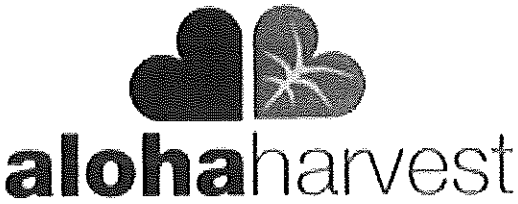

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

Fiscal Year Ended June 30, 2013

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ALOHA HARVEST

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N&K CPAs, Inc.
ACCOUNTANTS | CONSULTANTS

AMERICAN SAVINGS BANK TOWER
1001 BISHOP STREET, SUITE 1700
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INDEPENDENT AUDITORS' 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, 2013, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 organization'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 organization'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, 2013, 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
January 15, 2014

Aloha Harvest
STATEMENT OF FINANCIAL POSITION
June 30, 2013

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 33,191
Pledge receivable, current	100,000
Prepaid expenses	5,357
Total current assets	138,548
PROPERTY AND EQUIPMENT	
Trucks	161,420
Computers	9,417
Furniture and fixtures	2,409
Equipment	2,290
Telephone	1,702
Leasehold improvements	2,373
	179,611
Less accumulated depreciation and amortization	51,710
	127,901
OTHER ASSETS	
Deposits	650
Pledge receivable, noncurrent	100,000
	100,650
	$ 367,099
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 9,601
Total liabilities	9,601
NET ASSETS	
Unrestricted	157,498
Temporarily restricted	200,000
	357,498
	$ 367,099

See accompanying notes to financial statements.

Aloha Harvest
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Contributions			
Foundations and corporations	$ 324,035	$ --	$ 324,035
Organizations and individuals	74,970	--	74,970
In-kind	5,521,087	--	5,521,087
Fundraising	14,772	--	14,772
Interest	50	--	50
Other	7,361	--	7,361
Net assets released from restrictions			
Satisfied by usage	100,000	(100,000)	--
Total revenue and other support	6,042,275	(100,000)	5,942,275
EXPENSES			
Program services	5,964,061	--	5,964,061
Management and general	76,472	--	76,472
Fundraising	28,343	--	28,343
Total expenses	6,068,876	--	6,068,876
CHANGE IN NET ASSETS	(26,601)	(100,000)	(126,601)
NET ASSETS AT BEGINNING OF FISCAL YEAR	184,099	300,000	484,099
NET ASSETS AT END OF FISCAL YEAR	$ 157,498	$ 200,000	$ 357,498

See accompanying notes to financial statements.

Aloha Harvest
STATEMENT OF FUNCTIONAL EXPENSES
Fiscal Year Ended June 30, 2013

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 205,975	$ 16,120	$ 10,565	$ 232,660
Employee benefits	35,851	2,806	1,839	40,496
Payroll taxes	22,552	1,765	1,156	25,473
Total salaries and related expenses	264,378	20,691	13,560	298,629
Food donations to agencies	5,507,567	--	--	5,507,567
Vehicle	72,554	--	--	72,554
Resources	2,239	13,415	12,236	27,890
Outside services	43,120	--	--	43,120
Occupancy	11,322	1,465	533	13,320
Supplies	8,988	4,302	423	13,713
Professional fees	--	12,150	--	12,150
Insurance	5,053	4,074	--	9,127
Depreciation and amortization	32,284	2,334	--	34,618
Telephone	7,813	243	179	8,235
Utilities	5,983	774	282	7,039
Bank and payroll fees	--	2,910	--	2,910
Fundraising	--	--	951	951
Parking	--	2,508	--	2,508
Travel	2,692	718	179	3,589
Miscellaneous	68	10,888	--	10,956
Total functional expenses	$ 5,964,061	$ 76,472	$ 28,343	$ 6,068,876

See accompanying notes to financial statements.

Aloha Harvest
STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2013

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash flows from operating activities		
Change in net assets	$	(126,601)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		34,618
(Increase) decrease in:		
Prepaid expenses		(245)
Pledge receivable		100,000
Decrease in:		
Accounts payable		678
Total adjustments		135,051
Net cash provided by operating activities		8,450
NET INCREASE IN CASH AND CASH EQUIVALENTS		8,450
Cash and cash equivalents at beginning of fiscal year		24,741
Cash and cash equivalents at end of fiscal year	$	33,191
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES		
In-kind donation of food	$	5,507,567
In-kind donation of office space	$	13,320
In-kind donation of advertising	$	200

See accompanying notes to financial statements.

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.

(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.

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 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 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.

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 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 based on the technical merits of the position. The Organization has not identified any uncertain tax positions in filed returns that require disclosure in the accompanying financial statements.

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, 2009 and prior.

(11) ***Subsequent events*** - Management has evaluated subsequent events through January 15, 2014, 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 fiscal year 2010, 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 fiscal year 2010.

The pledge receivable at June 30, 2013, consisted of the following:

	Amount
Amounts due in less than one year	$ 100,000
Amounts due in one to five years	100,000
	$ 200,000

The discount rate for the pledge receivable would have been at a .95% 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 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

Temporarily restricted net assets are comprised of funds to be used for restricted purposes. The temporarily restricted net assets of the Organization as of June 30, 2013, were comprised of the following:

	Amount
Time restrictions - pledge receivable for operations	$ 200,000

NOTE E - 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.