



FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

Fiscal Year Ended June 30, 2015



N&K CPAs, Inc.

ACCOUNTANTS|CONSULTANTS

ALOHA HARVEST

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Aloha Harvest

Report on the Financial Statements

We have audited the accompanying financial statements of Aloha Harvest (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the fiscal year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 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 Aloha Harvest as of June 30, 2015, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

N & K CPAs, Inc.

Honolulu, Hawaii
November 19, 2015

Aloha Harvest
STATEMENT OF FINANCIAL POSITION
June 30, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	35,990
Prepaid expenses		<u>2,786</u>
Total current assets		<u>38,776</u>

PROPERTY AND EQUIPMENT

Trucks		161,420
Computers		17,348
Furniture and fixtures		2,409
Equipment		2,290
Telephone		1,702
Leasehold improvements		<u>2,373</u>
		187,542
Less accumulated depreciation and amortization		<u>108,661</u>
		<u>78,881</u>

OTHER ASSETS

Deposits		650
		<u>650</u>
	\$	<u><u>118,307</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	<u>10,500</u>
Total liabilities		<u>10,500</u>

NET ASSETS

Unrestricted		<u>107,807</u>
		<u>107,807</u>
	\$	<u><u>118,307</u></u>

See accompanying notes to financial statements.

Aloha Harvest
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2015

REVENUE AND OTHER SUPPORT

Contributions	
Foundations and corporations	\$ 365,776
Organizations and individuals	68,030
In-kind	6,586,431
Fundraising	4,250
Interest	<u>89</u>
 Total revenue and other support	 <u>7,024,576</u>

EXPENSES

Program services	7,032,706
Management and general	94,548
Fundraising	<u>49,618</u>
 Total expenses	 <u>7,176,872</u>

CHANGE IN NET ASSETS (152,296)

NET ASSETS AT BEGINNING OF FISCAL YEAR 260,103

NET ASSETS AT END OF FISCAL YEAR \$ 107,807

See accompanying notes to financial statements.

Aloha Harvest
STATEMENT OF FUNCTIONAL EXPENSES
Fiscal Year Ended June 30, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 222,583	\$ 17,276	\$ 11,267	\$ 251,126
Employee benefits	38,370	2,899	1,890	43,159
Payroll taxes	<u>23,591</u>	<u>1,831</u>	<u>1,194</u>	<u>26,616</u>
 Total salaries and related expenses	 284,544	 22,006	 14,351	 320,901
 Food donations to agencies	 6,553,957	 --	 --	 6,553,957
Vehicles	72,278	--	--	72,278
Advertising and promotion	23,791	13,908	27,816	65,515
Outside services	40,857	--	--	40,857
Depreciation and amortization	15,604	3,170	--	18,774
Supplies	10,475	2,732	493	13,700
Occupancy	11,322	1,465	533	13,320
Professional fees	--	12,901	--	12,901
Bank and payroll fees	--	12,423	--	12,423
Insurance	4,841	3,812	--	8,653
Utilities	7,143	924	336	8,403
Telephone	6,618	212	155	6,985
Fundraising	--	--	5,849	5,849
Resources	--	4,895	--	4,895
Travel	1,276	340	85	1,701
Parking	--	1,651	--	1,651
Miscellaneous	<u>--</u>	<u>14,109</u>	<u>--</u>	<u>14,109</u>
 Total functional expenses	 \$ <u>7,032,706</u>	 <u>94,548</u>	 <u>49,618</u>	 <u>7,176,872</u>

See accompanying notes to financial statements.

Aloha Harvest
STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2015

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash flows from operating activities

Change in net assets	\$ <u>(152,296)</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	18,774
Decrease in:	
Prepaid expenses	(532)
Increase in:	
Accounts payable	<u>1,326</u>
Total adjustments	<u>19,568</u>
Net cash used in operating activities	<u>(132,728)</u>

Cash flows from investing activities

Purchase of property and equipment	<u>(711)</u>
Net cash used in investing activities	<u>(711)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS	(133,439)
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Cash and cash equivalents at beginning of fiscal year	<u>169,429</u>
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Cash and cash equivalents at end of fiscal year	\$ <u><u>35,990</u></u>
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See accompanying notes to financial statements.

Aloha Harvest
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 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.

The organization had no temporarily or 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.

Aloha Harvest
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (4) **Property and equipment** - Property and equipment acquisitions greater than \$500 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, facilities, 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.

Donated food, office space and other donated services are recorded by the Organization as unrestricted in-kind contributions and are reported on the statement of functional expenses to the expense item in which the Organization benefited.

Aloha Harvest
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (9) **Advertising costs** - The Organization expenses the production costs of advertising the first time the advertising takes place.
- (10) **Income taxes** - The Organization is recognized by the Internal Revenue Service as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. 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.
- (11) **Subsequent events** - Management has evaluated subsequent events through November 19, 2015, 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 - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalent accounts in a commercial bank located in the State. The Federal Deposit Insurance Company (FDIC) secures these bank accounts up to \$250,000 per depositor. 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.

NOTE D - DONATED SERVICES, FACILITIES, AND MATERIALS

Donated Services - Donated services are recognized as in-kind contributions at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. The Organization estimated the fair value of these services to be \$19,155 during the fiscal year ended June 30, 2015. The donated professional services were provided for advertising services and are included in contribution revenue and advertising expenses on the statement of activities and statement of functional expenses, respectively.

Donated Use of Facilities - The Organization occupied office space at a substantially reduced charge during the fiscal year ended June 30, 2015. Accordingly, contributions of \$13,320 have been recorded for the difference between the rent fair value and the actual rent paid for the space. These amounts are included in in-kind contributions and as occupancy expenses in the statement of activities and statement of functional expenses, respectively. The use of the facilities is on a month-to-month basis.

Donated Materials - Contributions of donated materials are recorded at their estimated fair values when received. For the fiscal year ended June 30, 2015, donated food totaling \$6,553,956 was included as contributions and as expenses for food donations in the statement of activities and statement of functional expenses, respectively.