

ANAINA HOU COMMUNITY PARK
(A HAWAII NONPROFIT CORPORATION)

FINANCIAL STATEMENTS
(With Independent Auditors' Report)

FOR THE YEARS ENDED DECEMBER 31, 2016 and 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 statements of financial position as of December 31, 2016 and 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Carbonaro CPAs & Mgmt Group

Wailuku, Hawaii
July 21, 2017

ANAINA HOU COMMUNITY PARK

Statements of Financial Position
As of December 31, 2016 and 2015

ASSETS		
	2016	2015
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2)	\$ 151,995	\$ 108,213
Inventory (Note 2)	10,524	37,078
Prepaid Expenses	29,478	17,415
Total Current Assets	191,997	162,706
FIXED ASSETS (Note 2)		
Buildings and Improvements	1,717,984	1,717,984
Land	3,320,000	3,320,000
Land Improvements	1,567,549	1,544,002
Equipment and Storage	154,186	142,801
Furniture and Fixtures	101,757	98,936
Miniature Golf Course	1,248,370	1,244,508
	8,109,846	8,068,231
Less Accumulated Depreciation	(3,492,757)	(3,424,119)
Net Fixed Assets	4,617,089	4,644,112
OTHER ASSETS		
Intangible Assets-Net of Accumulated Amortization of \$17,052 as of December 31, 2016 and 2015	5,399	399
Construction in Progress (Note 4)	1,275,192	2,580,641
Total Other Assets	1,280,591	2,581,040
TOTAL ASSETS	\$ 6,089,677	\$ 7,387,858
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 73,453	\$ 37,837
Accrued Payroll and Related Expenses	37,755	51,535
Other Accrued Expenses	6,570	8,137
Total Current Liabilities	117,778	97,509
NET ASSETS (Note 3)		
Unrestricted Net Assets	5,940,665	7,290,349
Temporarily Restricted Net Assets	31,234	-
Total Net Assets	5,971,899	7,290,349
TOTAL LIABILITIES AND NET ASSETS	\$ 6,089,677	\$ 7,387,858

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

ANAINA HOU COMMUNITY PARK
Statement of Activities and Changes in Net Assets
For the Years Ended December 31, 2016 and 2015

	Unrestricted	Temporarily Restricted	Total 2016	2015
PUBLIC SUPPORT AND SALES				
Contributions	\$ 391,165	\$ 455,064	\$ 846,229	\$ 2,089,906
Admissions	579,474		579,474	486,736
Sales Revenue				-
Concessions	290,165		290,165	217,135
Gift Shop	86,356		86,356	107,795
Other	55,721		55,721	52,059
Less: Cost of Goods Sold	(228,259)		(228,259)	(187,193)
Net Sales Revenue	203,983	-	203,983	189,796
Net Assets Released from Restrictions	423,830	(423,830)	-	
Total Public Support and Sales	1,598,452	31,234	1,629,686	2,766,438
OPERATING EXPENSES				
Program Services	980,569		980,569	1,061,492
Management and General	183,857		183,857	199,030
Fundraising	61,287		61,287	66,343
Total Operating Expenses	1,225,713	-	1,225,713	1,326,865
Changes in Net Assets before Impairment	372,739	31,234	403,973	1,439,573
Impairment of Construction in Progress (Note 4)	1,722,423		1,722,423	-
Changes in Net Assets	(1,349,684)	31,234	(1,318,450)	1,439,573
Net Assets, Beginning of Year	7,290,349	-	7,290,349	5,850,776
Net Assets, End of Year	\$ 5,940,665	\$ 31,234	\$ 5,971,899	\$ 7,290,349

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

ANAINA HOU COMMUNITY PARK
Statement of Functional Expense
For the Years Ended December 31, 2016 and 2015

	Program Services	Management and General	Fundraising	2016 Total	2015 Total
Salaries and Wages	\$ 493,626	\$ 92,555	\$ 30,852	\$ 617,033	\$ 655,286
Benefits	73,947	13,865	4,622	92,434	120,791
Repairs and Maintenance	65,149	12,215	4,072	81,436	142,235
Depreciation	54,910	10,296	3,432	68,638	58,275
Property and General Excise Taxes	53,917	10,110	3,370	67,397	61,541
Professional Fees	42,571	7,982	2,661	53,214	53,015
Payroll Taxes	33,364	6,256	2,085	41,705	43,111
Advertising (Note 2)	31,482	5,903	1,968	39,353	21,480
Utilities	30,637	5,744	1,915	38,296	37,620
Insurance	30,138	5,651	1,884	37,673	59,729
Other Expenses	24,694	4,630	1,543	30,867	2,485
Bank Service Charges	16,302	3,057	1,019	20,378	18,480
Supplies	10,523	1,973	658	13,154	14,445
Events	8,918	1,672	557	11,147	16,198
Travel	5,930	1,112	371	7,413	10,365
Office Expenses	2,776	520	173	3,469	9,168
Dues and Subscriptions	1,329	249	83	1,661	1,905
Postage and Shipping	356	67	22	445	736
Total Expenses	\$ 980,569	\$ 183,857	\$ 61,287	\$ 1,225,713	\$ 1,326,865

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

ANAINA HOU COMMUNITY PARK
Statement of Cash Flows
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions	\$ 846,229	\$2,089,906
Cash Received from Admissions	579,474	486,736
Cash Received from Sales	432,242	376,989
Cost of Goods Sold	(228,259)	(187,193)
Cash Paid to Employees and Vendors	<u>(1,122,315)</u>	<u>(1,337,550)</u>
Net Cash Provided by Operating Activities (Note 9)	507,371	1,428,888
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets, Intangible Asset and Construction in Progress	<u>(463,589)</u>	<u>(1,417,053)</u>
Net Cash Used by Investing Activities	(463,589)	(1,417,053)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Cash Used by Financing Activities	<u>-</u>	<u>-</u>
Net Increase in Cash for the Year	43,782	11,835
CASH AT BEGINNING OF YEAR	<u>108,213</u>	<u>96,378</u>
CASH AT END OF YEAR	<u><u>\$ 151,995</u></u>	<u><u>\$ 108,213</u></u>
Supplemental Cash Flow Information:		
Impairment of Construction in Progress (Note 4)	\$ 1,722,423	\$ -

ANAINA HOU COMMUNITY PARK

Notes to the Financial Statements
December 31, 2016 and 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, 2016 and 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.

Temporarily restricted net assets represent donations restricted by the donors for construction purposes. As of December 31, 2016, the remaining temporarily restricted donation balance is \$31,234 which is available for construction purposes in the future.

There were no permanently restricted net assets as of December 31, 2016 and 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, 2016 and 2015 are \$2,997,615 and \$2,580,641, respectively.

During 2016, management and the board of directors determined it was necessary to change the pavilion project and reduced the size in order to make the project sustainable. Due to these changes, there were certain items which had been previously capitalized which were determined to be impaired. These amounts were for design, architectural and other items which only related to the original pavilion. The total amount determined to be impaired at December 31, 2016 was \$1,722,423. Management has estimated that the project will be completed 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, 2016 and 2015, the Organization received approximately 46% and 69% of its revenue from a private donor, respectively. 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 July 21, 2017, the date the financial statements were available for use.

ANAINA HOU COMMUNITY PARK

Notes to the Financial Statements

December 31, 2016 and 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, 2016 and 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 2013.

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

	<u>2016</u>	<u>2015</u>
Change in Net Assets	\$(1,318,450)	\$1,439,573
Adjustments to Reconcile:		
Depreciation and Amortization Expense	68,638	58,275
Impairment of Construction in Progress (Note 4)	1,722,423	-
Change in Inventory	26,554	(4,716)
Change in Prepaid Expenses	(12,063)	(16,087)
Change in Accounts Payable	35,616	(58,949)
Change in Accrued Liabilities	(15,347)	10,792
Net Cash Provided by Operating Activities	<u>\$ 507,371</u>	<u>\$1,428,888</u>

Note 10. CONTRACT COMMITMENTS

During the construction of the pavilion, described in Note 4, the Organization enters into various contracts in the normal course of constructing the pavilion. Subsequent to year end, the Organization has entered into contracts for \$2,557,700 and \$178,655 for work to be performed for a general contractor and addition site work to construct the pavilion, respectively.