

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

Financial Statements

For the Years Ended June 30, 2019 and 2018



Maui Food Bank, Inc.
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June 30, 2019 and 2018

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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, 2019 and 2018, 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. 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, 2019 and 2018, 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.

Kawahala + Hu, LLC

Kahului, Maui, Hawaii
March 12, 2020

MAUI FOOD BANK, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 1,834,632	\$ 1,540,690
Restricted Cash	45,000	45,000
Subtotal Cash	1,879,632	1,585,690
Certificates of Deposit	188,540	152,614
Accounts Receivable	14,765	13,427
Grants Receivable	43,211	41,187
Contributions Receivable	-	17,046
Inventory	182,141	192,761
Prepaid Expenses	39,831	29,886
Deposits	22,362	-
Total Current Assets	<u>2,370,482</u>	<u>2,032,611</u>
Property, Plant and Equipment		
Land	663,800	663,800
Building and Improvements	2,921,157	2,921,157
Furniture, Fixtures, and Equipment	141,339	245,838
Vehicles	358,499	342,341
Total Fixed Assets	4,084,795	4,173,136
Less: Accumulated Depreciation	<u>(1,635,770)</u>	<u>(1,540,074)</u>
Net Property, Plant and Equipment	<u>2,449,025</u>	<u>2,633,062</u>
Other Assets		
Investments	<u>615,032</u>	<u>582,008</u>
Total Other Assets	<u>615,032</u>	<u>582,008</u>
Total Assets	<u>\$ 5,434,540</u>	<u>\$ 5,247,682</u>

See accompanying notes to the financial statements.

MAUI FOOD BANK, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 21,947	\$ 25,621
Accrued Expenses	4,840	1,819
Accrued Paid Leave	51,132	45,661
Total Current Liabilities	<u>77,919</u>	<u>73,101</u>
Total Liabilities	<u>77,919</u>	<u>73,101</u>
Net Assets		
Without Donor Restrictions		
Undesignated - Operating	3,454,322	3,819,607
Board Designated	1,412,739	889,488
	<u>4,867,060</u>	<u>4,709,095</u>
With Donor Restrictions		
Restricted as to Time	40,000	40,000
Restricted as to Purpose	404,560	380,486
Perpetual in Nature	45,000	45,000
	<u>489,560</u>	<u>465,486</u>
Total Net Assets	<u>5,356,621</u>	<u>5,174,581</u>
Total Liabilities and Net Assets	<u>\$ 5,434,540</u>	<u>\$ 5,247,682</u>

See accompanying notes to the financial statements.

MAUI FOOD BANK, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support						
In-Kind Donations - Food and Services	\$ 3,845,297		\$ 3,845,297	\$ 3,730,581	\$ -	\$ 3,730,581
Donations - Direct Public Support	1,340,950	123,755	1,464,705	1,390,664	124,587	1,515,251
Government Grants	411,571	40,000	451,571	406,319	40,000	446,319
Shared Maintenance Costs	106,349		106,349	95,806	-	95,806
Other Income	37,049		37,049	46,532	-	46,532
Net Assets Released From Restriction				-		-
Satisfaction of Donor Restrictions	139,681	(139,681)	-	112,355	(112,355)	-
Total Revenue and Other Support	<u>5,880,897</u>	<u>24,074</u>	<u>5,904,971</u>	<u>5,782,257</u>	<u>52,232</u>	<u>5,834,489</u>
Expenses						
Program Services	5,527,728	-	5,527,728	5,462,764	-	5,462,764
Management and General	40,306	-	40,306	48,607	-	48,607
Fundraising	199,932	-	199,932	198,272	-	198,272
Total Expenses	<u>5,767,965</u>	<u>-</u>	<u>5,767,965</u>	<u>5,709,643</u>	<u>-</u>	<u>5,709,643</u>
Non-Operating Revenue						
Investment Income	18,050	-	18,050	14,835	-	14,835
Net Realized/Unrealized Gain	26,984	-	26,984	25,185	-	25,185
Total Non-Operating Revenue	<u>45,034</u>	<u>-</u>	<u>45,034</u>	<u>40,020</u>	<u>-</u>	<u>40,020</u>
Change in Net Assets	157,965	24,074	182,039	112,634	52,232	164,866
Net Assets, Beginning of Year	4,709,096	465,486	5,174,582	4,596,461	413,254	5,009,715
Net Assets, End of Year	<u>\$ 4,867,061</u>	<u>\$ 489,560</u>	<u>\$ 5,356,621</u>	<u>\$ 4,709,095</u>	<u>\$ 465,486</u>	<u>\$ 5,174,581</u>

See accompanying notes to the financial statements.

MAUI FOOD BANK, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019				2018			
	Program Services	Support Activities		Total	Program Services	Support Activities		Total
		Management and General	Fundraising			Management and General	Fundraising	
Salaries	\$ 569,534	\$ 27,076	\$ 37,502	\$ 634,112	\$ 577,215	\$ 26,534	\$ 40,853	\$ 644,602
Employee Benefits	97,277	4,638	6,424	108,339	86,148	3,946	6,145	96,239
Payroll Taxes	46,746	2,229	3,087	52,062	48,366	2,236	3,443	54,045
Retirement Plan	44,606	2,127	2,946	49,679	46,920	2,169	3,340	52,429
Subtotal Employee Costs	<u>758,163</u>	<u>36,070</u>	<u>49,959</u>	<u>844,192</u>	<u>758,649</u>	<u>34,885</u>	<u>53,781</u>	<u>847,315</u>
Cost of Goods Sold - Food Distribution	3,855,917	-	-	3,855,917	3,849,422	-	-	3,849,422
Depreciation	220,488	-	-	220,488	221,598	-	-	221,598
Food Purchases:								
General Purchases	194,459	-	-	194,459	153,917	-	-	153,917
Programs - Produce	71,302	-	-	71,302	59,622	-	-	59,622
Programs - Kids Café	-	-	-	-	728	-	-	728
Programs - Backpack	65,199	-	-	65,199	54,449	-	-	54,449
Programs - Summer Feeding	2,496	-	-	2,496	1,652	-	-	1,652
Community Relations	-	-	102,343	102,343	-	-	101,515	101,515
Postage & Freight	87,948	-	2,568	90,516	93,022	-	2,558	95,580
Occupancy	31,460	409	682	32,551	31,695	798	1,393	33,886
Equipment Repairs & Maintenance	52,704	-	-	52,704	58,271	-	-	58,271
Insurance	34,695	722	999	36,416	31,279	2,732	797	34,808
Public Education	53,791	-	29,464	83,255	49,018	-	29,643	78,661
Supplies	37,182	-	-	37,182	29,408	7,290	-	36,698
Professional Fees	17,031	1,293	-	18,324	20,014	1,170	-	21,184
Food Drive	16,950	-	-	16,950	20,070	-	-	20,070
Telephone	9,568	532	532	10,632	9,293	516	516	10,325
Bank and Merchant Fees	-	-	10,185	10,185	-	-	5,990	5,990
Travel	5,301	-	-	5,301	5,402	-	-	5,402
Meetings and Seminars	574	-	-	574	1,829	-	-	1,829
Miscellaneous	12,500	1,280	3,200	16,980	13,426	1,216	2,079	16,721
Total	<u>\$ 5,527,728</u>	<u>\$ 40,306</u>	<u>\$ 199,932</u>	<u>\$ 5,767,965</u>	<u>\$ 5,462,764</u>	<u>\$ 48,607</u>	<u>\$ 198,272</u>	<u>\$ 5,709,643</u>

See accompanying notes to the financial statements.

MAUI FOOD BANK INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Changes in Net Assets	\$ 182,039	\$ 164,866
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Net Realized and Unrealized (Gains)	(26,984)	(25,185)
Depreciation	220,488	221,598
(Increase) in Accounts Receivable	(1,338)	(1,065)
(Increase) Decrease in Grants Receivable	(2,024)	(5,652)
Decrease (Increase) in Contributions Receivable	17,046	12,717
Decrease (Increase) in Prepaid Assets	(9,945)	6,237
(Increase) in Deposits	(22,362)	-
Decrease (Increase) in Inventory	10,620	118,840
(Decrease) Increase in Accounts Payable	(3,674)	(18,413)
(Decrease) Increase in Accrued Expenses	8,491	(25,123)
Total Adjustments	<u>190,318</u>	<u>283,954</u>
Net Cash Provided By Operating Activities	<u>372,357</u>	<u>448,820</u>
Cash Flows from Investing Activities		
Reinvestment of Interest and Dividends	(41,966)	(10,276)
Proceeds from Sale of Assets	2,937	3,252
Cash Payments for Property	<u>(39,387)</u>	<u>(40,111)</u>
Net Cash (Used) By Investing Activities	<u>(78,416)</u>	<u>(47,135)</u>
Net Increase in Cash and Cash Equivalents	293,942	401,685
Cash and Cash Equivalents at Beginning of Period	<u>1,585,690</u>	<u>1,184,005</u>
Cash and Cash Equivalents at End of Period	<u>\$ 1,879,632</u>	<u>\$ 1,585,690</u>

See accompanying notes to the financial statements.

Maui Food Bank, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

Note 1 - Nature of Activities

Maui Food Bank, Inc. (the Organization) was incorporated under the laws of the State of Hawaii as a public 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 conducts the following programs:

- Aloha BackPack Buddies – The Organization provides youth in need with a backpack containing six healthy meals for the weekend when school is not in session. The program partners with 21 schools throughout Maui County.
- Food Distribution – The Organization provides nutritious and safe food to those in need in Maui County through ten different food drop off sites throughout Maui, the Organization partners with 120 member agencies to distribute food through various programs such as soup kitchens, food pantries, youth programs, community service programs and senior housing sites, the Organization provides individuals with a one time emergency food bag at their location, and the Organization partners with 20 member agencies on the islands of Molokai and Lanai to provide safe and nutritious food for those in need including shipping pallets of food from Maui to Molokai and Lanai on a monthly basis.
- Fresh 4 All – The Organization purchases and picks up donated fresh produce from local Maui farmers, produce wholesalers, and farmer's markets for distribution to those in need.
- Youth Programs – The Organization partners with youth centers and boys & girls clubs to provide meals and snacks to kids and youth who are at risk of going hungry, the Organization in cooperation with the USDA sponsors agencies that work with children and youth by providing nutritious meals for summer programs, the Organization provides food assistance for college students who are food insecure.
- Senior Programs – The Organization provides a senior mobile pantry delivery through the federal Commodity Supplemental Food Program to Hale Mahaolu Senior Residencies in Maui County. The program provides a variety of food including fresh produce to assure that they have nutritious supplemental food resources.
- Education & Training – The Organization provides education & training to the Maui County community related to nutrition, the federal SNAP program, food safety, personal safety, civil rights and disaster preparedness.

Maui Food Bank, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

Note 1 - Nature of Activities – Continued

- Disaster Relief – The Organization distributes food supplies through partnerships with Maui VOAD (Voluntary Organizations Active in Disaster), Feeding America Food Bank Network and other relief organizations in times of disasters. This effort includes the collecting, warehousing, and distribution of food products to relief organizations throughout Maui County including Red Cross evacuation sites during an emergency.

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

Accounts and Grants Receivable

Accounts and grants receivable represent amounts that have been billed under agency contracts or contribution commitments but not collected as of the date of the financial statements. The accounts and grants receivable represent amounts owed by government agencies, private foundations and others. Accounts and grants receivable are stated at the amount management expects to be collected from the outstanding balance. As of June 30, 2019, and 2018, management has determined, based on historical experience that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

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, 2019 and 2018, advertising and marketing costs totaled \$130,748 and \$135,295, respectively.

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. Accordingly, the financial statements reflect all significant receivables, payables, and other liabilities.

Basis of 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 reports information regarding its

Maui Food Bank, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies – Continued

Basis of Financial Statement Presentation – Continued

financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: Net Assets Without Donor Restrictions and Net Assets With Donor Restrictions. See Note 3 for further information.

Cash and Cash Equivalents

For the purposes of the Statements of Cash Flows, the Organization considers all highly liquid investment with an initial maturity of three months, or less, to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment, payment of long-term debt, or endowment.

Designation of Net Assets without Donor Restrictions

It is the policy of the Board of Directors of the Organization to review its plans for future property improvements and acquisitions from time to time and to designate appropriate sums of net assets without donor restrictions to assure adequate financing of such improvements and acquisitions.

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 958-605-50, *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. Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

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. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates. The most significant estimate is the valuation of inventory. Actual results could differ from those estimates.

Maui Food Bank, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

Income Tax

The Organization is exempt from federal income tax under Section 501(c)3 of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). For federal income tax purposes, the Organization's tax years 2016 through 2019 remain open for possible examination by the Internal Revenue Service.

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. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the statement of activities in the period in which it occurs.

Investments

The Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying 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, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies – Continued

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Revenue Recognition

All contributions and grants received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when conditions on which they depend are substantially met and the promises become unconditional.

Property and 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 of the useful life of the asset.

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation expense for the years ended June 30, 2019 and 2018 amounted to \$220,488 and \$221,598, respectively.

Maui Food Bank, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

Note 3 – Change in Accounting Principle

In August 2016, the FABS issued ASU 2016-14 Not-for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which simplifies and improves how a not-for-profit organization classifies its net assets as well as the information it presents in its financial statements and notes about its liquidity, financial performance, and cash flows. The ASU replaces the three existing classes of net assets with two classes, “net assets with donor restrictions” and “net assets without donor restrictions.” Adoption of ASU 2016-14 is effective with the year ended June 30, 2019 with retrospective application for the 2018 financial statements. The presentation of net asset classes has been changed as well as applicable footnote disclosures. A recap of the net asset reclassifications from ASU 2016-14 for the year ended June 30, 2018 is as follows:

	ASU 2016-14 Classifications		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Net assets classification, as previously presented			
Total unrestricted	\$ 4,709,095	\$ -	\$ 4,709,095
Temporarily restricted	-	420,486	420,486
Permanently restricted	-	45,000	45,000
Net assets, as reclassified	<u>\$ 4,709,095</u>	<u>\$ 465,486</u>	<u>\$ 5,174,581</u>

Net Assets without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets with Donor Restrictions

Donor restrictions vary in nature. Some donor imposed restrictions are temporary in nature and are met by the passage of time or by specific events occurring as designated by the donor. Some donor restrictions are perpetual in nature as stipulated by the donor. Donor restricted contributions and designated endowment earnings received and expensed in the same fiscal year are recorded as net assets with donor restrictions.

Maui Food Bank, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

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, 2019, the Organization maintained cash balances at several financial institutions located in Hawaii. As of June 30, 2019, and 2018, the uninsured cash balances for Maui Food Bank, Inc. was \$1,012,888 and \$1,143,843, respectively.

Operations

The Organization is dependent on grants funded through government agencies as well as private grants and continual community support. Such support could be affected by legislation budgetary constraints.

Note 5 – Receivable

Grants receivable consisted of the following:

	<u>2019</u>	<u>2018</u>
County of Maui Hunger Relief Grant	\$ 40,000	\$ 40,000
Commodity Supplemental Food Program	3,211	1,187
Total Grants Receivable	<u>\$ 43,211</u>	<u>\$ 41,187</u>

Contributions receivable consisted of the following:

	<u>2019</u>	<u>2018</u>
Hawaii Hotel Industry Foundation	\$ -	\$ 17,046

Maui Food Bank, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

Note 6 – Inventory

At June 30, 2019 and 2018 inventory was valued at \$1.62 and \$1.68 per pound, respectively. The values were based on the results of a product valuation survey provided by Feeding America.

2018 receipts and distributions, both pounds and value, were adjusted to account for a change in the Organization’s methodology of what meets the requirements of an in-kind donation. 2019 receipts and distributions, both pounds and value, follow the same adjusted methodology.

The following summarizes inventory transactions:

	2019		2018	
	Pounds	Value	Pounds	Value
Beginning Inventory	114,739	\$ 192,761	180,117	\$ 311,602
Receipts/Purchases	2,373,640	3,845,297	2,240,952	3,730,581
Distributions/ Adjustments	(2,375,946)	(3,855,917)	(2,306,330)	(3,849,422)
Ending Inventory	<u>112,433</u>	<u>\$ 182,141</u>	<u>114,739</u>	<u>\$ 192,761</u>

Note 7 – Investments and Fair Value Measurements

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.

Maui Food Bank, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

Note 7 – Investments and Fair Value Measurements – Continued

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, consisted of the following investment types:

Description	2019	2018
	Level 1	Level 1
Money Market Funds	\$ 35,652	\$ 22,404
Equity Mutual Funds	341,435	356,725
Fixed Income Mutual Funds	210,443	202,879
Alternative Investment Mutual Funds	27,502	-
Total Investments	<u>\$ 615,032</u>	<u>\$ 582,008</u>

Note 8 – Financial Assets & Liquidity Resources

The following information represents the Organization’s financial assets reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date due to donor restrictions or internal board designations.

	2019	2018
Cash & Cash Equivalents	\$ 1,879,632	\$ 1,585,690
Certificates of Deposit	188,540	152,614
Accounts Receivable	14,765	13,427
Grants Receivable	43,211	41,187
Investments	615,032	582,008
Total Financial Assets	<u>\$ 2,741,180</u>	<u>\$ 2,374,926</u>
Donor restricted funds	489,560	465,486
Board designated funds	1,412,739	889,488
Total Restricted & Designated Funds	1,902,299	1,354,974
Financial Assets available to meet general expenditures within one year	<u>\$ 838,881</u>	<u>\$ 1,019,952</u>

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Notes to the Financial Statements
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Note 8 – Financial Assets & Liquidity Resources – Continued

The Organization believes the funds above are sufficient to cover its annual cash requirements for general expenditures. The Organization also has a \$25,000 line of credit that can be used if required. If these sources of funds are not sufficient, the Board can pass a resolution to utilize board designated funds.

Note 9 – Line of Credit

The Organization has secured a line of credit of \$25,000 from First Hawaiian Bank. The interest rate is 7.15% per annum and is secured by certain assets of the Organization. There was no amount due on the line of credit at June 30, 2019 and 2018.

Note 10 – Net Assets with Board Designations

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

	<u>2019</u>	<u>2018</u>
Designated for Operating Reserves	\$ 810,000	\$ 500,000
Designated for Capital Reserves	202,739	139,488
Designated for Emergency Food	300,000	200,000
Designated for Molokai & Lanai Emergency Fund	<u>100,000</u>	<u>50,000</u>
Total Board Designated	<u>\$ 1,412,739</u>	<u>\$ 889,488</u>

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Note 11 - Net Assets with Donor Restrictions

As of June 30, net assets with donor restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
Restricted for the following uses:		
Aloha BackPack Buddies	\$ 376,060	\$ 380,486
Vehicle Replacement Project	28,500	-
	<u>404,560</u>	<u>380,486</u>
Implicit time restrictions:		
Grants Receivable	40,000	40,000
Endowment	45,000	45,000
	<u>\$ 489,560</u>	<u>\$ 465,486</u>

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>2019</u>	<u>2018</u>
Aloha BackPack Buddies	\$ 83,181	\$ 66,820
Vehicle Replacement Project	16,500	10,000
County of Maui Hunger Relief Grant	40,000	35,535
	<u>\$ 139,681</u>	<u>\$ 112,355</u>

Note 12 – Endowment

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, 2019, and 2018 which is reflected in the Statement of Financial Position as restricted cash and permanently

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Note 12 – Endowment-Continued

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, 2019 and 2018.

Note 13 – Shared Maintenance Contribution

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.

Note 14 – Donated Goods, Services, and Facilities

Donated goods, services, 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, 2019 and 2018, the Organization received a total of \$3,845,297 and \$3,730,581, respectively, of in-kind contributions of food and services that were recognized on the statement of activities.

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Note 15 – 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, 2019 and 2018, the Organization's matching contributions totaled \$49,679 and \$52,429, respectively. Employer matching contributions vest incrementally based on years of service after the eligible employee completes three years of service.

Note 16 – 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, 2019, and 2018, the balance of the Accrued Paid Leave was \$51,132 and \$45,661, respectively.

Note 17 – Management's Review of Subsequent Events

In accordance with ASC 855, the Organization has evaluated subsequent events through March 12, 2020, in connection with the preparation of these financial statements, which is 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.