



**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

Fiscal Year Ended June 30, 2010



N&K CPAs, Inc.

ACCOUNTANTS|CONSULTANTS

ALOHA HARVEST

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Aloha Harvest

We have audited the accompanying statement of financial position of Aloha Harvest (a nonprofit organization) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the fiscal year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aloha Harvest as of June 30, 2010, and the changes in its net assets and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

N&K CPAs, Inc.

Honolulu, Hawaii
November 22, 2010

Aloha Harvest
STATEMENT OF FINANCIAL POSITION
June 30, 2010

ASSETS

CURRENT ASSETS

| | | |
|---------------------------------------|----|--------------|
| Cash and cash equivalents | \$ | 184,657 |
| Investment in certificates of deposit | | 60,000 |
| Pledge receivable, current | | 100,000 |
| Prepaid expenses | | <u>2,423</u> |

| | | |
|----------------------|--|----------------|
| Total current assets | | <u>347,080</u> |
|----------------------|--|----------------|

PROPERTY AND EQUIPMENT

| | | |
|------------------------|--|--------------|
| Truck | | 68,321 |
| Furniture and fixtures | | 19,647 |
| Computers | | 18,311 |
| Equipment | | 7,258 |
| Leasehold improvements | | 2,373 |
| Telephone | | <u>2,283</u> |

| | | |
|--|--|----------------|
| | | 118,193 |
| Less accumulated depreciation and amortization | | <u>108,385</u> |
| | | <u>9,808</u> |

OTHER ASSETS

| | | |
|-------------------------------|--|----------------|
| Deposits | | 650 |
| Pledge receivable, noncurrent | | <u>300,000</u> |
| | | <u>300,650</u> |

\$ 657,538

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | | |
|------------------|--|------------------|
| Accounts payable | | \$ <u>12,331</u> |
|------------------|--|------------------|

| | | |
|-------------------|--|---------------|
| Total liabilities | | <u>12,331</u> |
|-------------------|--|---------------|

NET ASSETS

| | | |
|------------------------|--|----------------|
| Unrestricted | | 155,207 |
| Temporarily restricted | | <u>490,000</u> |
| | | <u>645,207</u> |

\$ 657,538

See accompanying notes to financial statements.

Aloha Harvest
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2010

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-------------------|
| REVENUES AND OTHER SUPPORT | | | |
| Contributions | | | |
| Foundations and corporations | \$ 462,400 | \$ 480,000 | \$ 942,400 |
| Organizations and individuals | 30,246 | -- | 30,246 |
| In-kind | 3,508,791 | -- | 3,508,791 |
| Fundraising | 1,271 | -- | 1,271 |
| Interest | 160 | -- | 160 |
| Other | 4 | -- | 4 |
| Net assets released from restrictions | | | |
| Satisfied by usage | <u>--</u> | <u>--</u> | <u>--</u> |
| Total revenues and other support | <u>4,002,872</u> | <u>480,000</u> | <u>4,482,872</u> |
| EXPENSES | | | |
| Program services | 3,814,704 | -- | 3,814,704 |
| Management and general | 70,859 | -- | 70,859 |
| Fundraising | <u>30,821</u> | <u>--</u> | <u>30,821</u> |
| Total expenses | <u>3,916,384</u> | <u>--</u> | <u>3,916,384</u> |
| CHANGE IN NET ASSETS | 86,488 | 480,000 | 566,488 |
| NET ASSETS AT BEGINNING OF FISCAL YEAR | <u>68,719</u> | <u>10,000</u> | <u>78,719</u> |
| NET ASSETS AT END OF FISCAL YEAR | \$ <u>155,207</u> | \$ <u>490,000</u> | \$ <u>645,207</u> |

See accompanying notes to financial statements.

Aloha Harvest
STATEMENT OF FUNCTIONAL EXPENSES
Fiscal Year Ended June 30, 2010

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|----------------------------|-----------------------------|-----------------------------------|--------------------|---------------------|
| Food donations to agencies | \$ 3,488,938 | \$ -- | \$ -- | \$ 3,488,938 |
| Salaries and wages | 180,854 | 9,875 | 10,000 | 200,729 |
| Vehicle | 48,374 | -- | -- | 48,374 |
| Resources | 2,780 | 11,186 | 16,679 | 30,645 |
| Employee benefits | 18,288 | 998 | 1,011 | 20,297 |
| Outside services | 19,983 | -- | -- | 19,983 |
| Payroll taxes | 14,971 | 817 | 828 | 16,616 |
| Occupancy | 11,775 | 1,524 | 554 | 13,853 |
| Depreciation | -- | 13,650 | -- | 13,650 |
| Professional fees | -- | 10,633 | -- | 10,633 |
| Insurance | 4,254 | 4,149 | -- | 8,403 |
| Supplies | 5,539 | 717 | 261 | 6,517 |
| Telephone | 5,952 | 180 | 133 | 6,265 |
| Utilities | 5,189 | 672 | 244 | 6,105 |
| Bank and payroll fees | -- | 2,152 | -- | 2,152 |
| Parking | -- | 1,972 | -- | 1,972 |
| Travel | 305 | 82 | 21 | 408 |
| Miscellaneous | <u>7,502</u> | <u>12,252</u> | <u>1,090</u> | <u>20,844</u> |
| | <u>\$ 3,814,704</u> | <u>\$ 70,859</u> | <u>\$ 30,821</u> | <u>\$ 3,916,384</u> |

See accompanying notes to financial statements.

Aloha Harvest
STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2010

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash flows from operating activities

| | |
|---|-------------------|
| Change in net assets | \$ <u>566,488</u> |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 13,650 |
| (Increase) decrease in: | |
| Prepaid expenses | 381 |
| Pledge receivable | (400,000) |
| Decrease in: | |
| Accounts payable | <u>(3,033)</u> |
| Total adjustments | <u>(389,002)</u> |
| Net cash provided by operating activities | <u>177,486</u> |

Cash flows from investing activities

| | |
|---|-----------------|
| Investment in certificates of deposit | (240,000) |
| Purchase of property and equipment | (2,473) |
| Proceeds from maturity of certificates of deposit | <u>180,000</u> |
| Net cash used in investing activities | <u>(62,473)</u> |

NET INCREASE IN CASH AND CASH EQUIVALENTS

115,013

Cash and cash equivalents at beginning of fiscal year

69,644

Cash and cash equivalents at end of fiscal year

\$ 184,657

SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES

| | |
|---------------------------------------|--------------|
| In-kind donation of food | \$ 3,488,938 |
| In-kind donation of office space | \$ 13,853 |
| In-kind donation of advertising space | \$ 6,000 |

See accompanying notes to financial statements.

Aloha Harvest
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE A - NATURE OF ACTIVITIES

Aloha Harvest (Organization) was incorporated in the State of Hawaii (State) on August 26, 1999. The Organization is an innovative nonprofit that picks up leftover food (hot or cold) donated from restaurants, hotels, corporations, and government agencies and events. The Organization's professional drivers immediately deliver the food free of charge to approved social service agencies that provide emergency food for the hungry men, women, and children of Oahu.

The Organization receives a substantial amount of its support from a private foundation. Significant reductions, if any, in the level of this support may have an adverse effect on the Organization's programs and activities.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

- (1) ***Basis of accounting and financial statement presentation*** - The financial statements of the Organization have been prepared on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America. Net assets, public support and revenues and expenses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in temporarily or permanently restricted net assets.

Temporarily Restricted - Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled by actions of the Organization pursuant to those stipulations.

Permanently Restricted - Net assets whose use is limited by donor-imposed restrictions that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization did not have any permanently restricted net assets.

- (2) ***Use of estimates*** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.
- (3) ***Cash and cash equivalents*** - The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The carrying value of cash equivalents approximate fair value because of the short maturities of those financial instruments.

Aloha Harvest
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (4) **Property and equipment** - Property and equipment acquisitions greater than \$100 are recorded at cost. Donated assets are recorded at their estimated fair value at the date of the gift. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets which range from 3 to 7 years.

Expenditures for maintenance, repairs, and minor renewals are charged to expense; expenditures for betterments are capitalized. Property retired or otherwise disposed of is removed from the appropriate asset and related accumulated depreciation accounts. Gains and losses on sale of assets are reflected in current operations.

- (5) **Promises to give** - Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.
- (6) **Restricted and unrestricted revenues and support** - Contributions, revenues and support are recorded in the period earned as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

- (7) **Functional allocation of expenses** - The costs of providing the various programs and other activities are summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on direct costs incurred and management's estimates of resources consumed by these functions.
- (8) **Donated services and materials** - Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Significant and essential donated services are performed by various volunteers to support the Organization's programs and activities. These services have not been reflected in the financial statements as the criteria for recognition were not met.

Aloha Harvest
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated food and office space are recorded by the Organization as unrestricted in-kind contributions and are charged to expense as food donations to agencies upon distribution and occupancy.

- (9) **Income taxes** - The Organization is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code.

The Organization adopted the provisions of Accounting Standards Codification (ASC) Topic 740, *Income Taxes*. As required by the uncertain tax position guidance in ASC 740, the Organization recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position after an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. At the adoption date, the Organization applied the uncertain tax position guidance in ASC 740 to all tax positions for which the statute of limitations has remained open. As a result of the implementation of the uncertain tax position guidance in ASC 740, the Organization has not recognized any additional liability for unrecognized tax benefits as of June 30, 2010.

The Organization is not subject to income taxes in the U.S. federal jurisdiction and the State. Tax regulations within each jurisdiction are subject to interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Organization is no longer subject to U.S. federal and state examinations by tax authorities for the fiscal years ended June 30, 2006 and prior.

- (10) **Subsequent events** - Management has evaluated subsequent events through November 22, 2010, the date on which the financial statements were available to be issued. There were no subsequent events that required adjustment of or disclosure in the financial statements.

NOTE C - PLEDGE RECEIVABLE

In commemoration of its 10th anniversary, the Organization received a pledge of \$500,000 from a private foundation to assist in the Organization's sustainability for the coming years. The pledge is payable in annual installments of \$100,000. The first payment was received in the current fiscal year.

The pledge receivable at June 30, 2010, consisted of the following:

| | <u>Amount</u> |
|-----------------------------------|-------------------|
| Amounts due in less than one year | \$ 100,000 |
| Amounts due in one to five years | <u>300,000</u> |
| | \$ <u>400,000</u> |

Aloha Harvest
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE C - PLEDGE RECEIVABLE (Continued)

The discount rate for the pledge receivable would have been at a 2.08% annual rate. However, due to the small difference between the pledge amount at its face value and the discount rate value, the pledge receivable amount is stated at its face value which approximates its fair value.

A valuation allowance for the pledge receivable has not been assessed as management believes that the balances are fully collectible.

NOTE D - TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets of the Organization as of June 30, 2010, are available for the following purpose:

| | <u>Amount</u> |
|--|-------------------|
| Time restrictions - pledge receivable for operations | \$ 400,000 |
| Capacity building project | <u>90,000</u> |
| | \$ <u>490,000</u> |

NOTE E - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalent accounts in a commercial bank located in the State. Cash balances in these accounts are insured up to \$250,000 per account holder by the Federal Deposit Insurance Company (FDIC). In assessing its concentration of credit risk related to cash and cash equivalents, the Organization places its cash and cash equivalents in a financial institution, which may at times exceed FDIC insurance limits. Management believes the Organization is not exposed to any significant credit risk with respect to its cash balances.