ANAINA HOU COMMUNITY PARK
(A HAWAII NONPROFIT CORPORATION)

FINANCIAL STATEMENTS
(With Independent Auditors' Report)

FOR THE YEAR ENDED DECEMBER 31, 2018
(with comparative totals for the year ended December 31, 2017)

Carbonaro CPAs & Management Group

Certified Public Accountants
Member: AICPA
HSCPA

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, 2018, 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, 2018, 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.

Maui:
1885 Main Street, Suite 408 – **Wailuku**, Hawaii 96793
310 Ohukai Road, Suite 305 – **Kihei**, Hawaii 9
Phone: 808.242.5002

Big Island:
Location:136 Kinoole Street – **Hilo**, Hawaii 96720
Mailing: P.O. Box 4372 – **Hilo**, Hawaii 96720
Phone: 808.930.6850

www.cabocpa.com

Report on Summarized Comparative Information

We have previously audited Anaina Hou Community Park's 2017 financial statements, and our report dated June 15, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carbonaro CPAs & Mgmt Group

Wailuku, Hawaii
December 10, 2019

ANAINA HOU COMMUNITY PARK
Statements of Financial Position
As of December 31, 2018 and 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents (Notes 2 & 7)	$ 348,571	$ 1,143,267
Accounts Receivable	3,982	-
Inventory (Note 2)	44,249	15,248
Current Portion of Note Receivable (Notes 11 and 13)	4,739,471	336,794
Prepaid Expenses	35,901	53,149
Total Current Assets	5,172,174	1,548,458
FIXED ASSETS (Note 2)		
Buildings and Improvements	7,874,914	1,968,614
Land	3,320,000	3,320,000
Land Improvements	1,567,549	1,567,549
Equipment and Storage	175,481	174,016
Furniture and Fixtures	118,342	104,032
Miniature Golf Course	1,250,171	1,248,370
	14,306,457	8,382,581
Less Accumulated Depreciation	(3,687,512)	(3,547,867)
Net Fixed Assets	10,618,945	4,834,714
OTHER ASSETS		
Other Assets Net of Accumulated Amortization of $3,749 and $2,083 as of December 31, 2018 and 2017, Respectively	2,375	4,041
Note Receivable (Notes 11 and 13)	-	4,858,943
Construction in Progress (Note 4)	5,226	4,700,948
Total Other Assets	7,601	9,563,932
TOTAL ASSETS	$ 15,798,720	$ 15,947,104

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts Payable	$ 46,859	$ 205,152
Accrued Payroll and Related Expenses	35,511	46,796
Promissory Notes (Note 15)	321,098	-
Other Accrued Expenses	17,104	19,646
Total Current Liabilities	420,572	271,594
NET ASSETS (Notes 2 and 3)		
Net Assets Without Donor Restrictions	13,243,433	12,669,411
Net Assets With Donor Restrictions	2,134,715	3,006,099
Total Net Assets	15,378,148	15,675,510
TOTAL LIABILITIES AND NET ASSETS	$ 15,798,720	$ 15,947,104

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 Year Ended December 31, 2018
(with comparative totals for the year ended December 31, 2017)

	Unrestricted	Temporarily Restricted	Total 2018	2017
PUBLIC SUPPORT AND SALES				
Contributions	$ 281,594	$ 207,634	$ 489,228	$ 4,804,791
Gain on Assignment of Promissory Note (Note 12)	-	-	-	489,129
Gain on Stillheart Acquisition (Note 11)	-	-	-	4,852,320
Sales Revenue				
Sales	1,461,737	-	1,461,737	1,074,077
Other	126,121	-	126,121	10,730
Less: Cost of Goods Sold	(239,284)	-	(239,284)	(217,076)
Net Sales Revenue	1,348,574	-	1,348,574	867,731
Net Assests Released from Restrictions	1,079,018	(1,079,018)	-	-
Total Public Support and Sales	2,709,186	(871,384)	1,837,802	11,013,971
OPERATING EXPENSES				
Program Services	1,668,713	-	1,668,713	1,038,932
Management and General	158,223	-	158,223	220,416
Fundraising	64,306	-	64,306	51,012
Total Operating Expenses	1,891,242	-	1,891,242	1,310,360
Write off of Note Receivable (Note 13)	243,922	-	243,922	-
Changes in Net Assets	574,022	(871,384)	(297,362)	9,703,611
Net Assets, Beginning of Year	12,669,411	3,006,099	15,675,510	5,971,899
Net Assets, End of Year	$ 13,243,433	$ 2,134,715	$ 15,378,148	$ 15,675,510

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

ANAINA HOU COMMUNITY PARK
Statement of Functional Expenses
For the Year Ended December 31, 2018
(with comparative totals for the year ended December 31, 2017)

	Program Services	Management and General	Fundraising	2018 Total	2017 Total
Salaries and Wages	$ 574,893	$ 46,577	$ 37,315	$ 658,785	$ 500,150
Payroll Taxes and Benefits	167,515	13,504	9,339	190,358	142,877
Repairs and Maintenance	176,880	908	241	178,029	75,740
Events	147,212	293	-	147,505	37,337
Depreciation	131,702	4,805	4,805	141,312	56,968
Advertising (Note 2)	99,916	1,984	171	102,071	63,426
Utilities	87,844	4,507	4,506	96,857	59,443
Professional Fees	42,403	50,941	1,055	94,399	159,895
Insurance	73,937	6,411	4,265	84,613	65,357
Property and General Excise Taxes	77,846	4,226	1,815	83,887	68,251
Supplies	35,966	2,131	11	38,108	42,385
Bank Service Charges	27,197	1,924	71	29,192	23,446
Office Expenses	13,821	7,212	168	21,201	5,020
Other Expenses	5,993	7,704	-	13,697	1,232
Dues and Subscriptions	4,707	3,949	510	9,166	5,747
Travel	760	663	25	1,448	2,226
Postage and Shipping	121	484	9	614	860
Total Expenses	$ 1,668,713	$ 158,223	$ 64,306	$ 1,891,242	$ 1,310,360

ANAINA HOU COMMUNITY PARK
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions	$ 489,228	$ 4,804,791
Cash Received from Sales	1,583,876	1,084,807
Cash Paid for Cost of Goods Sold	(239,284)	(217,076)
Cash Paid to Employees and Vendors	(1,933,803)	(1,127,971)
Net Cash Provided (Used) by Operating Activities (Note 9)	(99,983)	4,544,551
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Received from Stillheart Merger (Note 11)	-	145,712
Cash Received from Note Receviable	212,344	
Purchase of Fixed Assets and Construction in Progress	(1,228,155)	(3,698,991)
Net Cash Used by Investing Activities	(1,015,811)	(3,553,279)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Received from Promissory Notes	350,000	-
Payments Made on Promissory Notes	(28,902)	
	321,098	-
Net Increase in Cash for the Year	**(794,696)**	**991,272**
CASH AT BEGINNING OF YEAR	1,143,267	151,995
CASH AT END OF YEAR	$ 348,571	$ 1,143,267
Supplemental Non-Cash Investing and Financing Activities:		
Note Receivable Acquired in Stillheart Acquisition (Note 11)	$ -	$ 5,195,737
Note Payable Acquired in Stillheart Acquisition (Note 11)	$ -	$ 489,129
Asset Acquired in Assignment of Promissory Note (Note 12)	$ -	$ 489,129
Write Off of Note Receivable (Note 13)	$ 243,922	$ -

Notes to the Financial Statements
December 31, 2018

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 members of our community and the many guests of our island who visit our campus 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 provides a gathering place in Kilauea rooted in the values, history and culture of our diverse community.

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 includes 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. Total advertising expenses were $102,071 and $63,426 for the years ended December 31, 2018 and 2017, respectively.

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.

Reclassifications: Certain items on the 2017 financial statements have been reclassified to conform to 2018 classifications. During 2018, it was determined that the amount restricted for educational purpose was incorrectly recorded and needed to be adjusted. The entry increased net assets with donor restriction and decrease net assets without donor restriction by $227,667. These reclassifications had no effect on total net assets.

Notes to the Financial Statements
December 31, 2018

Note 3. NET ASSETS AND NEW ACCOUNTING PRONOUNCEMENTS

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Organization's financial statements:

The temporarily restricted net asset class has been renamed net assets with donor restrictions. The unrestricted net asset class has been renamed net assets without donor restrictions.

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

Net assets without donor restrictions include all resources that are not subject to donor-imposed stipulations or contributions with donor-imposed restrictions that are met during the same year as the contribution is made. Net assets without donor restrictions denoted as property and equipment represent equity in such property and equipment.

Net assets with donor restriction include amounts that the donor subjects to restrictions in perpetuity and amounts subject to legal or donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time.

The changes have the following effect on net assets at December 31, 2017:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted Net Assets	$ 12,669,411	$ -
Temporarily Restricted Net Assets (See note 2)	3,006,099	-
Net Assets Without Donor Restrictions	-	12,669,411
Net Assets With Donor Restrictions	-	3,006,099
	$ 15,675,510	$ 15,675,510

As of December 31, 2018 and 2017, Net Assets With Donor Restrictions were as follows:

Error! Not a valid link.

The financial statements include a new disclosure about liquidity and availability of resources (Note 16).

Notes to the Financial Statements
December 31, 2018

Note 4. CONSTRUCTION IN PROGRESS

The Organization is in the process of constructing 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. During the year, Phase I of the pavilion was completed and placed into service. Phase II is underway and total costs incurred for this phase through December 31, 2018 is $5,226. In addition Phase I of the pavilion, the Organization placed a playground in service during the year.

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, 2018 and 2017, the Organization received approximately 18% and 40%, respectively, of its revenue from contributions from a private donor who is a member of the Board of Directors. Significant reductions in this source of revenue, if any, could have an adverse effect on the Organization's ability to continue operations. Management is aware of this and has taken steps to mitigate this risk.

Note 7. CASH CONCENTRATIONS

The Organization, from time to time, maintains cash balances at financial institutions in excess of federally insured limits. Management acknowledges the possibility of risk in this arrangement; however, the size and the longevity of the depository institution minimize such risk. The following represents a summary as of December 31:

	2018	2017
Fully Insured Deposits	$ 348,571	$ 279,477
Uncollateralized	-	863,790
	$ 348,571	$ 1,143,267

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, 2018 and 2017, 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 2015.

Notes to the Financial Statements
December 31, 2018

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

	2018	2017
Change in Net Assets	$ (297,362)	$ 9,703,611
Adjustments to Reconcile:		
Depreciation	141,312	56,968
Write-off of Note Receivable (Note 13)	243,922	-
Gain on Assignment of Promissory Note (Note 12)	-	(489,129)
Gain on Stillheart Acquisition (Note 11)	-	(4,852,320)
Change in Accounts Receivable	(3,982)	-
Change in Inventory	(29,001)	(4,724)
Change in Note Receivable	-	-
Change in Prepaid Expenses	17,248	(23,671)
Change in Accounts Payable	(158,293)	131,699
Change in Accrued Liabilities	(13,827)	22,117
Net Cash Provided (Used) by Operating Activities	$ (99,983)	$ 4,544,551

Note 10. SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 10, 2019, the date the financial statements were available for use.

Note 11. STILLHEART ACQUISITION

The Organization conforms to FASB ASC 958-805, "Not-for-Profit Entities, and Business Combinations." On September 30, 2017, the Organization acquired all assets and liabilities from the Stillheart Institute, a California Nonprofit Corporation. Stillheart Institute ceased operations and the Organization recorded all assets and liabilities at fair market value on the date of the agreement. No consideration was paid in this acquisition but there were certain restrictions placed on the proceeds of the note receivable discussed in Note 13. The private donor discussed in Note 6 was the founder and chair person of Stillheart Institute and the reason for the acquisition was to help provide for operations of the Organization and to help promote education. The Organization recorded a gain of $4,852,320 from the transaction. The following assets and liabilities were recorded on the Organization's records.

Cash	$ 145,712
Note Receivable Stillpath Retreat Center (Note 13)	$ 5,195,737
Note Payable to Porter Trust (Note 12)	$ (489,129)
	$ 4,852,320

Note 12. ASSIGNMENT OF PROMISSORY NOTE

In September 2017, the Organization was assigned a promissory note from the Porter Revocable Trust. The promissory note receivable was for $489,129, bore interest at zero percent and was due from the Stillheart Institute. The Organization recorded a gain of $489,129 from the transaction. The Organization received the note payable to Porter Revocable Trust relating to this promissory note in the acquisition noted in Note 11 above. The private donor discussed in Note 6 is the Trustee for the Porter Revocable Trust.

Note 13. NOTE RECEIVABLE

In the transaction described in Note 11, the Organization acquired a Note Receivable during the year. The Note Receivable bears interest at 2.45% and required interest only payments until February 2017. After that time, forty semiannual payments of $168,397 are due in February and August of each year. The Note Receivable is secured by a deed of trust and the balance was $4,739,471 at December 31, 2018.

Subsequent to year end on February 26, 2019, the Organization came to an agreement with the borrower to payoff the Note Receivable. The Organization reduced the Note Receivable by $243,922 and the borrower paid the remaining $4,641,285 balance.

Note 14. RESTRICTED FOR EDUCATIONAL PURPOSES

Under the acquisition agreement discussed in Note 11, there were certain stipulations placed on the proceeds from the Note Receivable. Proceeds from the Note Receivable will cover the Organization expenses related to the acquisition, and then the first $489,129 of proceeds shall be distributed to the Organization. After that point proceeds are distributed as follows: 50% to the Organization for operations; 50% to Pu'ukumu School assuming they met certain conditions and if those conditions are not met the funds are restricted for educational purposes: and 10% of the amount distributed to Pu'ukumu School distributed to the Organization to cover administrative fees. Pu'ukumu School did not meet these conditions and the funds are restricted for educational purposes. As of December 31, 2018 and 2017, the Organization had $2,088,600 restricted for the educational purposes.

Subsequent to year end on August 17, 2019, the Organization entered into a funding commitment with Kauai North Shore Community Foundation, Inc. (a Hawaii non-profit corporation) to start a State Public Charter School on the North Shore of Kauai no later than 2023. Certain milestones must be achieved in order to receive funding. Total funding committed is $2,088,600 and if milestones are met the Organization has committed to making payments of $150,000 per year from 2019 through 2031 and a final payment of $138,600 in 2032.

Note 15. PROMISSORY NOTES

On November 7, 2018 the Organization entered into a Promissory Note with the Porter Revocable Trust to borrow $250,000. The Note bears interest at 4.00% and called for quarterly in interest payments starting February 15, 2019 with the balance due November 6, 2021. The Note was paid off in full during 2019 with the payment received from the transaction described in Note 13.

On August 1, 2018 the Organization entered into a Promissory Note with the First Hawaiian Bank to borrow $75,000. The Note bears interest at 5.91% and called for monthly principal and interest payments of $1,456 with the balance due August 31, 2023. The Note was paid off in full during 2019 with the payment received from the transaction described in Note 13.

Note 16. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial Assets at December 31, 2018	$	348,571
Less those unavailable to general expenditures within one year due to:		
Restricted by Donor with purpose restrictions - *		(46,115)
Financial assets available to meet cash needs for general expenditures within one year	$	302,456

* - Note this amount excludes donor restrictions related to education purposes as the funding for these purpose are to be paid out of the note receivable discussed in Notes 13 and 14.

Note 17. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, Leases, which supersedes FASB Accounting Standards Codification (ASC) Topic 840, Leases, and makes other conforming amendments to U.S. GAAP. ASU 2016-02, requires, among other changes to the lease accounting guidance, lessees to recognize most leases on the balance sheet via a right-of-use asset and lease liability as well as additional qualitative and quantitative disclosures. ASU 2016-02 is effective for The Organization’s fiscal years beginning December 15, 2019, but permits early adoption, and mandates a modified retrospective transition method. The provisions are effective for The Organization’s fiscal year ending December 31, 2020. Management is currently evaluating the impact that the adoption of these provisions will have on the financial statements, but expects ASU 2016-02 to add significant right-of-use assets and lease liabilities to the statement of financial position.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which requires an Organization to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. An Organization also should disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is effective for the Organization for fiscal years beginning after December 15, 2018 (as amended in August 2015 by ASU 2015-14, Deferral of the Effective Date). The provisions are effective for the Organization’s fiscal year ending December 31, 2019. Management is currently evaluating the impact that the adoption of these provisions will have on the financial statements.

Note 17. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new standard amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The provisions are effective for the Organization's fiscal year ending December 31, 2019. The amendments should be applied using a retrospective transition method to each period presented. Management is currently evaluating the impact that the adoption of these provisions will have on the financial statements.