

The Food Basket, Inc.

(A Not-for-Profit Organization)

Financial Statements

December 31, 2020

(With Summarized Information for the Year Ended December 31, 2019)

(With Independent Auditor's Reports Thereon)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Food Basket, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Food Basket, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Food Basket, Inc., as of December 31, 2020 and 2019, and the changes in its net

assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 financial statements, and we have expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 7, 2021, on our consideration of The Food Basket, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering The Food Basket, Inc.'s, internal control over financial reporting and compliance.

Ann Fukuhara

Ann Fukuhara, CPA, MBA, An Accountancy Corporation
October 7, 2021
Hilo, Hawaii

The Food Basket, Inc.
(a not-for-profit organization)

Statement of Financial Position

December 31, 2020
(With Comparative Information as of December 31, 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 3,744,246	\$ 285,456
Accounts receivable	5,603	5,221
Grants receivable	579,389	128,233
Pledges receivable	20,000	202,500
Inventory	973,513	421,916
Property and equipment, net of accumulated depreciation of \$513,575 for 2020 and \$362,825 for 2019	1,301,936	1,280,614
Deposits	37,962	12,616
Prepaid expenses	26,220	25,428
Cash - designated by donors	1,657,654	265,964
Total assets	\$ 8,346,523	\$ 2,627,948
 LIABILITIES AND NET ASSETS		
Accounts payable	\$ 222,362	\$ 49,147
Accrued expenses	121,792	79,469
Deferred revenues	110,415	14,844
Paycheck Protection Program	157,500	-
Current portion of notes payable	-	52,001
Total current liabilities	612,069	195,461
 Long-term portion of notes payable	 -	 69,080
 Net Assets:		
Without donor restrictions	6,056,800	2,097,443
With donor restrictions	1,677,654	265,964
Total net assets	7,734,454	2,363,407
Total liabilities and net assets	\$ 8,346,523	\$ 2,627,948

The accompanying notes are an integral part of these financial statements.

The Food Basket, Inc.
(a not-for-profit organization)

Statement of Activities

For the Year Ended December 31, 2020
(With Summarized Information for the Year Ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
REVENUES, GAINS AND OTHER SUPPORT				
Revenues and support				
Donations	\$ 11,716,732	\$ 2,007,146	\$ 13,723,878	\$ 4,645,854
Government contracts - State of Hawaii	382,011	-	382,011	258,253
County of Hawaii - contract	150,371	-	150,371	36,226
Federal grants	2,430,580	-	2,430,580	412,961
United Way and combined federal campaign	6,885	29,000	35,885	37,478
Program service fees	388,965	-	388,965	302,170
Interest income	957	-	957	30
Other income	-	-	-	6,865
Total revenues and gains	15,076,501	2,036,146	17,112,647	5,699,837
Net assets released from restrictions satisfaction				
Satisfied by expenditures	624,456	(624,456)	-	-
Total revenues	15,700,957	1,411,690	17,112,647	5,699,837
EXPENSES				
Program expenses	11,363,580	-	11,363,580	5,195,440
General & administrative	283,381	-	283,381	161,433
Fundraising	94,639	-	94,639	89,136
	11,741,600	-	11,741,600	5,446,009
Change in net assets	3,959,357	1,411,690	5,371,047	253,828
Net assets, beginning of year	2,097,443	265,964	2,363,407	2,109,579
Net assets, end of year	\$ 6,056,800	\$ 1,677,654	\$ 7,734,454	\$ 2,363,407

The accompanying notes are an integral part of these financial statements.

The Food Basket, Inc.
(a not-for-profit organization)

Statement of Functional Expenses

For the Year Ended December 31, 2020
(With Summarized Information for the Year Ended December 31, 2019)

	Program Expenses	General and Administrative	Fundraising	2020 Total	2019 Total
Salaries	\$ 719,924	\$ 127,045	\$ -	\$ 846,969	\$ 608,439
Other employee benefits	183,358	32,357	-	215,715	185,931
Payroll taxes	83,511	14,737	-	98,248	70,579
Total salaries and related expenses	<u>986,793</u>	<u>174,139</u>	<u>-</u>	<u>1,160,932</u>	<u>864,949</u>
Food expenses	8,498,623	-	-	8,498,623	3,808,145
Contracts - program-related	974,023	-	-	974,023	110,177
Professional fees	122,941	19,812	88,618	231,371	152,028
Transportation and delivery	123,316	-	-	123,316	35,276
Supplies	91,341	10,149	-	101,490	28,354
Utilities	66,932	7,437	-	74,369	74,864
Advertising	71,901	2,354	-	74,254	541
Grants and assistance to sub-recipients	70,246	-	-	70,246	-
Equipment repairs & maintenance	48,814	2,569	-	51,383	29,382
Other expenses	18,016	24,037	6,021	48,075	24,427
Rent	40,323	4,480	-	44,804	44,476
Insurance	27,867	11,943	-	39,810	37,035
Travel	21,782	2,420	-	24,202	31,112
Facilities repairs and maintenance	19,091	2,121	-	21,212	20,791
Meetings	12,224	5,239	-	17,463	17,760
Telephone	11,775	1,308	-	13,083	12,976
Total expenses before depreciation	<u>11,206,007</u>	<u>268,009</u>	<u>94,639</u>	<u>11,568,655</u>	<u>5,292,293</u>
Depreciation	<u>157,573</u>	<u>15,372</u>	<u>-</u>	<u>172,945</u>	<u>153,716</u>
Total Expenses	<u>\$ 11,363,580</u>	<u>\$ 283,381</u>	<u>\$ 94,639</u>	<u>\$ 11,741,600</u>	<u>\$ 5,446,009</u>

The accompanying notes are an integral part of these financial statements.

The Food Basket, Inc.
(a not-for-profit organization)

Statement of Cash Flows

For the Year Ended December 31, 2020
(With Comparative Information for the Year Ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 5,371,047	\$ 253,828
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	172,945	153,716
Disposal of property	4,981	-
(Increase) decrease in:		
Accounts receivable	(382)	(3)
Grants receivable	(451,156)	(22,477)
Pledges receivable	182,500	(202,500)
Inventory	(551,597)	340,077
Prepaid expenses	(792)	(8,961)
Deposits	(25,346)	(6,315)
Increase (decrease) in:		
Accounts payable	173,215	7,519
Accrued expenses	42,323	17,477
Deferred revenues	95,571	5,780
Net cash provided by operating activities	<u>5,013,309</u>	<u>538,141</u>
Cash Flows From Investing Activities:		
Additions of property and equipment	<u>(199,248)</u>	<u>(239,589)</u>
Net cash used in investing activities	<u>(199,248)</u>	<u>(239,589)</u>
Cash Flows from Financing Activities:		
Paycheck Protection Program proceeds	157,500	-
Loan repayment	(121,081)	(49,947)
Cash designated by donors and grantors	<u>(1,391,690)</u>	<u>(81,180)</u>
Net cash used in financing activities	<u>(1,355,271)</u>	<u>(131,127)</u>
Net increase in cash and cash equivalents	3,458,790	167,425
Cash and cash equivalents - beginning of year	<u>285,456</u>	<u>118,031</u>
Cash and cash equivalents - end of year	<u>\$ 3,744,246</u>	<u>\$ 285,456</u>

THE FOOD BASKET, INC.
(A not-for-profit organization)

Notes to Financial Statements

December 31, 2020

(With Summarized Information for the Year Ended December 31, 2019)

1. Nature of Organization

The Food Basket, Inc. (the Organization) is a not-for-profit organization incorporated in the State of Hawaii in 2007.

The mission of the Organization is to feed the hungry in Hawaii County while attending to the root causes of this critical social problem. The Food Basket will accomplish its mission by:

- Preventing the waste of all edible food in Hawaii County;
- Feeding the hungry with this food;
- Educating the community about local hunger and what can be done to solve this social problem; and
- Collaborating with organizations of partnering missions to eradicate the root of hunger and other social ills: poverty.

The Food Basket was formerly a subsidiary of the Diocesan Administrative Offices of the Roman Catholic Church in the State of Hawaii known as the Hawaii Island Food Bank.

The Food Basket, Inc., acquires donated food through large food drives and via surplus food from local companies and the United States Department of Agriculture. The Organization distributes food to over 90 community groups, churches, and other not-for-profit organizations.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

Property and Equipment – Property and equipment are recorded at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

Impairment of Long-Lived Assets – The Organization reviews its property for impairment whenever events or changes indicate that the carrying value of an asset may not be recoverable. The Organization compares the carrying value to its fair value in order to determine whether an impairment loss has occurred. For the year ended December 31, 2020, no impairment loss has been recognized.

Donated Food – The Food Basket reports the fair value of donated food over which it has control as unrestricted public support and, as an expense when distributed to member agencies. During the years ended December 31, 2020 and 2019, The Food Basket distributed approximately 4.6 million and 2.2 million pounds of donated food and purchased food respectively. The approximate value of one pound of donated product on the national level, which is determined to be \$1.74 for 2020 and \$1.62 in 2019, was based upon a study performed by Feeding America.

THE FOOD BASKET, INC.
(A not-for-profit organization)

Notes to Financial Statements

December 31, 2020
(With Summarized Information for the Year Ended December 31, 2019)

2. Summary of Significant Accounting Policies - continued

Inventory – Inventory consists of donated food items and is recorded at estimated fair value at the time of the donation. Donated food was valued at \$1.74 and \$1.62 per pound for the years ended December 2020 and 2019 respectively. The valuation is based on a study conducted by Feeding America.

Use of Estimates – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in accordance with such generally accepted accounting principles 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, and it is reasonably possible that such estimates may change within the near term.

Income Taxes – The Organization is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made for the accompanying statements.

Accounting principles generally accepted in the United States of America require 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 December 31, 2020 by reviewing its income tax returns and conferring with its tax advisors, and determined that the Organization had no uncertain tax positions required to be reported in accordance with such generally accepted accounting principles.

Functional Expenses - The Organization allocates its expenses on a functional basis among its various program services and supporting activities. Expenses that can be identified with specific program and supporting activity are allocated directly according to their natural expenditure classification. Other expenses common to several functions are allocated by statistical basis.

Concentration of Credit Risk -. Financial instruments that potentially subject the Organization to credit risk include cash. The Organization's cash balances at financial institutions exceeded the federal deposit insurance, a limit of \$250,000 as of December 31, 2020 in the amount of \$4,144,766.

Net Assets

Net assets, revenues, and gains are classified based on the existence or absence of donor grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions – net assets available for use in general operations and not subject to donor or grantor restrictions.

THE FOOD BASKET, INC.
(A not-for-profit organization)

Notes to Financial Statements

December 31, 2020

(With Summarized Information for the Year Ended December 31, 2019)

2. Summary of Significant Accounting Policies – continued

Net Assets - continued

- Net assets with donor restrictions – net assets subject to donor or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues and Revenue Recognition

- Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.
- Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

3. Upcoming New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) met on May 20, 2020 and voted to extend the effective date of Topic 606, *Revenue from Contracts with Customers*, and 842, *Leases, for Certain Entities* due to the Covid-19 pandemic. The following accounting pronouncements will be adopted after The Food Basket evaluates the impact on its financial statements:

- In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* which supersedes the requirements in ASC Topic 840, *Leases*. ASU No. 2016-02 requires the recognition of lease assets and lease liabilities by lessees for all leases, including operating leases, with a term greater than 12 months. Under the guidance of ASU No. 2016-02, a lessee should recognize in the balance sheet a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor under ASU No. 2016-02 is largely unchanged from that applied under ASC Topic 840. The Food Basket, Inc. is currently in the process of evaluating the impact of the new standard on its financial statements.

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Notes to Financial Statements

December 31, 2020
(With Summarized Information for the Year Ended December 31, 2019)

4. Financial Statement Presentation

The financial statements include prior-year comparative information that is not in sufficient detail to constitute a complete presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with The Food Basket's financial statements as of and for the year ended December 31, 2019 from which the information was derived. Certain amounts in the prior year comparative information have been reclassified to conform to current year presentation.

5. Liquidity and Availability of Net Assets

The Organization's working capital and cash flows are fairly consistent throughout the year with an increase during the holiday season as various sources of donations and revenues are collected. Monthly cash outflows are also consistent throughout the year. The Organization's principal assets available within one year of the balance sheet date for general expenditures are as follows:

	<u>Total</u> <u>12/31/2020</u>	<u>Total</u> <u>12/31/2019</u>
Cash and cash equivalents	\$ 5,401,900	\$ 551,420
Receivables	604,992	335,954
Total Financial Assets	<u>\$ 6,006,892</u>	<u>\$ 887,374</u>
Less:		
Donor Restricted for Period Beyond One Year	<u>(1,677,654)</u>	<u>(265,964)</u>
Financial Assets Available Within One Year	<u>\$ 4,329,238</u>	<u>\$ 621,410</u>

6. Accounts Receivable

Accounts receivable amounted to \$5,603 and \$5,221 as of December 31, 2020 and 2019 respectively. All accounts were deemed collectible by the organization, hence, an allowance for doubtful accounts was deemed unnecessary.

7. Grants Receivable

Grants receivable amounted to \$579,389 and \$128,233 as of December 31, 2020 and 2019 respectively. Grant receivables are comprised of contracts from the State of Hawaii and other private grants.

THE FOOD BASKET, INC.
(A not-for-profit organization)

Notes to Financial Statements

December 31, 2020

(With Summarized Information for the Year Ended December 31, 2019)

8. Pledges Receivable

Pledges receivable amounted to \$20,000 and \$202,500 as of December 31, 2020 and 2019 respectively. Pledges receivable are comprised of private grants from various foundations and other organizations. The Food Basket anticipates collection of all outstanding pledges as of December 31, 2020.

9. Property and Equipment

Property and equipment for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Building	\$ 57,160	\$ 57,160
Furniture and equipment	87,646	70,356
Warehouse equipment	194,751	176,564
Vehicles	639,475	525,438
Leasehold improvements	<u>836,479</u>	<u>813,921</u>
	1,815,511	1,643,439
Less accumulated depreciation	<u>(513,575)</u>	<u>(362,825)</u>
Net property and equipment	<u>\$ 1,301,936</u>	<u>\$ 1,280,614</u>

10. Leases

Building and Lease – Hilo Hawaii

The Food Basket purchased a building located on 40 Holomua Street, Hilo, Hawaii in the amount of \$57,160, with additional improvements. The land is situated on leasehold property which The Food Basket is leasing from the Department of Land and Natural Resources. The lease executed on May 24, 2011 grants The Food Basket a lease term commencing May 24, 2011 and ending January 15, 2016. The lease has been extended up to January 15, 2026. The annual lease rent is \$1,500 payable in an annual rental installment commencing on January 16, 2016 and every year during the term.

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Notes to Financial Statements

December 31, 2020
(With Summarized Information for the Year Ended December 31, 2019)

10. Leases - continued

Building and Lease – Kailua-Kona, Hawaii

On December 15, 2015, the County of Hawaii, Office of Housing and Community Development entered into a lease agreement with The Food Basket for warehouse space located at Kailua–Kona, Hawaii. The term of the lease agreement is 10 years with the option to renew for additional five-year terms with lease rent based on square footage of 4,741 with the amounts for months 1-6 rent will be computed based on \$0.20, months 7-12 \$0.40 and years 2-5 \$0.40. Every five years, the rent will be adjusted according to 50% of the fair market value for unimproved commercial warehouse spaces as determine by the County of Hawaii and The Food Basket.

Minimum lease payments for the next five years are as follows:

Years:		
December 31,		
2021	\$	24,257
2022		24,257
2023		24,257
2024		24,257
Thereafter		25,757
	\$	<u>122,785</u>

11. Unused Line of Credit

The Food Basket established a line of credit in the amount of \$250,000 pursuant to the Revolving Credit Agreement dated October 15, 2012. The line of credit was amended as of June 16, 2020. The date of maturity of the note is May 31, 2021 with an annual interest floor rate of 4.5%. No balance is due as of December 31, 2020.

12. CARES Act – Paycheck Protection Program

The Food Basket received loan proceeds in the amount of \$157,500 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides loans to qualifying businesses for payroll costs, utilities and other qualifying expenses. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. The interest rate is 1% per year with a deferral of payments. The Organization was notified by the Small Business Administration that the loan was forgiven on April 13, 2021.

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Notes to Financial Statements

December 31, 2020
(With Summarized Information for the Year Ended December 31, 2019)

13. Donor Restricted Net Assets

Net assets with donor restrictions are restricted for the following purpose:

For the year ended December 31, 2019

	2019
Double Up Food Bucks	\$ 99,750
Fresh Produce Programs	54,116
Keiki Backpack	28,141
Hawaii Good Food Alliance	20,683
Senior Brown Bags	8,000
Other Donor Restricted	55,273
	<u>\$ 265,963</u>

Net assets with donor restrictions are restricted for the following purpose:

For the year ended December 31, 2020:

	2020
COVID-19 & Emergency Food	\$ 730,801
Double Up Food Bucks	482,266
Hawaii Good Food Alliance	369,955
Senior Brown Bags	39,387
Fresh Produce Programs	35,043
Keiki Backpack	19,202
Other Donor Restricted	1,000
	<u>\$ 1,677,654</u>

14. Contingencies

The Food Basket, Inc. operates in the State of Hawaii. National and international events can have severe, adverse effects on economic conditions in Hawaii. The effects, if any, on the financial statements of the Organization from changes in the economic conditions are not presently determinable.

THE FOOD BASKET, INC.
(A not-for-profit organization)

Notes to Financial Statements

December 31, 2020

(With Summarized Information for the Year Ended December 31, 2019)

15. Subsequent Events

- In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity. The ultimate impact of COVID-19 on the financial performance of the organization is not reasonably estimable at this time.
- Management has evaluated subsequent events through October 7, 2021, the date that the financial statements were available to be issued. The Organization has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred that would require disclosure.

The Food Basket, Inc.
(a not-for-profit organization)

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2020

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Contract Identification Number</u>	<u>Federal Expenditures</u>
<u>United States Department of Agriculture</u>			
National Institute of Food and Agriculture			
Food Insecurity Nutrition Incentive	10.331	2017-070025-26680	\$ 178,981
Gus Schumacher Nutrition Incentive Grant Program	10.331	2019-70030-30403	151,952
Sub-total United States Department of Agriculture			* <u>330,933</u>
<u>Pass-Through from State of Hawaii</u>			
United States Department of Agriculture			
USDA The Emergency Food Assistance Program - Food Commodities	10.569	OCS-TEFAP	2,128,636
USDA The Emergency Food Assistance Program - Administration	10.568	OCS-TEFAP	86,902
USDA Commodity Supplemental Food Program - Food Commodities	10.565	OCS-CSFP	799,532
USDA Commodity Supplemental Food Program - Administration	10.565	OCS-CSFP	77,447
Total USDA Food Assistance Cluster			<u>3,092,517</u>
United States Department of Agriculture			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	DHS-16-SNAP-3114	53,880
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	SNAP 21-08	12,505
USDA Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	OCS-TEFAP	57,043
Total Pass-Through from the State of Hawaii			<u>3,215,945</u>
<u>Pass-Through from The Kohala Center</u>			
National Institute of Food and Agriculture			
Community Food Projects 2017-33800-27041	10.225	2017-33800-27041	53,015
Total Pass-Through from Kohala Center			<u>53,015</u>
Total United States Department of Agriculture			<u>3,599,893</u>
United States Department of Housing and Urban Development			
<u>Pass-Through from The County of Hawaii</u>			
United States Department of Housing and Urban Development (HUD)			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - CDBG			
The Food Basket Pandemic Emergency Food Program	14.228	CDBG-CV1	643,000
The Food Basket Emergency Food Distribution Equipment Acquisition	14.228	CDBG-CV2	12,216
The Food Basket Pandemic Emergency Food Program	14.228	CDBG-CV3	136,930
Total United States Department of Housing and Urban Development & Pass-Through from The County of Hawaii			* <u>792,146</u>
United States Department of the Treasury			
<u>Pass-Through from State of Hawaii</u>			
Coronavirus Relief Fund -- CARES Act - DA BUX Double Up Food Bucks	21.019	#69119	500,000
Total Pass-Through from State of Hawaii			<u>500,000</u>
<u>Pass-Through from Hawaii Community Foundation</u>			
Coronavirus Relief Fund	21.019	20HCF-103899	650,000
Total Pass-Through from Hawaii Community Foundation			<u>650,000</u>
Total United States Department of the Treasury			* <u>1,150,000</u>
Total Expenditure of Federal Awards			<u>\$ 5,542,039</u>

* Denotes major program

The accompanying notes are an integral part of this schedule.

The Food Basket, Inc.

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2020

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Food Basket, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The Food Basket, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors
The Food Basket, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of The Food Basket, Inc., (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 7, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Food Basket, Inc.'s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Food Basket, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Food Basket, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Food Basket, Inc.'s, financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material

effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ann Fukuhara

Ann Fukuhara, CPA MBA, An Accountancy Corporation
Hilo, Hawaii
October 7, 2021

Ann N. Fukuhara, CPA MBA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
The Food Basket, Inc.

Report on Compliance for Each Major Federal Program

We have audited The Food Basket, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of The Food Basket, Inc.'s major federal programs for the year ended December 31, 2020. The Food Basket, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Food Basket, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Food Basket, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Food Basket, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, The Food Basket, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of The Food Basket, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Food Basket, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Food Basket, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Ann Fukuhara

Ann Fukuhara, CPA MBA, An Accountancy Corporation
October 7, 2021
Hilo, Hawaii

The Food Basket, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified? Yes **None Reported**

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified? Yes **None Reported**

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)? Yes No

The programs tested as major programs are as follows:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.331	Food Insecurity Nutrition Incentive Grants Program
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants Hawaii
21.019	Coronavirus Relief Fund

The threshold for distinguishing Types A and B programs: \$750,000.

The Food Basket, Inc. qualified as a low-risk auditee: Yes No

FINDINGS – FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None