

KAUAI FOOD BANK, INC.

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2014**

(With summarized financial information for the year ended December 31, 2013)

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

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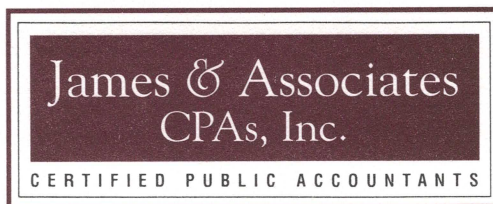
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Kauai Food Bank, Inc. (DBA) Kauai Independent Food Bank (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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.

Report of prior year comparative information

The prior year comparative information has been derived from the Kauai Food Bank, Inc.'s financial position as of and for the year ended December 31, 2013 and, in our report dated April 29, 2014 we expressed an unqualified opinion on those financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kauai Independent Food Bank as of December 31, 2014, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

James and Associates CPA's, Inc.

Wailuku, Hawaii
March 23, 2015

KAUAI FOOD BANK, INC.

Statement of Financial Position
December 31, 2014

(With summarized financial information for the year ended December 31, 2013)

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2e)	\$ 293,571	\$ 403,939
Grants Receivables	1,097	1,800
Deposits and Other Receivables	2,939	2,080
Inventory (Note 2f)	93,541	66,698
Unemployment Insurance	5,390	29,600
Prepaid Expenses	9,295	8,090
Total Current Assets	405,833	512,207
FIXED ASSETS		
Furniture, Equipment and Software (Note 3)	167,452	167,452
Vehicles	50,251	50,251
Leasehold Improvement	22,891	22,891
Total Fixed Assets	240,594	240,594
Less Accumulated Depreciation	(235,017)	(228,324)
Net Fixed Assets	5,577	12,270
TOTAL ASSETS	<u>\$ 411,410</u>	<u>\$ 524,477</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 3,164	\$ 4,586
Accrued Payroll Liabilities	18,292	15,090
Total Current Liabilities	21,456	19,676
NET ASSETS		
Unrestricted Net Assets	271,553	371,232
Temporarily Restricted Net Assets	118,401	133,569
Total Net Assets	389,954	504,801
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 411,410</u>	<u>\$ 524,477</u>

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

KAUAI FOOD BANK, INC.

Statement of Activities and Changes in Net Assets
For the year ended December 31, 2014

(With summarized financial information for the year ended December 31, 2013)

	<u>2014</u>			<u>2013</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
SUPPORT AND REVENUE				
Federal Grants and Contracts	\$ -	\$ -	\$ -	\$ 20,269
State Grants and Contracts	-	-	-	18,708
Trusts and Foundations	16,149	74,000	90,149	217,051
Disallowed Expenditures from Prior Period	-	-	-	(55,439)
Contributions	170,343	4,393	174,736	207,061
Food Contribution	327,607	83,159	410,766	371,243
Fundraising	20,169	-	20,169	11,032
In-Kind Donations	15,288	-	15,288	15,086
SMC Fees	16,110	-	16,110	21,261
EBT Sales	-	-	-	38,862
Sale of Donated Assets	7,530	-	7,530	5,629
Other Earned Revenue	277	-	277	686
Interest & Dividend Income	12,707	-	12,707	10,171
Miscellaneous Income	180	-	180	-
Realized Gain or Loss	130	-	130	6,436
Net Asset Released from Restriction	176,720	(176,720)	-	-
Total Support and Revenue	763,210	(15,168)	748,042	888,056
EXPENSES				
Program Services	649,074	-	649,074	677,511
Management & General	71,862	-	71,862	90,916
Fund Raising	119,931	-	119,931	118,883
Total Expenses	840,867	-	840,867	887,310
CHANGE IN NET ASSETS	(77,657)	(15,168)	(92,825)	746
NET ASSETS, BEGINNING OF YEAR (Note 5)	349,210	133,569	482,779	504,055
NET ASSETS, END OF YEAR	\$ 271,553	\$ 118,401	\$ 389,954	\$ 504,801

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

KAUAI FOOD BANK, INC.

Statement of Functional Expenses
for the year ended December 31, 2014

(With summarized financial information for the year ended December 31, 2013)

	2014				
	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Total</u>	<u>2013</u>
Salaries & Wages (includes PR taxes)	\$ 110,436	\$ 46,007	\$ 80,217	\$ 236,660	\$ 250,806
Volunteer Expenses	1,143	-	-	1,143	1,285
Purchased Food	46,224	-	-	46,224	36,848
Donated Food	396,484	-	-	396,484	378,915
Contract Services	3,510	-	-	3,510	6,044
EBT Farmers Costs	-	-	-	-	57,387
Professional Services	30,460	7,682	2,944	41,086	31,824
Rent, Utilities & Other Facility Costs	29,091	12,526	26,704	68,321	65,542
Insurance	4,564	1,961	3,280	9,805	10,496
Program Supplies	10,531	1,376	2,708	14,615	14,603
Freight, Vehicle & Transportation Costs	6,662	-	-	6,662	9,892
Direct Mail Expense	-	-	3,205	3,205	1,741
Advertising	406	-	-	406	2,154
Travel	1,936	620	546	3,102	5,005
Depreciation	6,692	-	-	6,692	5,407
General Excise Tax	-	-	323	323	225
Investment Costs	-	595	-	595	510
Miscellaneous	935	1,095	4	2,034	8,626
Total Expenses	<u>\$ 649,074</u>	<u>\$ 71,862</u>	<u>\$119,931</u>	<u>\$ 840,867</u>	<u>\$ 887,310</u>

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

KAUAI FOOD BANK, INC.

Statement of Cash Flows
for the year ended December 31, 2014

(With summarized financial information for the year ended December 31, 2013)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (92,825)	\$ 746
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,693	5,406
Decrease in grant receivable	703	31,539
(Increase) decrease in A/R and other assets	(859)	2,696
(Increase) in inventory	(26,843)	(11,662)
(Increase) in prepaid expenses	(1,205)	(1,400)
Decrease in unemployment reserve	2,188	-
(Decrease) in A/P & accrued expenses	(1,422)	(112)
Increase in accrued PR liabilities	<u>3,202</u>	<u>2,273</u>
Net cash provided by (used in) Operating activities	<u>(110,368)</u>	<u>29,486</u>
NET INCREASE (DECREASE) IN CASH	(110,368)	29,486
CASH BALANCE, BEGINNING OF YEAR	<u>403,939</u>	<u>374,453</u>
CASH BALANCE, END OF YEAR	<u>\$ 293,571</u>	<u>\$ 403,939</u>

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

KAUAI FOOD BANK, INC.

Notes to the Financial Statements
For the year ended December 31, 2014

(With summarized financial information for the year ended December 31, 2013)

NOTE 1- NATURE OF ACTIVITIES

The Kauai Food Bank, Inc. (DBA) Kauai Independent Food Bank (KIFB) was incorporated under the laws of the State of Hawaii as a nonprofit corporation on December 16, 1994. KIFB's mission is to educate, provide nutritious food for the hungry and respond to emergencies.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

(b) Financial Statement Presentation

KIFB prepares financial statements in accordance with Financial Standards Board Accounting Standards Codification (ASC) 958-205 *Presentation of Financial Statements*. Under ASC 958-205, KIFB is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investment and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

(c) Revenues and Other Support

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

KAUAI FOOD BANK, INC.

Notes to the Financial Statements
For the year ended December 31, 2014

(With summarized financial information for the year ended December 31, 2013)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Income Tax

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

KIFB income tax returns are generally open for examination by taxing authorities until the statutes of limitations expire. Therefore, tax returns for 2013, 2012 and 2011 are still open for examination.

(e) Cash and Cash Equivalents

For the purpose of the statement of cash flows, KIFB considers all highly liquid investments with an initial maturity of three months, or less, to be cash equivalents. The FDIC insurance amount currently is \$250,000 per depositor for all deposit accounts. At December 31, 2014, KIFB did not have any accounts in excess of insured limits.

The balance of cash and cash equivalents as of December 31 consists of:

	<u>2014</u>	<u>2013</u>
FHB Checking	\$ 97,178	\$ 132,302
ASB CD	-	10,032
BOH CD	-	10,015
CPB CD	-	10,603
First Allied Securities	181,299	237,748
First Allied Securities - Cash	<u>15,094</u>	<u>3,239</u>
	<u>\$ 293,571</u>	<u>\$ 403,939</u>

(f) Inventory

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

(g) Receivables

Support under grants and contracts is recorded when the related amounts are due from grantor agencies. KIFB does not anticipate any collection losses with respect to the receivable balances. As a result, no allowance has been established at December 31, 2014.

KAUAI FOOD BANK, INC.

Notes to the Financial Statements
For the year ended December 31, 2014

(With summarized financial information for the year ended December 31, 2013)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Investments

In accordance with the provisions of ASC Topic 320, Investments – Debt and Equity Securities, generally accepted accounting principles require that nonprofit organizations report certain investments at fair value. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains or losses are included in the change in net assets.

(i) Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designed for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net assets classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purposed restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

(j) Contributions In-kind

Contributions in-kind are also recognized in accordance with applicable accounting standards. Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which KIFB would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. KIFB also receives donated services that do not require specific expertise but which are nonetheless central to KIFB's operations. Contributions in-kind in 2014 and 2013 were \$15,288 and \$15,086 accordingly.

(k) Donated Food

Food contributions received by KIFB are capitalized as food inventory and recorded as unrestricted contributions. Upon distribution, food inventory is reduced and expense is charged to food donations to agencies.

(l) Shared Maintenance Fees

Shared maintenance fees are charged to the agencies to which KIFB distributes food on a per pound basis. During the years ended December 31, 2014 and 2013 the maximum price charged for shared maintenance fees was \$0.19 per pound.

KAUAI FOOD BANK, INC.

Notes to the Financial Statements
For the year ended December 31, 2014

(With summarized financial information for the year ended December 31, 2013)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Compensated Absences

Employees at KIFB are entitled to paid vacation depending on the job classification, length of service and other factors. Accrued compensated absences represent KIFB's liability for the cost of unused employee vacation at December 31, 2014 and December 31, 2013 were \$14,170 and 15,090 respectively.

(n) Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires that management make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 – LAND, PROPERTY, EQUIPMENT AND IMPROVEMENTS

Furniture, Equipment and Software consists of:

Office & Computer Equipment	\$ 71,786
Furniture & Fixtures	4,148
Machinery & Equipment	<u>91,518</u>
Furniture, Equipment and Software	<u>\$ 167,452</u>

Depreciation is computed using the straight-line method for 3 to 39 years. Depreciation expense for the years ended December 31, 2014 and 2013 were \$6,692 and \$5,407 respectively.

NOTE 4 – CONTINGENCIES

KIFB receives a portion of its revenue from government grants and contracts. Most of these grants are subject to spending restrictions. If it were ultimately determined by the grantor that the funds have not been expended for the purposes intended, KIFB would be liable for a refund of part or all of such grant funds. Management does not anticipate any liabilities of this nature.

KAUAI FOOD BANK, INC.

Notes to the Financial Statements
For the year ended December 31, 2014

NOTE 5 – RESTATEMENT OF FUND BALANCES

Fund balances as of January 1, 2014 have been reduced by \$22,022 as a result of an adjustment to Unemployment Reserve previously unrecorded in the prior year.

	<u>January 1, 2014</u>
Fund balances at beginning of year, as previously reported	\$ 504,801
Adjustment to record the beginning balance of Unemployment Reserve	<u>(22,022)</u>
Fund balances at beginning of year	<u>\$ 482,779</u>

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 23, 2015. There are no subsequent events that would have a material effect on the financial statements and this is the date the financial statements were available to be issued.