

Maui Food Bank, Inc.
(A Hawaii Non-Profit Corporation)

Financial Statements

For the Years Ended June 30, 2017 and 2016



Maui Food Bank, Inc.
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Independent Auditor's Report

To The Board of Directors
Maui Food Bank, Inc.
Wailuku, Maui, Hawaii

We have audited the accompanying financial statements of Maui Food Bank, Inc. (a Hawaii nonprofit corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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

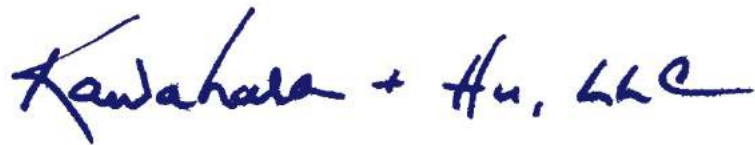
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maui Food Bank, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Kawahara + Hu, LLC". The signature is written in a cursive, flowing style.

Kahului, Maui, Hawaii
November 6, 2017

MAUI FOOD BANK, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 1,139,005	\$ 737,302
Restricted Cash	45,000	45,000
Subtotal Cash	1,184,005	782,302
Certificates of Deposit	152,124	151,805
Accounts Receivable	12,362	11,555
Grants Receivable	35,535	63,250
Contributions Receivable	29,763	-
Inventory	311,602	198,885
Prepaid Expenses	36,123	5,316
Total Current Assets	<u>1,761,514</u>	<u>1,213,113</u>
 Property, Plant and Equipment		
Land	663,800	663,800
Building and Improvements	2,916,925	2,916,925
Furniture, Fixtures, and Equipment	213,339	213,339
Vehicles	402,508	324,901
Total Fixed Assets	4,196,572	4,118,965
Less: Accumulated Depreciation	<u>(1,382,023)</u>	<u>(1,169,001)</u>
Net Property, Plant and Equipment	<u>2,814,549</u>	<u>2,949,964</u>
 Other Assets		
Investments	550,289	497,410
Total Other Assets	<u>550,289</u>	<u>497,410</u>
 Total Assets	<u>\$ 5,126,352</u>	<u>\$ 4,660,487</u>

See accompanying notes to the financial statements.

MAUI FOOD BANK, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 44,034	\$ 20,589
Accrued Expenses	30,470	6,946
Accrued Paid Leave	42,133	44,341
Total Current Liabilities	<u>116,637</u>	<u>71,876</u>
Total Liabilities	<u>116,637</u>	<u>71,876</u>
Net Assets		
Unrestricted Net Assets	3,752,362	3,427,978
Unrestricted Net Assets - Board Restricted	844,099	831,206
Temporarily Restricted Net Assets	368,254	284,427
Permanently Restricted Net Assets	45,000	45,000
Total Net Assets	<u>5,009,715</u>	<u>4,588,611</u>
Total Liabilities and Net Assets	<u>\$ 5,126,352</u>	<u>\$ 4,660,487</u>

See accompanying notes to the financial statements.

MAUI FOOD BANK, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support								
In-Kind Donations - Food and Services	\$ 4,205,875	\$ -	\$ -	\$ 4,205,875	\$ 3,628,299	\$ -	\$ -	\$ 3,628,299
Donations - Direct Public Support	1,265,993	203,260	-	1,469,253	1,039,866	146,164	-	1,186,030
Government Grants	319,815	35,535	-	355,350	764,815	34,500	-	799,315
Shared Maintenance Costs	69,040	-	-	69,040	59,316	-	-	59,316
Other Income	60,358	-	-	60,358	60,672	-	-	60,672
Net Assets Released From Restriction								
Satisfaction of Donor Restrictions	154,968	(154,968)	-	-	135,281	(135,281)	-	-
Total Revenue and Other Support	6,076,049	83,827	-	6,159,876	5,688,249	45,383	-	5,733,632
Expenses								
Program Services	5,580,152	-	-	5,580,152	5,081,110	-	-	5,081,110
Management and General	41,711	-	-	41,711	52,428	-	-	52,428
Fundraising	174,401	-	-	174,401	189,451	-	-	189,451
Total Expenses	5,796,264	-	-	5,796,264	5,322,989	-	-	5,322,989
Non-Operating Revenue (Expenses)								
Investment Income	11,893	-	-	11,893	11,570	-	-	11,570
Net Realized/Unrealized Gain (Losses)	45,599	-	-	45,599	(7,280)	-	-	(7,280)
Total Non-Operating Revenue (Expenses)	57,492	-	-	57,492	4,290	-	-	4,290
Change in Net Assets	337,277	83,827	-	421,104	369,550	45,383	-	414,933
Net Assets, Beginning of Year	4,259,184	284,427	45,000	4,588,611	3,889,401	239,044	45,000	4,173,445
Prior Period Adjustment	-	-	-	-	233	-	-	233
Net Assets, End of Year	\$ 4,596,461	\$ 368,254	\$ 45,000	\$ 5,009,715	\$ 4,259,184	\$ 284,427	\$ 45,000	\$ 4,588,611

See accompanying notes to the financial statements.

MAUI FOOD BANK, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017				2016			
	Program Services	Support Activities		Total	Program Services	Support Activities		Total
		Management and General	Fundraising			Management and General	Fundraising	
Salaries	\$ 529,285	\$ 24,253	\$ 35,146	\$ 588,684	\$ 496,317	\$ 23,795	\$ 34,448	\$ 554,560
Employee Benefits	62,977	2,846	4,203	70,026	56,154	2,692	3,897	62,743
Payroll Taxes	45,970	2,108	3,054	51,132	43,305	2,076	3,006	48,387
Retirement Plan	47,068	2,158	3,127	52,353	34,994	1,678	2,429	39,101
Subtotal Employee Costs	<u>685,300</u>	<u>31,365</u>	<u>45,530</u>	<u>762,195</u>	<u>630,770</u>	<u>30,241</u>	<u>43,780</u>	<u>704,791</u>
Cost of Goods Sold - Food Distribution	4,093,158	-	-	4,093,158	3,597,075	-	-	3,597,075
Depreciation	213,022	-	-	213,022	202,696	-	-	202,696
Food Purchases:								
General Purchases	160,220	-	-	160,220	179,774	-	-	179,774
Programs - Produce	41,907	-	-	41,907	42,531	-	-	42,531
Programs - Kids Café	25,790	-	-	25,790	64,066	-	-	64,066
Programs - Backpack	68,864	-	-	68,864	68,661	-	-	68,661
Programs - Summer Feeding	1,741	-	-	1,741	-	-	-	-
Community Relations	-	-	99,778	99,778	-	-	125,744	125,744
Postage & Freight	71,768	-	2,372	74,140	61,781	-	2,442	64,223
Occupancy	28,578	771	1,389	30,738	57,025	823	1,506	59,354
Equipment Repairs & Maintenance	40,632	-	-	40,632	43,119	-	-	43,119
Insurance	27,093	2,505	583	30,181	31,675	2,789	1,062	35,526
Public Education	31,750	-	14,033	45,783	22,780	-	9,944	32,724
Supplies	20,384	4,513	-	24,897	21,938	5,713	-	27,651
Professional Fees	19,067	1,147	-	20,214	18,152	5,805	3,842	27,799
Food Drive	18,912	-	-	18,912	16,443	-	-	16,443
Telephone	10,225	568	568	11,361	6,312	218	726	7,256
Bank and Merchant Fees	-	-	8,043	8,043	-	6,683	-	6,683
Travel	6,318	-	-	6,318	3,478	28	219	3,725
Meetings and Seminars	2,669	-	-	2,669	2,179	-	-	2,179
Miscellaneous	12,754	842	2,105	15,701	10,655	128	186	10,969
Total	<u>\$ 5,580,152</u>	<u>\$ 41,711</u>	<u>\$ 174,401</u>	<u>\$ 5,796,264</u>	<u>\$ 5,081,110</u>	<u>\$ 52,428</u>	<u>\$ 189,451</u>	<u>\$ 5,322,989</u>

See accompanying notes to the financial statements.

MAUI FOOD BANK INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities	\$ 421,104	\$ 414,933
Changes in Net Assets		
Adjustments to reconcile changes in Net Assets to net cash provided (used) by operating activities:		
Net Realized and Unrealized (Gains)/Losses	(45,599)	7,280
Depreciation	213,022	202,696
(Increase) Decrease in Accounts Receivable	(807)	(4,610)
(Increase) Decrease in Grants Receivable	27,715	(25,808)
(Increase) Decrease in Contributions Receivable	(29,763)	-
(Increase) Decrease in Prepaid Assets	(30,807)	(5,316)
(Increase) Decrease in Other Assets	(112,717)	(27,724)
Increase (Decrease) in Accounts Payable	23,445	4,465
Increase (Decrease) in Accrued Expenses	21,316	6,432
Total Adjustments	<u>65,805</u>	<u>157,415</u>
Net Cash Provided (Used) By Operating Activities	<u>486,909</u>	<u>572,348</u>
Cash Flows from Investing Activities		
Cash Payments for Investments	-	(496,803)
Reinvestment of Interest and Dividends	(7,599)	(10,887)
Proceeds from Sale of Assets	-	3,000
Redemption of Certificate of Deposit	-	50,273
Cash Payments for Property	<u>(77,607)</u>	<u>(579,934)</u>
Net Cash Provided (Used) By Investing Activities	<u>(85,206)</u>	<u>(1,034,351)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	401,703	(462,003)
Cash and Cash Equivalents at Beginning of Period	<u>782,302</u>	<u>1,244,305</u>
Cash and Cash Equivalents at End of Period	<u>\$ 1,184,005</u>	<u>\$ 782,302</u>

See accountant's compilation report.

Maui Food Bank, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 1 - Nature of Activities

Maui Food Bank, Inc. (the Organization) was incorporated under the laws of the State of Hawaii as a nonprofit corporation in 1994. The Organization's mission is to help the hungry in Maui County by collecting and distributing food through community partnerships.

The Organization is affiliated with Hawaii Food Bank, Inc. which is a certified member of Feeding America, a nonprofit organization that provides surplus food to a nationwide network of food banks.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The Organization uses the accrual method of accounting. Under this method, exchange transactions are recorded when earned, contributions are recorded when received and expenses are recorded when obligations are incurred.

Financial Statement Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-210-45-9. Under this standard, the Organization is required to report information regarding the nature and amount of its net assets according to the following classifications: Unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. See Note 3 for further information.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Organization considers all highly liquid investment with an initial maturity of three months, or less, to be cash equivalents.

Income Tax

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar State provisions. For federal income tax purposes, the Organization's tax years 2013 through 2016 remain open for possible examination by the Internal Revenue Service.

Maui Food Bank, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies Continued—

Functional Expenses

The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and detailed in the Statement of Functional Expenses. Functional expenses have been allocated between Program Services, Management and General, and Fundraising Expenses based on management estimates.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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 revenues and expenses during the reporting period. The most significant estimate is the valuation of inventory. Actual results could differ from those estimates.

Accounts and Grants Receivable

Accounts and Grants Receivable are expected to be collected during the next fiscal year. Receivables are stated at the amount management expects to collect from balances outstanding. Management closely monitors outstanding balances throughout the year, and writes off all balances that are considered uncollectible.

Inventory

Inventory, which consists primarily of food, beverages and other sundry items, is valued based on management's estimate of the average wholesale value per pound of food. Management's estimate is based on the results of a product valuation survey by Feeding America.

Revenue Recognition

All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional. Contributions of assets other than cash are recorded at their estimated fair value.

Maui Food Bank, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies Continued—

Donated Goods and Services

The Organization receives services donated by the general public in carrying out its purpose. Unpaid volunteers assist in the warehousing, boxing, weighing and carrying of food for agencies. The value of these contributed services is not reflected in the financial statements because they do not meet the criteria for recognition under FASB ASC Section 958-605-25, *Not-for-Profit Entities – Revenue Recognition*.

The Organization receives donations of food, beverages, and other household goods, which are capitalized as inventory and recorded as unrestricted revenue. Upon distribution, inventory is decreased and expensed as cost of goods sold.

Government Grants

Generally, grants are recognized as revenues when received. Cost reimbursement grants are recognized on the accrual basis as revenues only to the extent of disbursements that are allowable for reimbursement.

Date of Management's Review

The Organization has evaluated subsequent events through November 6, 2017, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

Property, Plant & Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The Organization capitalizes property and equipment purchases in excess of \$1,000. Lesser amounts are expensed. Depreciation is computed using the straight-line method over 5 to 40 years.

Depreciation expense for the years ended June 30, 2017 and 2016 amounted to \$213,022 and \$202,696, respectively.

Investments

Investments are reported at fair value with unrealized gains and losses included in the statement of activities. Fair values are based on quoted market values or dealer quotes. Realized gains and losses on disposition of these investments are based upon original cost.

Maui Food Bank, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 3 – Net Assets

As required by FASB ASC 958-210-45-9, the Organization is required to report the nature and amount of its net assets according to the following classifications:

Unrestricted net assets represent those assets whose usage is neither temporarily nor permanently restricted by donors. These revenues are used for the general operating expenditures of the Organization or for such other purposes as determined by the Board of Directors. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Temporarily restricted net assets carry restrictions that expire upon the passage of a prescribed period, or upon the occurrence of a stated event, as specified by the donor.

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization's actions.

Note 4 – Concentrations

Cash

The Federal Deposit Insurance Corporation (FDIC) deposit insurance covers deposits at a failed FDIC-insured institution up to \$250,000 per depositor. The National Credit Union Administration (NCUA) provides deposit insurance coverage for federally insured credit union members up to \$250,000 per depositor.

At June 30, 2017, the Organization maintained cash balances at several financial institutions located in Hawaii. As of June 30, 2017 and 2016, the uninsured cash balances for Maui Food Bank, Inc. was \$838,078 and \$384,003, respectively.

Operations

The Organization is dependent on grants funded through government agencies as well as private grants to provide continuous funding for its food distribution programs. Such support could be affected by legislation or budgetary constraints.

Maui Food Bank, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 5 – Receivable

Grants receivable consisted of the following:

	<u>2017</u>	<u>2016</u>
County of Maui Hunger Relief Grant	\$ 35,535	\$ 34,500
Hau'oli Mau Loa Foundation Grant	-	28,750
Total Grants Receivable	<u>\$ 35,535</u>	<u>\$ 63,250</u>

Contributions receivable consisted of the following:

	<u>2017</u>	<u>2016</u>
Hawaii Hotel Industry Foundation	\$ 19,763	\$ -
Central Pacific Bank Foundation	10,000	-
Total Contributions Receivable	<u>\$ 29,763</u>	<u>\$ -</u>

Note 6 – Inventory

At June 30, 2017 and 2016 inventory was valued at \$1.73 and \$1.67 per pound, respectively. The values were based on the results of a product valuation survey provided by Feeding America.

The following summarizes inventory transactions:

	<u>2017</u>		<u>2016</u>	
	<u>Pounds</u>	<u>Value</u>	<u>Pounds</u>	<u>Value</u>
Beginning Inventory	119,093	\$ 198,885	98,624	\$ 167,661
Food Contributions	2,435,086	4,212,699	2,181,213	3,642,626
Food Distributions	(2,365,987)	(4,093,158)	(2,153,937)	(3,597,075)
Inventory Adjustment	<u>(8,075)</u>	<u>(6,824)</u>	<u>(6,807)</u>	<u>(14,327)</u>
Ending Inventory	<u>180,117</u>	<u>\$ 311,602</u>	<u>119,093</u>	<u>\$ 198,885</u>

Maui Food Bank, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 7 – Investments and Fair Value Measurements

Donated equitable securities are initially recorded at fair value at the date of gift, which becomes their cost basis. During the year ended June 30, 2016, several stock donations were made to the Organization. The donations were recorded at the fair value of the stock at the transfer date in the amount of \$5,261. These shares were subsequently sold at cost basis for a realized loss of zero. There were no stock donations to the Organization during the year ended June 30, 2017.

Investments are the only assets measured at fair value on a recurring basis. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data by correlation such as appraisals or other means such as calculations based on contractual rates and published tables.

Level 3 – Unobservable inputs that reflect management’s assumptions and best estimates based on available data.

The Organization uses Level 1 measurements whenever possible, as they result in the most reliable measure of fair value.

Investments are stated at fair value. The fair values of all the Organization’s investments are measured using Level 1 inputs.

Investments at June 30, 2017 and 2016 consisted of the following investment types:

Description	2017	2016
	Level 1	Level 1
Money Market Funds	\$ 13,452	\$ 17,259
Equity Mutual Funds	328,113	311,966
Fixed Income Mutual Funds	208,724	168,185
Total Investments	<u>\$ 550,289</u>	<u>\$ 497,410</u>

Maui Food Bank, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 8 – Line of Credit

The Organization has secured a line of credit of \$25,000 from First Hawaiian Bank. The interest rate is 6.025% per annum over the bank's prime rate and is secured by certain assets of the Organization. There was no amount due on the line of credit at June 30, 2017 and 2016.

Note 9 – Board Designated Unrestricted Net Assets

The Organization's board of directors has chosen to place the following limitations on unrestricted net assets:

	<u>2017</u>	<u>2016</u>
Designated for Operating Reserves	\$ 500,000	\$ 500,000
Designated for Capital Reserves	94,099	81,206
Designated for Emergency Food	200,000	200,000
Designated for Molokai & Lanai Emergency Fund	50,000	50,000
Total Board Designated	<u>\$ 844,099</u>	<u>\$ 831,206</u>

Note 10 – Temporarily Restricted Net Assets

As of June 30, 2017 and 2016, temporarily restricted net assets consisted of the following:

	<u>2017</u>	<u>2016</u>
Restricted for the following uses:		
Aloha BackPack Buddies	\$ 322,719	\$ 221,117
Subtotal - Use restrictions	<u>322,719</u>	<u>221,117</u>
Implicit time restrictions:		
Grants Receivable	35,535	63,250
Contributions Receivable	10,000	-
Subtotal - Implicit time restrictions	<u>45,535</u>	<u>63,250</u>
Total Temporarily Restricted Net Assets	<u>\$ 368,254</u>	<u>\$ 284,367</u>

Maui Food Bank, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 10 – Temporarily Restricted Net Assets Continued–

Net assets were released from donor or time restrictions by incurring expenses or receipt of funds satisfying the purpose or time restrictions as follows:

	<u>2017</u>	<u>2016</u>
Aloha BackPack Buddies	\$ 91,718	\$ 70,281
Capital Campaign Phase 4 "Fresh 4 All"	-	65,000
County of Maui Hunger Relief Grant	34,500	-
Hau'oli Mau Loa Foundation Grant	28,750	-
	<u>\$ 154,968</u>	<u>\$ 135,281</u>

Note 11 – Permanently Restricted Net Assets

The Organization adheres to the Uniform Prudent Management Act (UPMIFA), which provides guidance and authority to charitable organizations concerning the management and investment of funds held by those organizations, and imposes additional duties on those who manage and invest such funds.

The Organization has one restricted endowment fund at June 30, 2017 which is reflected in the Statement of Financial Position as restricted cash and permanently restricted net assets. In accordance with the agreement between the Organization and the Harry and Jeanette Weinberg Foundation \$45,000 must be held in a fund whereby the income from the fund is to be used solely for the maintenance and upkeep of the Organization's Harry and Jeanette Weinberg Center.

There was no activity in the endowment fund for the years ended June 30, 2017 and 2016.

Note 12 – Shared Maintenance Contribution

The non-profit agencies that receive food from the Organization are assessed a Shared Maintenance Contribution (SMC) per pound of food taken, which helps to cover a portion of the operation costs incurred by the Organization. These amounts are recorded as revenue on the Statement of Activities.

Maui Food Bank, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2017 and 2016

Note 13 – Donated Services, Goods and Facilities

Donated services, goods and facilities are recognized as contributions in accordance with ASC 958-605-25-16. Donated professional services are reflected in the statement of activities at their fair value at the date of the donation. The contribution of services are recognized if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

However, many individuals volunteer their time and perform a variety of tasks that benefit the Organization with specific assistance programs, solicitations, and various committee assignments that are not recognized as contributions in the financial statements, because the recognition criteria under ASC 958-605-25-16 were not met.

During the years ended June 30, 2017 and 2016, the Organization received a total of \$4,205,875 and \$3,628,299, respectively, of in-kind contributions of food and services that were recognized on the statement of activities.

Note 14 – Employee Retirement Plan

The Organization sponsors a retirement plan under Section 403(b) of the Internal Revenue Code that covers all eligible employees. The Plan calls for matching contributions to the individual retirement account of qualified employees up to 15% of the employees' compensation for employees who have completed one year of service. For the years ended June 30, 2017 and 2016, the Organization's matching contributions totaled \$52,353 and \$39,101, respectively. Employer contributions vest incrementally based on years of service up to three years.

Note 15 – Accrued Paid Leave

Employees begin accruing paid time off (PTO) upon hire. The benefit amount is dependent upon years of service. If an employee is terminated or voluntarily chooses to separate from the Organization, the employee will be paid all PTO up to, but not to exceed, 45 days total. As of June 30, 2017 and 2016, the balance of the Accrued Paid Leave was \$42,133 and \$44,341, respectively.

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Note 16 – Advertising & Marketing

The Organization uses advertising and marketing to promote its services in the State of Hawaii. The costs of advertising and marketing are expensed as incurred. During the years ended June 30, 2017 and 2016, advertising and marketing costs totaled \$124,878 and \$114,345, respectively.

Note 17 – Subsequent Events

In accordance with ASC 855, the Organization has evaluated subsequent events through November 6, 2017, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Note 18 – Contingencies

The Organization receives a portion of its revenue from government grants and contracts, all of which are subject to audit by the applicable governing bodies. Generally, the determination of amounts received under these programs is based on the allowable costs provided in the contracts. These contracts may be audited by the appropriate agencies. Until such audits have been completed there exists a contingency to refund any amount received in excess of allowable cost. Such contingencies diminish with the passage of time. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.