

ANAINA HOU COMMUNITY PARK
(A HAWAII NONPROFIT CORPORATION)

FINANCIAL STATEMENTS
(With Independent Auditors' Report)

FOR THE YEAR ENDED DECEMBER 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Anaina Hou Community Park
2723 Kuhio Highway
Kilauea, Hawaii 96754

We have audited the accompanying financial statements of Anaina Hou Community Park (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Anaina Hou Community Park as of December 31, 2015, 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.

Carbonaro CPAs & Management Group
Wailuku, Hawaii
January 12, 2017

ANAINA HOU COMMUNITY PARK
Statement of Financial Position
As of December 31, 2015

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents (Note 2)	\$ 108,213
Inventory (Note 2)	37,078
Prepaid Expenses	17,415
Total Current Assets	162,706
 FIXED ASSETS (Note 2)	
Buildings and Improvements	1,717,984
Land	3,320,000
Land Improvements	1,544,002
Equipment and Storage	142,801
Furniture and Fixtures	98,936
Miniature Golf Course	1,244,508
	8,068,231
Less Accumulated Depreciation	(3,424,119)
Net Fixed Assets	4,644,112
 OTHER ASSETS	
Intangible Assets-Net of Accumulated Amortization of \$17,052 as of December 31, 2015	399
Construction in Progress (Note 4)	2,580,641
Total Other Assets	2,581,040
TOTAL ASSETS	\$ 7,387,858

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	\$ 37,837
Accrued Payroll and Related Expenses	51,535
Other Accrued Expenses	8,137
Total Current Liabilities	97,509
 NET ASSETS (Note 3)	
Unrestricted Net Assets	7,290,349
Total Net Assets	7,290,349
TOTAL LIABILITIES AND NET ASSETS	\$ 7,387,858

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

ANAINA HOU COMMUNITY PARK
Statement of Activities and Change in Net Assets
For the Year Ended December 31, 2015

PUBLIC SUPPORT AND SALES

Contributions	\$ 2,089,906
Admissions	486,736
Sales Revenue	
Concessions	217,135
Gift Shop	107,795
Other	52,059
Less: Cost of Goods Sold	<u>(187,193)</u>
Net Sales Revenue	<u>189,796</u>
Total Public Support and Sales	2,766,438

EXPENSES

Program Services	1,061,492
Management and General	199,030
Fundraising	<u>66,343</u>
Total Operating Expenses	<u>1,326,865</u>

Changes in Net Assets **1,439,573**

Net Assets, Beginning of Year 5,850,776

Net Assets, End of Year \$ 7,290,349

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

ANAINA HOU COMMUNITY PARK
Statement of Functional Expense
For the year ended December 31, 2015

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 524,229	\$ 98,293	\$ 32,764	\$ 655,286
Repairs and Maintenance	113,788	21,335	7,112	142,235
Benefits	96,632	18,119	6,040	120,791
Property and General Excise Taxes	49,233	9,231	3,077	61,541
Insurance	47,784	8,959	2,986	59,729
Depreciation	46,620	8,741	2,914	58,275
Professional Fees	42,412	7,952	2,651	53,015
Payroll Taxes	34,488	6,467	2,156	43,111
Utilized	30,096	5,643	1,881	37,620
Advertising (Note 2)	17,184	3,222	1,074	21,480
Bank Service Charges	14,784	2,772	924	18,480
Events	12,958	2,430	810	16,198
Supplies	11,556	2,167	722	14,445
Travel	8,292	1,555	518	10,365
Office Expenses	7,335	1,375	458	9,168
Other Expenses	1,988	373	124	2,485
Dues and Subscriptions	1,524	286	95	1,905
Postage and Shipping	589	110	37	736
Total Expenses	\$ 1,061,492	\$ 199,030	\$ 66,343	\$ 1,326,865

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

ANAINA HOU COMMUNITY PARK
Statement of Cash Flows
For the year ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Contributions	\$ 2,089,906
Cash Received from Admissions	486,736
Cash Received from Sales	376,989
Cost of Goods Sold	(187,193)
Cash Paid to Employees and Vendors	<u>(1,337,550)</u>
Net Cash Provided by Operating Activities (Note 9)	1,428,888

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Fixed Assets and Construction in Progress	<u>(1,417,053)</u>
Net Cash Used by Investing Activities	(1,417,053)

CASH FLOWS FROM FINANCING ACTIVITIES

Net Cash Used by Financing Activities	<u>-</u>
Net Increase in Cash for the Year	11,835
CASH AT BEGINNING OF YEAR	<u>96,378</u>
CASH AT END OF YEAR	<u><u>\$ 108,213</u></u>

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

ANAINA HOU COMMUNITY PARK

Notes to the Financial Statements
December 31, 2015

Note 1. ORGANIZATION

Anaina Hou Community Park (the Organization) was incorporated under the laws of the State of Hawaii on April 11, 2012, for the purpose of enriching the lives of the community of Kaua'i through arts, education, recreation, and agriculture while sharing our cultural values and the spirit of aloha.

The Organization operates on a 15-acre parcel of land in the Kilauea area of Kaua'i. The property serves as a gathering place for the community and offers opportunity for recreation, cultural education, and sustainable agriculture programs and activities.

The Organization is funded by private contributions, admissions, and revenue generated through sales of concessions, merchandise, and rentals.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue and Expense Recognition: The Organization uses the accrual method of accounting. Under this method of accounting, revenue is recognized when earned, contributions are recognized when received and expenses are recognized when incurred.

Cash and Cash Equivalents: Cash and cash equivalents reflected in the Statement of Cash Flows include checking accounts, savings accounts, and money market accounts that are readily converted to cash within 90 days.

Fixed Assets: The Organization capitalizes major expenditures costing at least \$1,000 and having a useful life of three years or longer. Fixed Assets are recorded at cost. Depreciation is recorded based on the straight-line method over the expected useful lives of the assets. The useful life of the assets ranges from 3 to 40 years.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Inventory: Inventory is stated at cost. Cost is determined by the first-in, first-out method. Inventory consists of food and merchandise that is sold at the gift shop and concession stand.

Advertising Policies: Management expenses all advertising costs as incurred.

Income Taxes: The Organization is exempt from Federal income taxes pursuant to Internal Revenue Code section 501(c)(3), and exempt from State income taxes except for unrelated business income under Section 237-23 (b) of the Hawaii Revised Statutes. Therefore, no provision for Federal or State income taxes is required for the financial statements.

ANAINA HOU COMMUNITY PARK

Notes to the Financial Statements
December 31, 2015

Note 3. NET ASSETS

The Organization has conformed to FASB ASC 958-210-45-9, "Not-for-Profit Entities, and Classifications of Net Assets." Accordingly, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

There were no temporarily or permanently restricted net assets as of December 31, 2015.

Note 4. CONSTRUCTION IN PROGRESS

The Organization is in the process of construction of a pavilion on the property that will enable the Organization to expand its efforts to offer the community a place to gather. The pavilion is intended to serve as the location for the community to share the arts and culture. Total costs incurred for this project through December 31, 2015 are \$2,580,641 and are currently being capitalized until the project is completed. Management has estimated that the project will be complete by early 2018.

Note 5. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 6. CONCENTRATIONS OF RISK

During the fiscal year ended December 31, 2015, the Organization received approximately 76% of its revenue from a private donor. Significant reductions of this source of revenue, if any, could have an adverse effect on the Organization's ability to continue operations.

Note 7. SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through January 12, 2017, the date the financial statements were available for use.

ANAINA HOU COMMUNITY PARK

Notes to the Financial Statements
December 31, 2015

Note 8. UNCERTAIN TAX POSITION

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statement of activities. As of December 31, 2015, the Organization has analyzed its tax positions and believes that all are more likely than not to be sustained upon examination.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2012.

Note 9. RECONCILIATION OF CHANGE IN NET ASSETS WITH NET CASH PROVIDED BY OPERATING ACTIVITIES

Change in Net Assets	\$ 1,439,573
Adjustments to Reconcile:	
Depreciation and Amortization Expense	58,275
Change in Inventory	(4,716)
Change in Prepaid Expenses	(16,087)
Change in Accounts Payable	(58,949)
Change in Accrued Liabilities	10,792
Net Cash Provided by Operating Activities	<u>\$ 1,428,888</u>