

The Food Basket, Inc.

(A Not-for-Profit Organization)

Financial Statements

December 31, 2021

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

(With Independent Auditor's Reports Thereon)

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Ann N. Fukuhara, CPA MBA
An Accountancy Corporation

P.O. Box 6691
Hilo, Hawaii 96720

Independent Auditor's Report

Board of Directors
The Food Basket, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Food Basket, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Food Basket, Inc. as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Food Basket, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Food Basket, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with accepted auditing standards and *Government Auditing Standards*; we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Food Basket, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Food Basket, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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* 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, such 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 September 21, 2022, 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
September 21, 2022
Hilo, Hawaii

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

Statement of Financial Position

December 31, 2021
(With Comparative Information as of December 31, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 4,123,117	\$ 3,744,246
Accounts receivable	7,479	5,603
Grants receivable	354,947	579,389
Pledges receivable	509,000	20,000
Inventory	1,037,734	973,513
Property and equipment, net of accumulated depreciation of \$727,534 for 2021 and \$513,575 for 2020	1,360,506	1,301,936
Deposits	82,356	37,962
Prepaid expenses	36,133	26,220
Cash - designated by donors	1,049,430	1,657,654
Total assets	<u>\$ 8,560,702</u>	<u>\$ 8,346,523</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 204,582	\$ 222,362
Accrued expenses	127,218	121,792
Deferred revenues	102,127	110,415
Paycheck Protection Program	-	157,500
Current portion of lease payments	1,457	-
Total current liabilities	<u>435,384</u>	<u>612,069</u>
Long-term portion of lease payments	<u>6,846</u>	<u>-</u>
Net Assets:		
Without donor restrictions	6,292,828	6,056,800
Without donor restrictions - Board Designated	351,137	-
With donor restrictions	1,474,507	1,677,654
Total net assets	<u>8,118,472</u>	<u>7,734,454</u>
Total liabilities and net assets	<u>\$ 8,560,702</u>	<u>\$ 8,346,523</u>

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, 2021
(With Summarized Information for the Year Ended December 31, 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Revenues and support				
Donations	\$ 7,534,230	\$ 1,486,632	\$ 9,020,862	\$ 13,723,878
Government contracts - State of Hawaii	414,176	-	414,176	382,011
County of Hawaii - contract	127,147	-	127,147	150,371
Federal grants	1,907,336	-	1,907,336	2,430,580
United Way and combined federal campaign	867	30,000	30,867	35,885
Program service fees	482,976	-	482,976	388,965
Interest income	2,143	-	2,143	957
Other income	1,435	-	1,435	-
Total revenues and gains	<u>10,470,310</u>	<u>1,516,632</u>	<u>11,986,942</u>	<u>17,112,647</u>
Net assets released from restrictions satisfaction				
Satisfied by expenditures	<u>1,719,779</u>	<u>(1,719,779)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>12,190,089</u>	<u>(203,147)</u>	<u>11,986,942</u>	<u>17,112,647</u>
EXPENSES				
Program expenses	11,177,317	-	11,177,317	11,363,580
General & administrative	327,865	-	327,865	283,381
Fundraising	97,742	-	97,742	94,639
	<u>11,602,924</u>	<u>-</u>	<u>11,602,924</u>	<u>11,741,600</u>
Change in net assets	587,165	(203,147)	384,018	5,371,047
Net assets, beginning of year	<u>6,056,800</u>	<u>1,677,654</u>	<u>7,734,454</u>	<u>2,363,407</u>
Net assets, end of year	<u>\$ 6,643,965</u>	<u>\$ 1,474,507</u>	<u>\$ 8,118,472</u>	<u>\$ 7,734,454</u>

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, 2021
(With Summarized Information for the Year Ended December 31, 2020)

	Program Expenses	General and Administrative	Fundraising	2021 Total	2020 Total
Salaries	\$ 920,807	\$ 162,495	\$ -	\$ 1,083,302	\$ 846,969
Other employee benefits	238,882	42,156	-	281,038	215,715
Payroll taxes	106,814	18,849	-	125,663	98,248
Total salaries and related expenses	<u>1,266,503</u>	<u>223,500</u>	<u>-</u>	<u>1,490,003</u>	<u>1,160,932</u>
Food expenses	7,183,183	-	-	7,183,183	8,498,623
Contracts - program-related	1,660,104	-	-	1,660,104	974,023
Professional fees	208,677	19,000	97,742	325,419	231,371
Transportation and delivery	115,488	-	-	115,488	123,316
Supplies	89,451	9,939	-	99,390	101,490
Utilities	79,903	8,878	-	88,781	74,369
Advertising & marketing	77,168	4,566	-	81,734	74,254
Grants and assistance to sub-recipients	67,680	-	-	67,680	70,246
Rent	50,514	5,613	-	56,127	44,804
Equipment repairs & maintenance	48,477	2,551	-	51,028	51,383
Insurance	31,408	13,461	-	44,869	39,810
Facilities repairs & maintenance	34,651	3,850	-	38,501	21,212
Other expenses	19,047	12,700	-	31,747	48,075
Travel	16,584	1,843	-	18,427	24,202
Meetings	8,627	3,697	-	12,324	17,463
Telephone	8,746	972	-	9,718	13,083
Total expenses before depreciation	<u>10,966,211</u>	<u>310,570</u>	<u>97,742</u>	<u>11,374,523</u>	<u>11,568,655</u>
Depreciation	<u>211,106</u>	<u>17,295</u>	<u>-</u>	<u>228,401</u>	<u>172,945</u>
Total Expenses	<u>\$ 11,177,317</u>	<u>\$ 327,865</u>	<u>\$ 97,742</u>	<u>\$ 11,602,924</u>	<u>\$ 11,741,600</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, 2021
(With Comparative Information for the Year Ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 384,018	\$ 5,371,047
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	228,401	172,945
Disposal of property	-	4,981
Forgiveness of Cares Act Paycheck Protection Loan	(157,500)	-
(Increase) decrease in:		
Accounts receivable	(1,876)	(382)
Grants receivable	224,442	(451,156)
Pledges receivable	(489,000)	182,500
Inventory	(64,221)	(551,597)
Prepaid expenses	(9,913)	(792)
Deposits	(44,394)	(25,346)
Increase (decrease) in:		
Accounts payable	(17,780)	173,215
Accrued expenses	5,426	42,323
Deferred revenues	(8,288)	95,571
Net cash provided by operating activities	<u>49,315</u>	<u>5,013,309</u>
Cash Flows From Investing Activities:		
Additions of property and equipment	<u>(286,971)</u>	<u>(199,248)</u>
Net cash used in investing activities	<u>(286,971)</u>	<u>(199,248)</u>
Cash Flows from Financing Activities:		
Paycheck Protection Program proceeds	-	157,500
Proceeds from borrowings	8,715	-
Loan repayment	(412)	(121,081)
Cash designated by donors and grantors	<u>608,224</u>	<u>(1,391,690)</u>
Net cash used in financing activities	<u>616,527</u>	<u>(1,355,271)</u>
Net increase in cash and cash equivalents	378,871	3,458,790
Cash and cash equivalents - beginning of year	<u>3,744,246</u>	<u>285,456</u>
Cash and cash equivalents - end of year	<u>\$ 4,123,117</u>	<u>\$ 3,744,246</u>

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

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

Notes to Financial Statements

December 31, 2021
(With Summarized Information for the Year Ended December 31, 2020)

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, 2021, 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, 2021 and 2020, The Food Basket distributed approximately 4 million and 4.6 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 \$1.79 for 2021 and \$1.74 in 2020, was based upon a study performed by Feeding America.

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

Notes to Financial Statements

December 31, 2021
(With Summarized Information for the Year Ended December 31, 2020)

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 \$1.79 and \$1.74 per pound for the years ended December 2021 and 2020 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, 2021 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, 2021 and 2020 in the amount of \$3,980,669 and \$4,144,766 respectively.

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, 2021
(With Summarized Information for the Year Ended December 31, 2020)

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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(A not-for-profit organization)

Notes to Financial Statements

December 31, 2021
(With Summarized Information for the Year Ended December 31, 2020)

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, 2020 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:

	Total <u>12/31/2021</u>	Total <u>12/31/2020</u>
Cash and cash equivalents	\$ 5,172,547	\$ 5,401,900
Receivables	871,426	604,992
Total Financial Assets	<u>\$ 6,043,973</u>	<u>\$ 6,006,892</u>
Less:		
Donor Restricted for Period Beyond One Year	<u>(1,474,507)</u>	<u>(1,677,654)</u>
Financial Assets Available Within One Year	<u>\$ 4,569,466</u>	<u>\$ 4,329,238</u>

6. Accounts Receivable

Accounts receivable amounted to \$7,479 and \$5,603 as of December 31, 2021 and 2020 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 \$354,947 and \$579,389 as of December 31, 2021 and 2020 respectively. Grant receivables are comprised of contracts from the State of Hawaii and other private grants.

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Notes to Financial Statements

December 31, 2021
(With Summarized Information for the Year Ended December 31, 2020)

8. Pledges Receivable

Pledges receivable amounted to \$509,000 and \$20,000 as of December 31, 2021 and 2020 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, 2021.

9. Property and Equipment

Property and equipment for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Building	\$ 57,160	\$ 57,160
Furniture and equipment	99,405	87,646
Warehouse equipment	255,577	194,751
Vehicles	823,987	639,475
Leasehold improvements	851,911	836,479
	2,088,040	1,815,511
Less accumulated depreciation	(727,534)	(513,575)
Net property and equipment	<u>\$ 1,360,506</u>	<u>\$ 1,301,936</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.

1284 Kilauea Avenue, Hilo Hawaii

The Food Basket entered into a lease dated August 26, 2021 to lease space located at 1284 Kilauea Avenue, Hilo Hawaii. Pursuant to this lease, term will be three years commencing October 1, 2021

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Notes to Financial Statements

December 31, 2021
(With Summarized Information for the Year Ended December 31, 2020)

10. Leases – continued

and ending October 1, 2022 with a base rent of \$2,304 per month inclusive of Hawaii State General Excise taxes. The lease allows an option to renew for three years at \$2,419 per month.

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,		
2022	\$	51,901
2023		51,901
2024		44,993
2025		24,257
Thereafter		1,500
	\$	<u>174,551</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 May 26, 2021. The date of maturity of the note is May 31, 2022 with an annual interest floor rate of 4.5%. No balance is due as of December 31, 2021.

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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December 31, 2021
(With Summarized Information for the Year Ended December 31, 2020)

13. Capital Leases

The Food Basket entered into a lease dated September 13, 2021 for a term of five years. The cost of the equipment totaled \$8,715 and has been included in property and equipment.

Future minimum payments under the capital lease for the future years ended December 31, 2021 are as follows:

2022	\$ 2,222
2023	2,222
2024	2,222
2025	2,222
2026	<u>1,481</u>
Total minimum lease payments	10,368
Less: amount representing interest	<u>(2,065)</u>
	<u>\$ 8,303</u>
Current portion	\$ 1,457
Non current portion	<u>6,846</u>
	<u>\$ 8,303</u>

Total amount of interest payments amounted to \$285 for the year ended December 31, 2021.

14. Donor Restricted Net Assets

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	<u>1,000</u>
	<u>\$ 1,677,654</u>

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

Notes to Financial Statements

December 31, 2021
(With Summarized Information for the Year Ended December 31, 2020)

14. Donor Restricted Net Assets - continued

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

For the year ended December 31, 2021:

	2021
Double Up Food Bucks	\$ 761,635
Hawaii Good Food Alliance	570,524
Senior Brown Bags	52,699
Fresh Produce Programs	38,725
COVID 19 & Emergency Food	17,282
Keiki Backpack	11,622
Other Donor Restricted	22,020
	<u>\$ 1,474,507</u>

15. 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.

16. 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 September 21, 2022, 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, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Contract Identification Number	Federal Expenditures
<u>United States Department of Agriculture</u>			
National Institute of Food and Agriculture			
Food Insecurity Nutrition Incentive	10.331	2017-070025-26680	\$ 63,063
Gus Schumacher Nutrition Incentive Grant Program	10.331	2019-70030-30403	808,368
Gus Schumacher Nutrition Incentive Grant Program - "GusNIP2"	10.331	2021-70030-35786	79,170
Gus Schumacher Nutrition Incentive Grant Program - "CRR - COVID"	10.331	2021-70034-35360	472,910
Sub-total United States Department of Agriculture			1,423,511
<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	1,908,901
USDA The Emergency Food Assistance Program - Administration	10.568	OCS-TEFAP	125,735
USDA Commodity Supplemental Food Program - Food Commodities	10.565	OCS-CSFP	681,594
USDA Commodity Supplemental Food Program - Administration	10.565	OCS-CSFP	83,018
Total USDA Food Assistance Cluster			* 2,799,248
United States Department of Agriculture			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	DHS-21-SNAP-0057	55,451
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	SNAP 21-08	36,995
Total Pass-Through from the State of Hawaii			2,891,694
<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	12,513
Total Pass-Through from Kohala Center			12,513
Total United States Department of Agriculture			4,327,718
<u>United States Department of Housing and Urban Development</u>			
<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 Emergency Food Distribution Equipment Acquisition	14.228	CDBG-CV2	211,284
The Food Basket Pandemic Emergency Food Program	14.228	CDBG-CV3	272,542
Total United States Department of Housing and Urban Development & Pass-Through from The County of Hawaii			483,826
Total Expenditure of Federal Awards			\$ 4,811,544

* 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, 2021

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.

Ann N. Fukuhara, CPA MBA
An Accountancy Corporation

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(808) 961-5532

**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, 2021, 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 September 21, 2022.

Report on 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.

Report on 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
September 21, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR 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

Opinion on Each Major Federal Program

We have audited The Food Basket, Inc.'s compliance with the types of compliance requirements identified as subject to audit 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, 2021. 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.

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, 2021.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Food Basket, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of The Food Basket, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to The Food Basket, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Food Basket, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Food Basket, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding The Food Basket, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Food Basket, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 The Food Basket, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
September 21, 2022
Hilo, Hawaii

The Food Basket, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

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>Assistance Listing</u>	<u>Name of Federal Program or Cluster</u>
10.565	Commodity Supplemental Food Program (Cluster)
10.568	Emergency Food Assistance program (Administrative Costs – Cluster)
10.569	Emergency Food Assistance Program (Food Commodities – Cluster)

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