325,919	22,873	91,593	114,466	440,385	700,591
Depreciation	263,251	12,565	9,727	22,292	285,543	417,827
Printing and bulk mail costs	15,686	181,145	6,147	187,292	202,978	225,202
Dues, subscriptions, membership fees, and meetings	80,442	55,887	52,443	108,330	188,772	125,644
Insurance	73,429	3,505	2,713	6,218	79,647	38,357
Fundraising costs	4,791	46,777	1,386	48,163	52,954	108,283
Volunteers	35,522	305	831	1,136	36,658	78,626
<b>Total expenses</b>	<b><u>\$39,305,554</u></b>	<b><u>\$1,857,989</u></b>	<b><u>\$1,436,814</u></b>	<b><u>\$3,294,803</u></b>	<b><u>\$ 42,600,357</u></b>	<b><u>\$51,919,396</u></b>
	<b>92.2%</b>	<b>4.4%</b>	<b>3.4%</b>	<b>7.8%</b>		

See accompanying notes to the financial statements.

**HAWAII FOODBANK, INC.**

**STATEMENT OF CASH FLOWS**

**For the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$(1,007,745)	\$ 5,416,959
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	285,543	417,827
Loss on sale of property and equipment	41,697	659
Accretion of asset retirement obligation	2,457	2,318
Change in value of beneficial interest in perpetual trust	50,409	(50,772)
Net realized and unrealized (gains) losses on investments	2,203,878	(1,633,396)
Amortization of discount on use of contributed property	(96,299)	(97,437)
Amortization of fair value of use of contributed property	111,760	111,760
Contributions restricted for property and equipment	(75,000)	-
(Increase) decrease in		
Receivables – net	(2,084,281)	193,654
Pledges receivable – net	(202,379)	-
Inventory – net	1,226,486	(1,258,024)
Prepaid expenses and other assets	46,212	126,530
Increase (decrease) in		
Accounts payable	(298,420)	18,477
Accrued liabilities	9,894	(194,414)
Due to agencies	464,896	(135,885)
Refundable advances	107,212	-
Deferred revenue	(6,500)	(164,499)
Net cash provided by operating activities	<u>779,820</u>	<u>2,753,757</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales of investments in marketable securities	5,176,454	14,002,281
Purchases of investments in marketable securities	(6,437,888)	(16,480,547)
Release of endowment funds	-	800,000
Purchases of property and equipment	(90,407)	(408,605)
Net cash used by investing activities	<u>(1,351,841)</u>	<u>(2,086,871)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for investment in property and equipment	<u>75,000</u>	-
Net cash provided by financing activities	<u>75,000</u>	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Carry forward)</b>	<b>(497,021)</b>	<b>666,886</b>

(Continued)

**HAWAII FOODBANK, INC.**

**STATEMENT OF CASH FLOWS (Continued)**

**For the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Brought forward)	\$ (497,021)	\$ 666,886
CASH AND CASH EQUIVALENTS AND BOARD DESIGNATED CASH AND CASH EQUIVALENTS – Beginning of year	<u>5,522,955</u>	<u>4,856,069</u>
CASH AND CASH EQUIVALENTS AND BOARD DESIGNATED CASH AND CASH EQUIVALENTS – End of year	<u>\$ 5,025,934</u>	<u>\$ 5,522,955</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash operating and investing activity – Contribution of marketable securities	\$ 12,962	\$ 9,421
Noncash investing activity – Allocation of board designated investment to board designated cash and cash equivalents	\$ (74,910)	\$ 303,153

See accompanying notes to the financial statements.

## HAWAII FOODBANK, INC.

### NOTES TO THE FINANCIAL STATEMENTS

**For the Year Ended June 30, 2022  
(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.

In 2021, the COVID-19 pandemic continued to create 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 (\$216,528 and \$266,937 in 2022 and 2021, 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, 2021, 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, 2022  
(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, pledges receivable, and investments (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 \$5,516,700 and \$6,457,100 at June 30, 2022 and 2021, respectively. Management evaluates the credit standings of these financial institutions to ensure that such deposits are adequately safeguarded as required by federal regulations.

Receivables consist of grants, agency, contributions, and other receivable balances. Grants, agency, and other receivables are stated at unpaid balances, less an allowance for doubtful accounts, which was approximately \$0 and \$3,000 at June 30, 2022 and 2021, respectively. 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 and pledges receivable are also stated at unpaid balances, less an allowance for doubtful accounts, which was approximately \$0 and \$21,000 at June 30, 2022 and 2021, respectively. Contributions and pledges 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 accounts receivable when management determines the receivable will not be collected. There were no amounts written off during the years ended June 30, 2022 and 2021.

The Organization's investments are exposed to various risks, including interest rate, market, and credit risk. Investments in marketable securities are fully 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, 2022  
(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 and losses, determined using the specific cost of the investments, are included in investment income without donor restrictions and with donor restrictions. Investment income (loss) restricted by a donor is reported as an increase (decrease) 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 (loss) is 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 of food. Management's estimate for food received from the U.S. Department of Agriculture (USDA) is based on the most recently published cost 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, 2022 and 2021.

Board Designated Cash and Cash Equivalents and Investments in Marketable Securities

The Organization has cash and cash equivalents and various 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, 2022 and 2021. 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, 2022  
(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 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, 2022 and 2021, 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 \$537,990 and \$831,300 for the years ended June 30, 2022 and 2021, respectively. Revenue from performance obligations satisfied over time include other income of \$31,973 and \$70,949 for the years ended June 30, 2022 and 2021, respectively. Revenue from sources other than performance obligations include investment income (loss) of (\$1,479,280) and \$1,923,932 for the years ended June 30, 2022 and 2021, respectively. Amounts received prior to the provision of the goods and services are reported as deferred revenue. All other revenue was derived from sources recognized under other accounting standards.

Expenses, including advertising expenses of \$3,094 and \$1,822 during the years ended June 30, 2022 and 2021, 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 \$1,334,593 and \$1,123,342 for the years ended June 30, 2022 and 2021, respectively.

**HAWAII FOODBANK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2022  
(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 \$1.53 and \$1.60 for the years ended June 30, 2022 and 2021, respectively.

Food contributions from non-USDA sources are valued using 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 food non-USDA contributions was \$1.92 and \$1.77 for the years ended June 30, 2022 and 2021, respectively.

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

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. 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 (\$2,748,327 in 2022 and \$540,355 in 2021). 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.

The Organization was awarded cost-reimbursable grants and contracts of approximately \$806,900 that have not been recognized as of June 30, 2022 because the qualifying expenditures have not yet been incurred.

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.



## HAWAII FOODBANK, INC.

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### For the Year Ended June 30, 2022 (With Prior Year Comparative Information)

##### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

###### Donor Contributions (continued)

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 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.

###### In-Kind Donations

In-kind donations, including marketable securities, are reflected as contributions at their estimated fair value when received or when an unconditional promise to give has been received by the Organization. In-kind donations (other than food contributions and the contributed use of property described in Note L) included \$628,462 and \$401,863 of donated services, \$114,024 and \$199,876 of marketable securities, and \$46,717 and \$50,114 for donated goods for the years ended June 30, 2022 and 2021, respectively. Donated services are primarily for shipping costs and the fair value is based on the amount the Organization would have paid for such services. Donated goods are valued at the wholesale or retail price for identical or similar items. Donated securities are valued at the market price of the security.

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. During the years ended June 30, 2022 and 2021, such volunteers provided 23,892 and 34,973 hours of donated services, respectively, which the Organization valued at \$31.00 and \$32.00 per hour based on the estimated cost if the Organization were to hire workers to perform the services.

###### 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 \$213,588 and \$215,971 for the years ended June 30, 2022 and 2021, respectively.

**HAWAII FOODBANK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

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.

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, 2022 and 2021 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 Pronouncements

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-07, *Not for Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires that a not-for-profit entity present contributed nonfinancial assets as a separate line item in the statement of activities and provide enhanced disclosures including disaggregation of the contributed assets by type; whether the assets were monetized or utilized during the reporting period, and if utilized, by which programs; policy on when assets are monetized rather than utilized; description of any donor imposed restrictions; and description of the valuation techniques to determine the fair value of the assets.

The Organization implemented this ASU in the year ended June 30, 2022. The implementation of the ASU did not impact the accounting for the contributed nonfinancial assets.

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. Receivables are subject to implied time restrictions, but are expected to be collected within one year. 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, 2022  
(With Prior Year Comparative Information)**

NOTE B – LIQUIDITY (Continued)

At June 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,275,331	\$ 4,847,262
Receivables – net	2,883,474	799,193
Investments in marketable securities	7,474,884	8,342,418
Cash and cash equivalents – board designated	750,603	675,693
Investments in marketable securities – board designated	10,549,397	10,624,307
Beneficial interest in perpetual trust	<u>216,528</u>	<u>266,937</u>
Total financial assets	26,150,217	25,555,810
Total net assets with donor restrictions	<u>(3,731,099)</u>	<u>(2,561,805)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$22,419,118</u>	<u>\$22,994,005</u>

NOTE C – CASH AND CASH EQUIVALENTS 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$4,275,331	\$4,847,262
Cash and cash equivalents – board designated investments	<u>750,603</u>	<u>675,693</u>
Cash and cash equivalents and board designated cash and cash equivalents	<u>\$5,025,934</u>	<u>\$5,522,955</u>

**HAWAII FOODBANK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

NOTE D – RECEIVABLES

At June 30, 2022 and 2021, receivables consisted of the following:

	<u>2022</u>	<u>2021</u>
Grants receivable	\$2,748,327	\$ 540,355
Accounts receivable	120,347	56,885
Contributions receivable	3,683	225,833
Other receivables	<u>11,117</u>	<u>120</u>
Total receivables	2,883,474	823,193
Allowance for doubtful accounts	<u>-</u>	<u>(24,000)</u>
Receivables – net	<u>\$2,883,474</u>	<u>\$ 799,193</u>

NOTE E – INVENTORY

For the years ended June 30, 2022 and 2021, food inventory transactions, net of reserves, were as follows:

	<u>Pounds</u>	<u>Value</u>
Balances at June 30, 2020 – net of reserve	914,537	\$ 1,497,400
Food contributions	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	1,470,058	2,755,424
Food contributions and purchases	20,296,686	34,158,170
Food distributions	(17,223,219)	(28,592,031)
Unsalvageable food and valuation adjustment	(3,065,368)	(6,000,054)
Other	<u>(418,641)</u>	<u>(792,571)</u>
Balances at June 30, 2022 – net of reserve	<u>1,059,516</u>	<u>\$ 1,528,938</u>

The Organization had no non-food inventory items as of June 30, 2022 and 2021.

**HAWAII FOODBANK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

NOTE F – INVESTMENTS IN MARKETABLE SECURITIES

The Organization allocates its investments in marketable securities between undesignated and board designated net assets without donor restrictions. At June 30, 2022 and 2021, the fair value of total investments in marketable securities held by the Organization were as follows:

	<u>2022</u>	<u>2021</u>
Mutual funds and exchange traded funds	\$ 7,380,789	\$ 8,118,465
Equity securities	4,901,564	5,188,841
Government obligations	2,749,109	2,937,644
Money market funds	1,734,634	1,912,202
Certificates of deposit	<u>1,258,185</u>	<u>809,573</u>
 Total investments in marketable securities	 <u>\$ 18,024,281</u>	 <u>\$ 18,966,725</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, 2022 and 2021, the investments and cash balances were allocated as follows:

	<u>2022</u>	<u>2021</u>
Board designated		
Investments in marketable securities	\$ 9,291,212	\$ 9,814,734
Brokered certificates of deposit	1,258,185	809,573
Cash and cash equivalents	750,603	675,693
Total board designated	<u>11,300,000</u>	<u>11,300,000</u>
Undesignated		
Investments in marketable securities	<u>7,474,884</u>	<u>8,342,418</u>
Total undesignated	<u>7,474,884</u>	<u>8,342,418</u>
 Total fund assets	 <u>\$ 18,774,884</u>	 <u>\$ 19,642,418</u>

## HAWAII FOODBANK, INC.

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### For the Year Ended June 30, 2022 (With Prior Year Comparative Information)

##### NOTE F – INVESTMENTS IN MARKETABLE SECURITIES (Continued)

For the years ended June 30, 2022 and 2021, investment income (loss) on investments in marketable securities consisted of the following:

	<u>2022</u>	<u>2021</u>
Net realized and unrealized gains (losses)	\$ (2,203,878)	\$ 1,633,396
Interest and dividend income	869,548	398,304
Investment fees	<u>(144,950)</u>	<u>(119,219)</u>
Total investment income (loss) – net	<u>\$ (1,479,280)</u>	<u>\$ 1,912,481</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 were 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 has 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, 2022  
(With Prior Year Comparative Information)**

NOTE H – FAIR VALUE MEASUREMENTS (Continued)

At June 30, 2022 and 2021, 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 brokered 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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Mutual funds and exchange traded funds	\$ 7,380,789	\$ -	\$ -	\$ 7,380,789
Equity securities	4,901,564	-	-	4,901,564
Government obligations				
U.S. government agencies	-	2,749,109	-	2,749,109
Total government obligations	-	2,749,109	-	2,749,109
Money market funds	1,734,634	-	-	1,734,634
Certificates of deposit	1,258,185	-	-	1,258,185
Total investments	<u>15,275,172</u>	<u>2,749,109</u>	<u>-</u>	<u>18,024,281</u>
Beneficial interest in perpetual trust	-	-	216,528	216,528
Total investments at fair value	<u>\$15,275,172</u>	<u>\$2,749,109</u>	<u>\$216,528</u>	<u>\$18,240,809</u>

**HAWAII FOODBANK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2022  
(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, 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	<u>5,188,841</u>	<u>-</u>	<u>-</u>	<u>5,188,841</u>
Government obligations				
U.S. government agencies	-	1,540,932	-	1,540,932
U.S. treasury obligations	<u>1,396,712</u>	<u>-</u>	<u>-</u>	<u>1,396,712</u>
Total government obligations	<u>1,396,712</u>	<u>1,540,932</u>	<u>-</u>	<u>2,937,644</u>
Money market funds	<u>1,912,202</u>	<u>-</u>	<u>-</u>	<u>1,912,202</u>
Certificates of deposit	<u>809,573</u>	<u>-</u>	<u>-</u>	<u>809,573</u>
Total investments	<u>17,425,793</u>	<u>1,540,932</u>	<u>-</u>	<u>18,966,725</u>
Beneficial interest in perpetual trust	<u>-</u>	<u>-</u>	<u>266,937</u>	<u>266,937</u>
Total investments at fair value	<u>\$17,425,793</u>	<u>\$1,540,932</u>	<u>\$266,937</u>	<u>\$19,233,662</u>

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

	<u>Value</u>
Balance at June 30, 2020	\$ 216,165
Sales and distributions	(26,855)
Purchases	36,954
Realized and unrealized gains – net	<u>40,673</u>
Balance at June 30, 2021	266,937
Sales and distributions	(16,279)
Purchases	16,761
Realized and unrealized losses – net	<u>(50,891)</u>
Balance at June 30, 2022	<u>\$ 216,528</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, 2022 and 2021.



**HAWAII FOODBANK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

**NOTE I – PROPERTY AND EQUIPMENT**

At June 30, 2022 and 2021, property and equipment consisted of the following:

	<u>2022</u>	<u>2021</u>
Building	\$ 7,212,757	\$ 7,013,408
Leasehold improvements – Kauai	-	170,509
Vehicles	1,205,906	1,308,759
Office furniture and equipment	429,435	426,735
Warehouse equipment	<u>237,856</u>	<u>363,455</u>
Total property and equipment	9,085,954	9,282,866
Accumulated depreciation	<u>(4,847,107)</u>	<u>(4,807,185)</u>
Property and equipment without contributed property	4,238,847	4,475,681
Contributed use of property – net	<u>1,247,061</u>	<u>1,262,521</u>
 Property and equipment – net	 <u>\$ 5,485,908</u>	 <u>\$ 5,738,202</u>

**NOTE J – NET ASSETS WITH DONOR RESTRICTIONS**

At June 30, 2022 and 2021, net assets with donor restrictions for programs consisted of the following:

	<u>2022</u>	<u>2021</u>
Net assets with donor restrictions for programs		
Contributed use of property	\$ 1,150,761	\$ 1,262,521
CDBG grant	680,000	736,666
WCCHC Produce Prescription Program	500,000	-
Advocacy	379,879	-
Food purchases	278,660	17,423
Aloha United Way	-	211,005
SNAP outreach	200,000	-
Capital purchases	75,000	19,242
School & Keiki Pantry or Senior programs	72,245	-
IT support	50,000	-
Strategic capacity building	-	30,000
Other	<u>128,026</u>	<u>18,011</u>
 Net assets with donor restrictions for programs	 <u>\$ 3,514,571</u>	 <u>\$ 2,294,868</u>

**HAWAII FOODBANK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

At June 30, 2022 and 2021, net assets with donor restrictions for endowments consisted of the following:

	<u>2022</u>	<u>2021</u>
Net assets with donor restrictions for endowments		
Beneficial interest in perpetual trust	\$ 216,528	\$ 266,937
Net assets with donor restrictions for endowments	<u>\$ 216,528</u>	<u>\$ 266,937</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 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, 2022 and 2021).

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>Donor Restricted for Programs</u>	<u>Donor Restricted for Endowments</u>
Balance at June 30, 2020	\$ -	\$ 9,077	\$ 1,016,165
Release from restriction	808,648	(8,648)	(800,000)
Change in investment value	-	-	50,772
Expenditure of endowments released	<u>(808,648)</u>	<u>-</u>	<u>-</u>
Balance at June 30, 2021	-	429	266,937
Release from restriction	-	(429)	-
Change in investment value	<u>-</u>	<u>-</u>	<u>(50,409)</u>
Balance at June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,528</u>

**HAWAII FOODBANK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2022  
(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, 2022 and 2021, the Organization’s contributed use of property was as follows:

	<u>2022</u>	<u>2021</u>
Fair value of lease rent	\$ 5,029,200	\$ 5,029,200
Accumulated amortization of lease rent	<u>(2,197,946)</u>	<u>(2,086,186)</u>
Net fair value of lease rent	<u>2,831,254</u>	<u>2,943,014</u>
Discount on lease rent	(3,609,778)	(3,609,778)
Accumulated amortization of discount	<u>2,025,585</u>	<u>1,929,285</u>
Net discount on lease rent	<u>(1,584,193)</u>	<u>(1,680,493)</u>
Contributed use of property – net	<u>\$ 1,247,061</u>	<u>\$ 1,262,521</u>

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 expired in November 2021. In September 2022, the Organization extended the lease through October 2027. The Organization also leases office equipment that expired in June 2021. Office equipment and space rent for the years ended June 30, 2022 and 2021 were approximately \$119,000 and \$123,000, respectively.

At June 30, 2022, the future minimum operating lease payments were as follows:

Years Ending June 30th	
2023	\$ 88,300
2024	\$ 65,000
2025	\$ 63,000
2026	\$ 52,300
2027	\$ 51,500
Thereafter	\$ 1,029,900

**HAWAII FOODBANK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

**NOTE M – 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 and 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, 2022 and 2021, the Organization contributed 3% of an eligible participant's compensation, as defined, to the Plan. Total contributions to the Plan approximated \$105,000 and \$77,000 for the years ended June 30, 2022 and 2021, 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 the 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 Organization is required to purchase all electric energy generated by the System during the initial term and any extension term, for the contract rate of \$0.1045 per kWh.

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.

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 can have severe, adverse effects on economic conditions in Hawaii. These financial statements do not include the 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 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 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.

**HAWAII FOODBANK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended June 30, 2022  
(With Prior Year Comparative Information)**

NOTE P – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 31, 2023, 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.

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**HAWAII FOODBANK, INC.**

**SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2022**

HAWAII FOODBANK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

<u>Program Title</u>	<u>Federal Assistance Listing 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	\$ 1,686,510 *	\$ 1,686,510
Commodity Supplemental Food Program	10.565 *	OCS-CSFP-21-01 & 22-01	1,217,577 *	1,217,577
Emergency Food Assistance Program (Administrative Costs)	10.568 *	OCS-TEFAP-21-01 & 22-01	420,893 *	-
<i>Total Food Distribution Cluster</i>			<u>3,324,980</u>	<u>2,904,087</u>
Senior Farmers Market Nutrition Program	10.576	OCS-SFMNP-21-01 & 22-01	<u>269,539</u>	<u>-</u>
Total passed-through State of Hawaii, Department of Labor and Industrial Relations, Office of Community Services			<u>3,594,519</u>	<u>2,904,087</u>
Total U.S. Department of Agriculture			<u>3,594,519</u>	<u>2,904,087</u>
<u>U.S. Department of Human Services</u>				
Passed-through State of Hawaii, Department of Human Services				
<i>477 Cluster</i>				
Temporary Assistance to Needy Families	93.558	DHS-15-ETPO-0023 Supplemental Agreement #3 & #4	<u>168,952</u>	<u>-</u>
<i>Total 477 Cluster</i>			<u>168,952</u>	<u>-</u>
Total passed-through State of Hawaii, Department of Human Services			<u>168,952</u>	<u>-</u>
Total U.S. Department of Human Services			<u>168,952</u>	<u>-</u>

(Continued)

**HAWAII FOODBANK, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**

**For the Year Ended June 30, 2022**

<u>Program Title</u>	<u>Federal Assistance Listing 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 Homeland Security</u>				
Passed-through State of Hawaii, Department of Defense				
Emergency Food and Shelter National Board Program	97.024	ARPA-R	\$ 68,064	\$ 68,064
Emergency Food and Shelter National Board Program	97.024	Phase 37 & 38	<u>7,446</u>	<u>7,446</u>
Total passed-through State of Hawaii, Department of Defense			<u>75,510</u>	<u>75,510</u>
Total U.S. Department of Homeland Security			<u>75,510</u>	<u>75,510</u>
Total Expenditures of Federal Awards			<u>\$ 3,838,981</u>	<u>\$ 2,979,597</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, 2022**

**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). Therefore, certain amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements 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, 2022, the Organization had an inventory of USDA food commodities of \$93,435.

**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.

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**HAWAII FOODBANK, INC.**  
**REPORTS IN ACCORDANCE WITH**  
***GOVERNMENT AUDITING STANDARDS***  
**For the Year Ended June 30, 2022**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND REPORT 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, 2022, 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 March 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit, 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 or significant deficiencies may exist that were not identified.

## Report on 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 Organization'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 Organization's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

CW ASSOCIATES, CPAs

CW Associates, CPAs  
Honolulu, Hawaii  
March 31, 2023



**HAWAII FOODBANK, INC.**  
**REPORTS IN ACCORDANCE WITH THE UNIFORM GUIDANCE**  
**For the Year Ended June 30, 2022**



**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

*Opinion on 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 as of June 30, 2022 and for the year then ended. 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.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

*Basis of Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above for the design, implementation, and maintenance of effective internal control over compliance with requirement of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

## *Auditor's Responsibility for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is high than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### 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.

Report on Internal Control over Compliance (continued)

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 *Auditor's Responsibilities for the Audit of Compliance* section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

CW Associates, CPAs  
Honolulu, Hawaii  
March 31, 2023



**HAWAII FOODBANK, INC.**  
**FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2022**

**HAWAII FOODBANK, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2022**

SUMMARY OF AUDITOR'S RESULTS

***Financial statements***

Type of auditor's report issued on the financial statements	<u>  X  </u>	Unmodified	<u>    </u>	Qualified
	<u>    </u>	Adverse	<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>	Qualified
	<u>    </u>	Adverse	<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

    Food Distribution Cluster

        Assistance Listing No. 10.565 – Commodity Supplemental Food Program

        Assistance Listing No. 10.568 – Emergency Food Assistance Program (Administrative costs)

        Assistance Listing No. 10.569 – Emergency Food Assistance Program (Food commodities)

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
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FINDINGS – FINANCIAL STATEMENT AUDIT

No matters were noted.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD AUDIT

No matters were noted.