

**MAUI FOOD BANK, INC.**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

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

**MAUI FOOD BANK, 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 (including interest-bearing accounts)	\$ 6,889,466	\$4,774,387
Restricted cash	45,000	45,000
Certificates of deposit	192,483	191,888
Accounts receivable – net	19,376	10,417
Grants receivable – net	62,429	129,403
Inventory – net	150,359	285,180
Investments in marketable securities	660,975	767,013
Prepaid expenses and other assets	58,730	58,721
Total current assets	<u>8,078,818</u>	<u>6,262,009</u>
<b>PROPERTY AND EQUIPMENT – NET</b>	<u>2,184,163</u>	<u>2,403,563</u>
<b>TOTAL ASSETS</b>	<u>\$10,262,981</u>	<u>\$8,665,572</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 48,439	\$ 124,984
Accrued liabilities	45,134	71,420
Total current liabilities	<u>93,573</u>	<u>196,404</u>
<b>TOTAL LIABILITIES</b>	<u>93,573</u>	<u>196,404</u>
<b>NET ASSETS</b>		
Net assets without donor restrictions		
Undesignated	7,466,117	6,460,591
Board designated	2,049,730	1,549,730
Total net assets without donor restrictions	<u>9,515,847</u>	<u>8,010,321</u>
Net assets with donor restrictions	653,561	458,847
Total net assets	<u>10,169,408</u>	<u>8,469,168</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$10,262,981</u>	<u>\$8,665,572</u>

See accompanying notes to the financial statements.

**MAUI FOOD BANK, INC.**

**STATEMENT OF ACTIVITIES**

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

	<u>2022</u>	<u>2021</u>
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Revenue and support		
Food contributions	\$ 4,387,468	\$ 8,147,336
Contributions without donor restrictions	3,881,393	5,998,709
Government grants	582,595	3,315,392
Net assets released from donor restrictions	126,243	120,776
Shared maintenance fees	114,448	120,929
Investment income (loss) – net	(104,999)	144,945
In-kind contributions – services	66,491	-
Other income	1,582	13,927
Total revenue and support	<u>9,055,221</u>	<u>17,862,014</u>
Expenses		
Program services	<u>6,898,479</u>	<u>15,124,480</u>
Supporting services		
Fundraising and development	429,085	431,796
Management and general	222,131	253,058
Total supporting services	<u>651,216</u>	<u>684,854</u>
Total expenses	<u>7,549,695</u>	<u>15,809,334</u>
Increase in net assets without donor restrictions	<u>1,505,526</u>	<u>2,052,680</u>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions and grants with donor restrictions	320,957	69,677
Net assets released from donor restrictions	<u>(126,243)</u>	<u>(120,776)</u>
Increase (decrease) in net assets with donor restrictions	<u>194,714</u>	<u>(51,099)</u>
<b>INCREASE IN NET ASSETS</b>	1,700,240	2,001,581
NET ASSETS – Beginning of year	<u>8,469,168</u>	<u>6,467,587</u>
NET ASSETS – End of year	<u>\$ 10,169,408</u>	<u>\$ 8,469,168</u>

See accompanying notes to the financial statements.

MAUI FOOD BANK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

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

	Supporting Services				2021 Total
	Program Services	Fundraising	Management and General	Total Supporting Services	
Food distributions	\$ 5,372,410	\$ -	\$ -	\$ -	\$ 5,372,410
Salaries and benefits	681,588	175,907	143,453	319,360	1,063,200
Depreciation	225,304	12,517	12,517	25,034	217,435
Community relations	31,532	187,835	-	187,835	273,320
Postage and freight	207,084	6,199	-	6,199	388,966
Occupancy	161,923	8,514	8,514	17,028	208,696
Equipment, repairs and maintenance	63,320	-	-	-	82,623
Professional fees	29,424	-	24,665	24,665	12,938
Insurance	39,160	6,186	7,032	13,218	53,523
Supplies	39,197	5,711	-	5,711	208,286
Miscellaneous	21,145	15,702	3,241	18,943	46,925
Public education	14,240	10,514	-	10,514	27,420
Bank and merchant fees	-	-	22,709	22,709	9,454
Advertising	9,279	-	-	-	9,140
Travel	2,873	-	-	-	187
<b>Total expenses</b>	<b>\$ 6,898,479</b>	<b>\$ 429,085</b>	<b>\$ 222,131</b>	<b>\$ 651,216</b>	<b>\$ 7,549,695</b>
					<b>\$ 15,809,334</b>

See accompanying notes to the financial statements.

**MAUI FOOD BANK, 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 in net assets	\$ 1,700,240	\$ 2,001,581
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	250,338	217,435
Restricted contributions for long-lived assets	(120,000)	-
Loss on disposal of equipment	-	9,442
Net realized and unrealized (gains) losses on investments	117,575	(134,072)
(Increase) decrease in		
Accounts receivable – net	(8,959)	3,914
Grants receivable – net	66,974	(88,965)
Inventory – net	134,821	(14,756)
Prepaid expenses and other assets	(9)	(2,094)
Decrease in		
Accounts payable	(76,545)	(69,651)
Accrued liabilities	(26,286)	(5,018)
Net cash provided by operating activities	<u>2,038,149</u>	<u>1,917,816</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales of investments in marketable securities	5,530	420,279
Purchases of investments in marketable securities	(17,067)	(423,850)
Interest on certificates of deposit reinvested	(595)	(1,467)
Purchases of property and equipment	(30,938)	(269,132)
Net cash used by investing activities	<u>(43,070)</u>	<u>(274,170)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Restricted contributions for long-lived assets	<u>120,000</u>	-
Net cash provided by financing activities	<u>120,000</u>	-
<b>NET INCREASE IN CASH AND RESTRICTED CASH</b>	<b>2,115,079</b>	<b>1,643,646</b>
<b>CASH AND RESTRICTED CASH – Beginning of year</b>	<b><u>4,819,387</u></b>	<b><u>3,175,741</u></b>
<b>CASH AND RESTRICTED CASH – End of year</b>	<b><u>\$ 6,934,466</u></b>	<b><u>\$ 4,819,387</u></b>

See accompanying notes to the financial statements.

## MAUI FOOD BANK, 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

Maui Food Bank, Inc. (Organization) is a nonprofit organization established on September 29, 1994 under the laws of the State of Hawaii to collect, warehouse, and distribute salvageable food to social agencies that feed individuals in need in County of Maui, Hawaii. The Organization is a certified member of Feeding America, a nonprofit organization that provides surplus food, employee and technical training, and fund assistance to a nationwide network of food banks.

During the year ended June 30, 2021, the COVID-19 pandemic created an increase in activity for the Organization, which included increased food and monetary donations and grant funding to provide food to individuals and families with food insecurities due to the pandemic.

##### Basis of Presentation

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

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

*Net Assets with Donor Restrictions* consist of net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The financial statements include certain prior year comparative information. Such information does not include sufficient detail to constitute a complete presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements as of and for the year ended June 30, 2021, from which the information was derived.

##### 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 period. 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.

**MAUI FOOD BANK, 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 (Continued)**

Certificates of deposit

Certificates of deposit with original maturities with remaining maturities of less than one year are classified as current assets. Certificates of deposit with remaining maturities greater than one year are classified as noncurrent assets.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to credit risk include cash (included restricted cash), receivables, and investments in marketable securities. Cash on deposit with financial institutions exceeded the related federal deposit insurance by approximately \$5,375,600 and \$4,032,500 at June 30, 2022 and 2021, respectively. Management evaluates the credit standings of these financial institutions to ensure that such deposits are adequately safeguarded in accordance with federal regulations.

Receivables consist of accounts and grants receivable. Accounts and grants receivable are stated at unpaid balances, less an allowance for doubtful accounts (none at June 30, 2022 and 2021). The allowance is based on experience and other circumstances, which may affect the ability of agencies and grantors to meet their obligations. Such receivables are considered doubtful if payments are not received in accordance with the contractual terms. Accounts and grants 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 and grants 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.

Investments in Marketable Securities

The Organization's investments in marketable securities 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.

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 (loss).

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 wholesale value per pound published by Feeding America. Inventory is adjusted for unsalvageable items.

**MAUI FOOD BANK, 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 (Continued)**

Property and Equipment

Property and equipment is stated at cost or, if contributed, at estimated fair market value at the date of contribution. Depreciation is provided using the straight-line method over estimated useful lives of 39 years for the building; 10 to 15 years for capital improvements; and five to 15 years for vehicles, warehouse equipment, and furniture and fixtures. 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 \$1,000 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.

Board Designated Net Assets

The Organization's Board of Directors designated a portion of the Organization's net assets without donor restrictions to provide resources for future operations on Maui, Lana'i, and Moloka'i, and capital projects. The amount is reported as board designated net assets, which are net assets without donor restrictions, as the Board of Directors can change the designation at any time.

Revenue and Expense Recognition

Revenue is recognized when the goods or services are provided to the customer. Revenue from performance obligations satisfied at a point in time includes shared maintenance fees. Revenue from other than performance obligations include investment income (loss) and other income. There was no revenue from performance obligations satisfied over time.

Expenses, including advertising expenses of \$9,279 and \$9,140 for the years ended June 30, 2022 and 2021, respectively, are recorded when the related liability is incurred. The Organization allocates its expenses on a functional basis among programs and supporting services. 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 to the programs and supporting services based on management estimates, including square footage for space related costs such as depreciation and on management estimates of time spent by personnel for all other expenses.



**MAUI FOOD BANK, 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 (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 price 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 \$1.86 and \$1.79 for the years ended June 30, 2022 and 2021, respectively.

Food contributions from non-USDA sources are computed by the average price per pound based on the most recent two periods of the Feeding America Product Valuation Methodology Survey. The average price per pound for non-USDA food contributions was \$1.62 and \$1.70 for the years ended June 30, 2022 and 2021, respectively.

Upon distribution, the value of the food is recorded as food distributions expenses.

**Grants and Contracts**

The Organization recognizes grants and contracts as either contributions or exchange transactions depending on whether the transaction is reciprocal or nonreciprocal. The majority of the Organization's grants and contracts are cost-reimbursable grants and contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with the grant or contract provisions. Amounts received prior to incurring the qualifying expenditures are reported as refundable advances in the statement of financial position (none in 2022 and 2021). Qualifying expenditures that have been incurred, but for which reimbursement has not yet been received, are reported in the statement of financial position as grants receivables (\$62,429 and \$129,403 at June 30, 2022 and 2021, respectively). Amounts received from such grants and contracts for which the conditions and any restrictions are met in the same reporting period are reported as net assets without donor restrictions.

The Organization was awarded cost-reimbursable grants and contracts of approximately \$81,600 that have not been recognized as of June 30, 2021 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.

**MAUI FOOD BANK, 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 (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 in net assets with donor restrictions. When a restriction is satisfied or expires, net assets with donor restrictions are released to net assets without donor restrictions.

Donated Services

The Organization receives significant in-kind contributions of time and pro-bono services from members of the community and volunteers related to program operations and special events. 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. Services valued at approximately \$1,342,000 and \$2,076,000 have not been recognized in the accompanying statement of activities for the years ended June 30, 2022 and 2021, respectively, as they do not meet the requirements of recognition.

The Organization also receives donated freight services for its program operations and supporting services. The Organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation. The freight services are valued at the standard rates charged by the donor. The total amount recognized for donated freight services is approximately \$66,500 and \$0 for the years ended June 30, 2022 and 2021, respectively. All donated services were utilized by the Organizations programs and supporting 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, and a use tax of 4% on certain imported products and services. The gross receipts of the Organization for the years ended June 30, 2022 and 2021 were exempt from Hawaii general excise tax and use tax.

**MAUI FOOD BANK, 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 (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 Pronouncement

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 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 investment returns on its available funds. The Organization has various sources of liquidity available for use including cash, certificates of deposit, receivables, and investments in marketable securities. In addition to the financial assets available, the Organization anticipates collecting sufficient revenue to cover general operating expenditures.

**MAUI FOOD BANK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**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 (including interest-bearing accounts)	\$ 6,889,466	\$ 4,774,387
Restricted cash	45,000	45,000
Certificates of deposit	192,483	191,888
Accounts receivable – net	19,376	10,417
Grants receivable – net	62,429	129,403
Investments in marketable securities	<u>660,975</u>	<u>767,013</u>
Total financial assets	7,869,729	5,918,108
Board designated net assets for capital projects	(339,730)	(339,730)
Net assets with donor restrictions	<u>(653,561)</u>	<u>(458,847)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,876,438</u>	<u>\$ 5,119,531</u>

**NOTE C – CASH AND RESTRICTED CASH**

The following table provides a reconciliation of cash and restricted cash reported in the statement of financial position to the sum of the corresponding amounts in the statement of cash flows at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash (including interest-bearing accounts)	\$ 6,889,466	\$ 4,774,387
Restricted cash	<u>45,000</u>	<u>45,000</u>
Total cash and restricted cash	<u>\$ 6,934,466</u>	<u>\$ 4,819,387</u>

**MAUI FOOD BANK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**NOTE D – 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	228,199	\$ 270,424
Food contributions and purchases	8,145,057	13,221,977
Food distributions	(8,089,859)	(13,093,599)
Unsalvageable food and valuation adjustment	<u>(68,145)</u>	<u>(113,622)</u>
Balances at June 30, 2021 – net of reserve	215,252	285,180
Food contributions and purchases	2,878,774	5,237,589
Food distributions	(2,923,968)	(5,251,622)
Unsalvageable food and valuation adjustment	<u>(65,618)</u>	<u>(120,788)</u>
 Balances at June 30, 2022 – net of reserve	 <u>104,440</u>	 <u>\$ 150,359</u>

As of June 30, 2022 and 2021, the Organization had non-food inventory items of \$5,133 and \$6,508, respectively.

**NOTE E – INVESTMENTS IN MARKETABLE SECURITIES**

At June 30, 2022 and 2021, the fair value of investments in marketable securities held by the Organization were as follows:

	<u>2022</u>	<u>2021</u>
Equity securities	\$377,518	\$460,153
Mutual funds	256,729	291,669
Money market funds	<u>26,728</u>	<u>15,191</u>
 Total investments	 <u>\$660,975</u>	 <u>\$767,013</u>

**MAUI FOOD BANK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**NOTE E – INVESTMENTS IN MARKETABLE SECURITIES (Continued)**

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

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 18,259	\$ 16,082
Realized gains	-	12,693
Unrealized gains (losses)	(117,575)	121,379
Investment fees	<u>(5,683)</u>	<u>(5,209)</u>
Total investment income (loss) – net	<u>\$ (104,999)</u>	<u>\$ 144,945</u>

**NOTE F – 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.

At June 30, 2022 and 2021, the fair value measurements reportable by the Organization consisted of investments in equity securities and mutual funds valued using quoted market prices (Level 1 measurement), and money market funds valued at stated value (Level 1 measurement). There were no investments valued using Level 2 and 3 measurements.

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

**MAUI FOOD BANK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**NOTE F – FAIR VALUE MEASUREMENTS (Continued)**

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>
<b>Investments</b>				
Equity securities				
U.S.	\$254,353	\$ -	\$ -	\$254,353
International	101,814	-	-	101,814
Other	21,351	-	-	21,351
Total equity securities	<u>377,518</u>	<u>-</u>	<u>-</u>	<u>377,518</u>
Mutual funds				
Fixed income	210,397	-	-	210,397
Alternative	46,332	-	-	46,332
Total mutual funds	<u>256,729</u>	<u>-</u>	<u>-</u>	<u>256,729</u>
Money market funds	<u>26,728</u>	<u>-</u>	<u>-</u>	<u>26,728</u>
<b>Total investments at fair value</b>	<u>\$660,975</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$660,975</u>

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>
<b>Investments</b>				
Equity securities				
U.S.	\$290,463	\$ -	\$ -	\$290,463
International	147,363	-	-	147,363
Other	22,327	-	-	22,327
Total equity securities	<u>460,153</u>	<u>-</u>	<u>-</u>	<u>460,153</u>
Mutual funds				
Fixed income	237,824	-	-	237,824
Alternative	53,845	-	-	53,845
Total mutual funds	<u>291,669</u>	<u>-</u>	<u>-</u>	<u>291,669</u>
Money market funds	<u>15,191</u>	<u>-</u>	<u>-</u>	<u>15,191</u>
<b>Total investments at fair value</b>	<u>\$767,013</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$767,013</u>

**MAUI FOOD BANK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**NOTE G – PROPERTY AND EQUIPMENT**

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

	<u>2022</u>	<u>2021</u>
Land	\$ 663,800	\$ 663,800
Building	573,304	573,304
Capital improvements	2,570,829	2,547,859
Vehicles	356,395	356,395
Warehouse equipment	187,005	180,807
Furniture and fixtures	25,235	23,465
Total property and equipment	<u>4,376,568</u>	<u>4,345,630</u>
Accumulated depreciation	<u>(2,192,405)</u>	<u>(1,942,067)</u>
Property and equipment – net	<u>\$2,184,163</u>	<u>\$2,403,563</u>

**NOTE H – BOARD DESIGNATED NET ASSETS**

At June 30, 2022 and 2021, the Board designated net assets consisted of the following:

	<u>2022</u>	<u>2021</u>
Board designated net assets for		
Maui operations	\$ 1,110,000	\$ 1,110,000
Building expansion	500,000	-
Capital projects	339,730	339,730
Moloka'i & Lana'i operations	<u>100,000</u>	<u>100,000</u>
Board designated net assets	<u>\$ 2,049,730</u>	<u>\$ 1,549,730</u>

In March 2007, the Organization received a capital pledge from the Harry and Jeanette Weinberg Foundation requiring the Organization to make annual, minimum deposits of \$25,000 to a separate fund. These funds are to be used for the maintenance, repair, and upkeep of the warehouse. The balance of the fund designated by the Board of Directors for capital projects amounted to \$339,730 as of June 30, 2022 and 2021.



**MAUI FOOD BANK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

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

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

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

	<u>2022</u>	<u>2021</u>
Net assets with donor restrictions for programs		
Aloha Backpack Buddies	\$488,561	\$408,078
Charity Walk	-	5,769
Net assets with donor restrictions for programs	<u>488,561</u>	<u>413,847</u>
Warehouse upkeep – endowment	45,000	45,000
Purchase of long-lived assets	<u>120,000</u>	<u>-</u>
Net assets with donor restrictions	<u>\$653,561</u>	<u>\$458,847</u>

**NOTE J – ENDOWMENT**

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).

In March 2007, the Organization received a capital pledge from the Harry and Jeanette Weinberg Foundation, whereby the Organization raised and received an additional \$45,000 of contributions, which, per the stipulations of the pledge, were to be held in perpetuity. The income from the fund is restricted for the repair and maintenance of the Organization's warehouse. The endowment funds are maintained in a restricted cash account. Interest earned on the funds was less than 1% for the years ended June 30, 2022 and 2021, all of which was released in the same year.

**MAUI FOOD BANK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**NOTE K – LEASES**

The Organization leases warehouse space and office equipment under various operating lease agreements expiring through January 2026. The Organization rented additional warehouse space in 2021 for the additional food items received due to the COVID-19 pandemic. Space and office equipment rent expense for the years ended June 30, 2022 and 2021 were approximately \$125,000 and \$125,400, respectively. At June 30, 2022, the future minimum operating lease payments were as follows:

Years Ending June 30th	
2023	\$104,300
2024	\$108,900
2025	\$65,500
2026	\$200

**NOTE L – RETIREMENT PLAN**

The Organization has a defined contribution plan under Section 401(k) of the Internal Revenue Code (Plan). Participating employees may make voluntary contributions to the Plan. The Organization makes matching contributions of up to 15% of a qualified employee's compensation to the Plan up to the maximum allowed under Internal Revenue Code Section 401(k). The Organization contributed \$57,383 and \$63,084 to the Plan for the years ended June 30, 2022 and 2021, respectively.

**NOTE M – COMMITMENTS AND CONTINGENCIES**

Revenue and support is derived primarily from food contributions from the federal government and grants from the State of Hawaii and County of Maui, the loss of which could have a material adverse effect on the Organization. Amounts received from government grants 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 (such as the COVID-19 pandemic) 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.

**MAUI FOOD BANK, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**NOTE M – COMMITMENTS AND CONTINGENCIES (Continued)**

On March 11, 2020, the World Health Organization (WHO) recognized COVID-19 as a global pandemic prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions; temporary hotel, store and restaurant closures; and wide sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact on the economy, including disruptions in the food supply chain and a dramatic increase in unemployment in the County of Maui.

Beginning in March 2020, COVID-19 caused significant shifts in how the Organization met, and continues to meet, the need of those facing hunger in Hawaii. These shifts have been accompanied by significant increases in short and long-term operating expenses. These shifts include:

- An increase in the number of those facing hunger as a result of the economy shutting down and the slow economic recovery.
- Transitioning the Organization's food distribution processes to adhere to new social distancing guidelines.

Community support has exceeded expectations since the COVID-19 pandemic began. Several factors have and will continue to require the Organization to purchase additional quantities of non-perishable and perishable food in the coming months to meet the increased need in the community served. The extent of the impact of COVID-19 on community financial support and demand for the Organization's services and resources will depend on future developments, including the duration and spread of the outbreak and the rate of economic recovery, all of which are highly uncertain.

**NOTE N – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 3, 2023, which is the date the financial statements were available to be issued, and determined 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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