

ANAINA HOU COMMUNITY PARK
(A Hawai'i Nonprofit Corporation)

AUDITED FINANCIAL STATEMENTS
(With Independent Auditor's Report)

FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

INDEPENDENT AUDITOR'S 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, 2019, 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Anaina Hou Community Park's 2018 financial statements, and our report dated December 10, 2019, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carlman CPAs & Mgmt Group

Wailuku, Hawaii
March 30, 2021

ANAINA HOU COMMUNITY PARK

Statements of Financial Position
As of December 31, 2019 and 2018

ASSETS		
	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents (Notes 2 & 5)	\$ 4,064,422	\$ 348,571
Investments (Note 13)	149,396	-
Accounts Receivable (Note 2)	11,314	3,982
Inventory (Note 2)	33,789	44,249
Current Portion of Note Receivable (Note 9)	-	4,739,471
Prepaid Expenses	16,506	35,901
Total Current Assets	4,275,427	5,172,174
FIXED ASSETS (Note 2)		
Buildings and Improvements	8,003,053	7,874,914
Land	3,320,000	3,320,000
Land Improvements	1,567,549	1,567,549
Equipment and Storage	197,571	175,481
Furniture and Fixtures	121,168	118,342
Miniature Golf Course	1,250,171	1,250,171
	14,459,512	14,306,457
Less Accumulated Depreciation	(3,897,157)	(3,687,512)
Net Fixed Assets	10,562,355	10,618,945
OTHER ASSETS		
Other Assets Net of Accumulated Amortization of \$5,416 and \$3,749 as of December 31, 2019 and 2018, Respectively	708	2,375
Construction in Progress	-	5,226
Total Other Assets	708	7,601
TOTAL ASSETS	\$ 14,838,490	\$ 15,798,720
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 41,408	\$ 46,859
Accrued Payroll and Related Expenses	33,603	35,511
Promissory Notes	-	321,098
Other Accrued Expenses	23,930	17,104
Total Current Liabilities	98,941	420,572
NET ASSETS (Note 3)		
Net Assets Without Donor Restrictions	12,777,102	13,243,433
Net Assets With Donor Restrictions	1,962,447	2,134,715
Total Net Assets	14,739,549	15,378,148
TOTAL LIABILITIES AND NET ASSETS	\$ 14,838,490	\$ 15,798,720

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, 2019
 (With Comparative Totals for the Year Ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
PUBLIC SUPPORT AND SALES				
Contributions	\$ 14,634	\$ 66,765	\$ 81,399	\$ 489,228
Interest Income	105,343	-	105,343	126,121
Sales Revenue				
Sales	1,548,163	-	1,548,163	1,461,737
Less: Cost of Goods Sold	(222,201)	-	(222,201)	(239,284)
Net Sales Revenue	1,325,962	-	1,325,962	1,222,453
Net Assets Released from Restrictions	239,033	(239,033)	-	-
Total Public Support and Sales	1,684,972	(172,268)	1,512,704	1,837,802
OPERATING EXPENSES				
Program Services	1,611,310	-	1,611,310	1,668,713
Management and General	370,732	-	370,732	158,223
Fundraising	19,261	-	19,261	64,306
Total Operating Expenses	2,001,303	-	2,001,303	1,891,242
Write off of Note Receivable (Note 9)	-	-	-	243,922
Commitment to KNSCF (Note 10)	150,000	-	150,000	243,922
Changes in Net Assets	\$ (466,331)	\$ (172,268)	\$ (638,599)	\$ (297,362)
Net Assets, Beginning of Year	13,243,433	2,134,715	15,378,148	15,675,510
Net Assets, End of Year	<u>\$ 12,777,102</u>	<u>\$ 1,962,447</u>	<u>\$ 14,739,549</u>	<u>\$ 15,378,148</u>

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, 2019

(With Comparative Totals for the Year Ended December 31, 2018)

	Program Services	Management and General	Fundraising	2019 Totals	2018 Totals
Salaries and Wages	\$ 410,071	\$ 167,555	\$ 2,919	\$ 580,545	\$ 658,785
Events	264,162	-	-	264,162	147,505
Depreciation	201,702	4,805	4,805	211,312	141,312
Repairs and Maintenance	196,789	2,349	76	199,214	178,029
Payroll Taxes and Benefits	119,649	44,300	807	164,756	190,358
Utilities	106,593	7,516	664	114,773	96,857
Professional Fees	21,823	79,967	341	102,131	94,399
Insurance	67,633	21,017	1,314	89,964	84,613
Property and General Excise Taxes	74,009	5,647	351	80,007	83,887
Advertising (Note 2)	53,833	15,877	3,983	73,693	102,071
Supplies	33,368	1,605	141	35,114	38,108
Bank Service Charges	33,808	1,236	44	35,088	29,192
Dues and Subscriptions	7,261	6,288	3,778	17,327	9,166
Other Expenses	14,865	55	-	14,920	13,697
Office Expenses	1,830	10,805	-	12,635	21,201
Bad Debt	3,331	-	-	3,331	-
Postage and Shipping	25	1,379	38	1,442	614
Travel	558	331	-	889	1,448
Total Expenses	\$ 1,611,310	\$ 370,732	\$ 19,261	\$ 2,001,303	\$ 1,891,242

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

ANAINA HOU COMMUNITY PARK

Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions	\$ 81,399	\$ 489,228
Cash Received from Sales	1,540,831	1,457,755
Cash Received from Interest	105,343	126,121
Cash Paid for Cost of Goods Sold	(222,201)	(239,284)
Cash Paid to Employees and Vendors	<u>(1,910,669)</u>	<u>(1,933,803)</u>
Net Cash Used by Operating Activities (Note 7)	(405,297)	(99,983)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Received from Note Receivable	4,739,471	212,344
Purchase of Fixed Assets and Construction in Progress	(147,829)	(1,228,155)
Net Purchases of Investments	<u>(149,396)</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	4,442,246	(1,015,811)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Received from Promissory Notes	-	350,000
Payments Made on Promissory Notes	<u>(321,098)</u>	<u>(28,902)</u>
Net Cash (Used) Provided by Financing Activities	(321,098)	321,098
Net Increase (Decrease) in Cash for the Year	3,715,851	(794,696)
CASH BALANCE, BEGINNING OF YEAR	<u>348,571</u>	<u>1,143,267</u>
CASH BALANCE, END OF YEAR	<u><u>\$ 4,064,422</u></u>	<u><u>\$ 348,571</u></u>
Supplemental Non-Cash Investing and Financing Activities:		
Write Off of Note Receivable (Note 9)	\$ -	\$ 243,922
Construction In Progress Transferred to Fixed Assets	\$ 5,226	\$ -

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

ANAINA HOU COMMUNITY PARK

Notes to the Financial Statements
December 31, 2019

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

Method of Accounting: The Organization uses the accrual basis of accounting. Under this method of accounting, revenue is recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

Revenue Recognition: The Organization has analyzed the provisions of the FASB's ASC Topic 606, *Revenue from Contracts with Customers*, and FASB's ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and has concluded that no changes are necessary to conform to the new standard. Performance obligation related to program services and contribution revenue are recognized as the expenses occurred or the services have been provided throughout the year. Other revenues and donations do not have a specific performance obligation and are generally earned when received.

Cash and Cash Equivalents: For the purpose of the statement of cash flows, cash is defined as demand deposits and savings accounts. During 2019, the Organization adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Management believes that the adoption of the new accounting standard had no effect on the statement of cash flows as the Organization does not have any restrictions on cash and cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts: Accounts Receivable represents revenue earned and not yet received. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management reviews accounts on a periodic basis to determine if an allowance for doubtful accounts is necessary based on past history and the current compilation of the receivable balance. Management has determined no allowance for doubtful accounts is necessary at December 31, 2019.

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.

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.

ANAINA HOU COMMUNITY PARK

Notes to the Financial Statements
December 31, 2019

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Policies: Management expenses all advertising costs as incurred. Total advertising expenses were \$73,693 and \$102,071 for the years ended December 31, 2019 and 2018, 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.

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

Note 3. NET ASSETS

In accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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 restrictions 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 Anaina Hou Community Park and/or passage of time. Net assets with donor restrictions consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Educational Purpose (Note 14)	\$ 1,938,611	\$ 2,088,600
HTA-CON	8,000	-
Farmers Market	3,942	-
FitFest	3,664	-
Garden Party	2,500	-
Summer Camp	2,500	-
SAFF	2,000	-
Teatime for Tutu	400	-
NS Career Fair	375	-
Movie Night	305	-
Botanical Gardens	150	-
Pavilion	-	46,115
	<u>\$ 1,962,447</u>	<u>\$ 2,134,715</u>

ANAINA HOU COMMUNITY PARK

Notes to the Financial Statements
December 31, 2019

Note 4. 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 5. 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:

	<u>2019</u>	<u>2018</u>
Fully Insured Deposits	\$ 630,510	\$ 348,571
Uncollateralized	<u>3,433,912</u>	<u>-</u>
	<u>\$ 4,064,422</u>	<u>\$ 348,571</u>

Note 6. 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, 2019, the organization has analyzed their tax position and believe 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 they are no longer subject to income tax examinations for years prior to 2016.

Note 7. RECONCILIATION OF CHANGE IN NET ASSETS WITH NET CASH USED BY OPERATING ACTIVITIES

	<u>2019</u>	<u>2018</u>
Change in Net Assets	\$ (638,599)	\$ (297,362)
Depreciation	211,312	141,312
Write-off of Note Receivable (Note 9)	-	243,922
Adjustments to Reconcile:		
Change in Accounts Receivable	(7,332)	(3,982)
Change in Inventory	10,460	(29,001)
Change in Prepaid Expenses	19,395	17,248
Change in Accounts Payable	(5,451)	(158,293)
Change in Accrued Liabilities	<u>4,918</u>	<u>(13,827)</u>
Net Cash Used by Operating Activities	<u>\$ (405,297)</u>	<u>\$ (99,983)</u>

ANAINA HOU COMMUNITY PARK

Notes to the Financial Statements
December 31, 2019

Note 8. SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 30, 2021, the date the financial statements were available for use.

Subsequent to year end, there was the outbreak of COVID-19 pandemic. The United States economy was negatively affected and the financial markets have fluctuated due to the outbreak. At the time these financial statements were available to be issued, the situation remained very volatile and the full effect of the pandemic on the operations of the Organization could not be determined.

Note 9. NOTE RECEIVABLE

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. In this transaction the Organization acquired a Note Receivable for \$5,195,737. The Note Receivable bore interest at 2.45% and required interest only payments until February 2017. After that time, forty semiannual payments of \$168,397 were due in February and August of each year. On February 26, 2019, the Organization came to an agreement with the borrower to pay off the Note Receivable. The Organization reduced the Note Receivable by \$243,922 and the borrower paid the remaining \$4,641,285 balance.

Note 10. RESTRICTED FOR EDUCATIONAL PURPOSES

Under the acquisition agreement discussed in Note 9, 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, 2019 and 2018, the Organization had \$1,938,611 and \$2,088,600 restricted for the educational purposes.

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.

ANAINA HOU COMMUNITY PARK

Notes to the Financial Statements
December 31, 2019

Note 11. PROMISSORY NOTES

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

On August 1, 2018 the Organization entered into a Promissory Note with the First Hawaiian Bank to borrow \$75,000. The Note bore 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.

Note 12. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Management's policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Financial Assets at December 31, 2019	\$ 4,064,422
Less those unavailable for general expenditures within one year due to:	
Net Assets With Donor Restrictions	<u>(1,962,447)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,101,975</u>

Note 13. INVESTMENTS IN MARKETABLE SECURITIES

Anaina Hou Community Park has conformed to FASB's ASC 820-10-50-1 which establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances. This fair value hierarchy consists of three broad levels.

- Level 1 inputs consist of unadjusted quoted prices in active markets such as stock exchanges for identical assets and have the highest priority.
- Level 2 inputs consist of significant other observable inputs such as quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs consist of significant unobservable inputs and include situations where is little, if any, market activity for the investment. The inputs require significant judgment or estimates, such as those associated with discounted cash flow methodologies and appraisals.

ANAINA HOU COMMUNITY PARK

Notes to the Financial Statements
December 31, 2019

Note 13. INVESTMENTS IN MARKETABLE SECURITIES (Concluded)

Fair values of assets measured on a recurring basis are below. The Organization has no liabilities or other assets measured at fair value on a recurring or non-recurring basis:

	Total December 31, 2019	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non- Observable Inputs: Level 3
Treasury Bills	\$ 149,396	\$ 149,396	\$ -	\$ -
Total	<u>\$ 149,396</u>	<u>\$ 149,396</u>	<u>\$ -</u>	<u>\$ -</u>

Note 14. 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, 2021, but permits early adoption, and mandates a modified retrospective transition method. The provisions are effective for The Organization's fiscal year ending December 31, 2022. 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.