

MA KA HANA KA'IKE BUILDING PROGRAM
(a nonprofit organization)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2019 AND 2020

J. Richard
James, CPA
Managing Partner
Over 18 years
of CPA experience
Member: AICPA,
HSCPA, ISCPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ma Ka Hana Ka'ike Building Program
Hana, Hawaii

We have audited the accompanying financial statements of Ma Ka Hana Ka'ike Building Program (a Hawaii nonprofit corporation), which comprise the statement of financial position as of June 30, 2019 and 2020, 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 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 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 Ma Ka Hana Ka'ike Building Program as of June 30, 2019 and 2020, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

James & Associates CPA's, Inc.

Wailuku, Hawaii
August 24, 2021

MA KA HANA KA'IKE BUILDING PROGRAM

Statement of Financial Position

June 30, 2019

ASSETS	
CURRENT ASSETS	
Cash	\$ 128,528
Grants receivable	442,211
Prepaid expenses	<u>18,224</u>
Total current assets	588,963
FIXED ASSETS	
Machinery and equipment	209,574
Vehicles	93,589
Accumulated depreciation	<u>(248,378)</u>
Net fixed assets	54,785
OTHER ASSETS	
Investment in Hana Community Kokua Fund	<u>750</u>
Total other assets	<u>750</u>
TOTAL ASSETS	<u>\$ 644,498</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 21,258
Student awards payable	58,931
Accrued payroll liabilities	<u>55,183</u>
TOTAL LIABILITIES	135,372
NET ASSETS	
Without donor restrictions	<u>509,126</u>
TOTAL NET ASSETS	<u>509,126</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 644,498</u>

See Accompanying Notes to the Financial Statements

MA KA HANA KA'IKE BUILDING PROGRAM

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2019

	Without donor <u>restrictions</u>	<u>Total</u>
SUPPORT		
Contracts and earned income	\$ 490,625	\$ 490,625
Grants	456,620	456,620
Contributions	554,952	554,952
Interest income	439	439
In-kind support	18,651	18,651
Other supports	-	-
Total Support and Revenue	<u>1,521,287</u>	<u>1,521,287</u>
EXPENSES		
Program services	1,367,621	1,367,621
Management and general	200,759	200,759
Fundraising	<u>52,519</u>	<u>52,519</u>
Total Expenses	<u>1,620,899</u>	<u>1,620,899</u>
CHANGE IN NET ASSETS	(99,612)	(99,612)
NET ASSETS, BEGINNING OF YEAR	<u>608,738</u>	<u>608,738</u>
NET ASSETS, END OF YEAR	<u>\$ 509,126</u>	<u>\$ 509,126</u>

See Accompanying Notes to the Financial Statements.

MA KA HANA KA'IKE BUILDING PROGRAM

Statement of Functional Expenses
For the Year Ended June 30, 2019

	<u>Program</u> <u>Services</u>	Management and <u>General</u>	<u>Fundraising</u>	<u>Total</u>
Administrative	\$ -	\$ 33,102	\$ -	\$ 33,102
Community Outreach	-	-	2,151	2,151
Depreciation	14,630	3,657	-	18,287
Employee Benefits	92,863	19,020	-	111,883
Grant Writing and Reporting	-	-	50,368	50,368
Infrastructure	9,428	-	-	9,428
Insurance	5,805	-	-	5,805
Materials, tools, and supplies	122,320	-	-	122,320
Membership Dues	-	38,665	-	38,665
Newsletter/Web/Public Relatic	-	4,355	-	4,355
Office Expense	-	14,168	-	14,168
Payroll Taxes	86,589	6,517	-	93,106
Professional fees	673	2,692	-	3,365
Professional mentorship	34,148	-	-	34,148
Professional development	5,913	-	-	5,913
Rent	14,000	-	-	14,000
Salaries and Wages	899,639	67,714	-	967,353
Student Awards - Tools	32,758	-	-	32,758
Telecommunications	-	10,869	-	10,869
Travel	23,606	-	-	23,606
Vehicle Expenses	25,249	-	-	25,249
	<u>25,249</u>	<u>-</u>	<u>-</u>	<u>25,249</u>
Total expenses	<u>\$ 1,367,621</u>	<u>\$ 200,759</u>	<u>\$ 52,519</u>	<u>\$ 1,620,899</u>

See Accompanying Notes to the Financial Statements.

MA KA HANA KA'IKE BUILDING PROGRAM

Statement of Cash Flows
For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (99,612)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:	
Depreciation	18,287
(Increase) in grants receivable	(176,738)
(Increase) in prepaid expenses	(392)
Increase in accounts payable	12,828
Increase in student awards payable	1,001
(Decrease) in accrued payroll liabilities	<u>(23,706)</u>
Net cash (used in) operating activities (Note 3)	(268,332)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	<u>(13,241)</u>
Net cash (used in) investing activities	(13,241)
CASH FLOWS FROM FINANCING ACTIVITIES	
(Decrease) in bank overdraft	<u>(5,826)</u>
Net cash (used in) investing activities	<u>(5,826)</u>
NET CHANGE IN CASH	(287,399)
CASH AT BEGINNING OF YEAR	<u>415,927</u>
CASH AT END OF YEAR	<u>\$ 128,528</u>

See Accompanying Notes to the Financial Statements.

MA KA HANA KA'IKE BUILDING PROGRAM

Statement of Financial Position

June 30, 2020

ASSETS	
CURRENT ASSETS	
Cash	\$ 389,599
Grants receivable	161,570
Prepaid expenses	<u>27,978</u>
Total current assets	579,147
FIXED ASSETS	
Machinery and equipment	201,974
Vehicles	71,839
Accumulated depreciation	<u>(241,963)</u>
Net fixed assets	31,850
OTHER ASSETS	
Investment in Hana Community Kokua Fund	<u>750</u>
Total other assets	<u>750</u>
TOTAL ASSETS	<u>\$ 611,747</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 10,305
Student awards payable	56,937
Accrued payroll liabilities	<u>52,154</u>
Total current assets	119,396
LONG-TERM LIABILTY	
PPP loan	<u>199,190</u>
Total long-term liability	<u>199,190</u>
TOTAL LIABILITIES	318,586
NET ASSETS	
Without donor restrictions	<u>293,161</u>
TOTAL NET ASSETS	<u>293,161</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 611,747</u>

See Accompanying Notes to the Financial Statements.

MA KA HANA KA'IKE BUILDING PROGRAM

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020

	Without donor <u>restrictions</u>	<u>Total</u>
SUPPORT		
Contracts and earned income	\$ 302,433	\$ 302,433
Grants	286,776	286,776
Contributions	484,978	484,978
Interest income	240	240
In-kind support	14,000	14,000
Gain from sale of assets	<u>26,376</u>	<u>26,376</u>
Total Support and Revenue	1,114,803	1,114,803
EXPENSES		
Program services	1,171,206	1,171,206
Management and general	122,658	122,658
Fundraising	<u>36,904</u>	<u>36,904</u>
Total Expenses	<u>1,330,768</u>	<u>1,330,768</u>
CHANGE IN NET ASSETS	(215,965)	(215,965)
NET ASSETS, BEGINNING OF YEAR	<u>509,126</u>	<u>509,126</u>
NET ASSETS, END OF YEAR	<u>\$ 293,161</u>	<u>\$ 293,161</u>

See Accompanying Notes to the Financial Statements.

MA KA HANA KA'IKE BUILDING PROGRAM

Statement of Functional Expenses
For the Year Ended June 30, 2020

	<u>Program</u> <u>Services</u>	Management and <u>General</u>	<u>Fundraising</u>	<u>Total</u>
Administrative	\$ -	\$ 5,017	\$ -	\$ 5,017
Community Outreach	-	-	1,411	1,411
Depreciation	14,092	3,523		17,615
Employee Benefits	63,007	12,905		75,912
Grant Writing and Reporting	-	-	35,493	35,493
Infrastructure	5,654	-	-	5,654
Insurance	8,892	-	-	8,892
Materials, tools, and supplies	78,927	-	-	78,927
Membership Dues	-	9,209	-	9,209
Newsletter/Web/Public Relations	-	4,147	-	4,147
Office Expense	-	10,844	-	10,844
Payroll Taxes	80,136	6,032	-	86,168
Professional fees	964	3,856	-	4,820
Professional mentorship	15,439	-	-	15,439
Professional development	2,600	-	-	2,600
Rent	14,000			14,000
Salaries and Wages	824,019	62,023	-	886,042
Student Awards - Tools	22,167	-	-	22,167
Telecommunications	-	5,102	-	5,102
Travel	26,363	-	-	26,363
Vehicle Expenses	14,946	-	-	14,946
	<u>1,171,206</u>	<u>122,658</u>	<u>36,904</u>	<u>1,330,768</u>
Total expenses	<u>\$ 1,171,206</u>	<u>\$ 122,658</u>	<u>\$ 36,904</u>	<u>\$ 1,330,768</u>

See Accompanying Notes to the Financial Statements.

MA KA HANA KA'IKE BUILDING PROGRAM

Statement of Cash Flows
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (215,965)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	17,615
(Gain) from sale of assets	(26,376)
Decrease in grants receivable	280,641
(Increase) in prepaid expenses	(9,754)
(Decrease) in accounts payable	(10,953)
(Decrease) in student awards payable	(1,994)
(Decrease) in accrued payroll liabilities	<u>(3,029)</u>
Net cash provided by operating activities (Note 3)	30,185
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of assets	<u>31,696</u>
Net cash provided by investing activities	31,696
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from PPP loan	<u>199,190</u>
Net cash provided by investing activities	<u>199,190</u>
NET CHANGE IN CASH	261,071
CASH AT BEGINNING OF YEAR	<u>128,528</u>
CASH AT END OF YEAR	<u>\$ 389,599</u>

See Accompanying Notes to the Financial Statements.

MA KA HANA KA'IKE BUILDING PROGRAM

Notes to the Financial Statements

June 30, 2019 and 2020

1. ORGANIZATION

Ma Ka Hana Ka'ike Building Program (the Organization) is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. The Organization was incorporated under the laws of the State of Hawaii. The Organization was formed to provide programs that teach building, construction, and farming skills to the youth in Hana to build positive attitudes and healthy lifestyle. The Organization is located in Hana, Hawaii.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to two classes of net asset classifications: net assets without donor restrictions and net assets with donor restrictions.

Cash and Cash Equivalents

For purposes of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

The Organization capitalizes property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donation of property and equipment are capitalized at their estimated fair value at the date contributed. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five years for equipment and vehicles to 40 years for buildings and improvements.

Contributed Services

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet the criteria for recognition as contributed services.

MA KA HANA KA'IKE BUILDING PROGRAM

Notes to the Financial Statements

June 30, 2019 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. Contributions received with donor restrictions that are met in the same reporting period as revenue in net assets without donor restrictions.

Grants and Contracts

The Organization's revenue from grants and contracts is based on agreements with the federal government, State of Hawaii, County of Maui, and other private foundations. The Organization recognizes grants and contracts as either contributions or exchange transactions, depending on whether the transactions is reciprocal or nonreciprocal. The Organization receives grants and contracts that are cost-reimbursable and are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures (including expenditures for property and equipment, which are capitalized and depreciated for financial accounting purposes). Amounts received are recognized as revenue when the Organization has met the conditions, including incurring expenditures in compliance with the grant or contract provisions. Amounts received from such grants for which the conditions are any restrictions are met in the same reporting period as revenue in net assets without donor restrictions.

Income Tax Status

The Organization is a not-for-profit organization that is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Services as other than a private foundation.

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.

Cost Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

MA KA HANA KA'IKE BUILDING PROGRAM

Notes to the Financial Statements June 30, 2019 and 2020

3. CASH AND CASH EQUIVALENTS

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization holds cash in excess of daily requirements in a secure sweep account. To help manage unanticipated liquidity needs, the Organization intends to make available funds from revenues received of the coming year.

4. COMPENSATED ABSENCES

Compensated absences are absences or which employees will be paid, including vacation and sick pay. The Organization records compensated absences as an expense when paid and no accrual has been made for unpaid leave.

5. RETIREMENT PLAN

During the fiscal year ended June 30, 2019 and 2020, the Organization offered eligible employees the opportunity for participation in a Simple IRA plan. Cost related to the retirement plan in the years ended June 30, 2019 and 2020 were \$2,098 and \$1,863, respectively.

6. CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2019 and 2020, the Organization's uninsured cash balances totaled \$0 and \$155,373, respectively. Management does not anticipate non-performance by their financial institutions and regularly reviews the viability of these institutions.

7. LEASES

The Organization entered into a lease agreement for far property used in program related to farming beginning December 1, 2014. The terms of the lease call for annual lease payments of \$1 (plus general excise tax) through November 2020. The financial statements reflect the fair market value of \$14,000 of the rent during the years ended on June 30, 2019 and 2020. This amount has been recorded as in-kind donations and the corresponding amount as rent expense.

MA KA HANA KA'IKE BUILDING PROGRAM

Notes to the Financial Statements June 30, 2019 and 2020

8. EVALUATION OF SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition and disclosure through September 28, 2021, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

9. ASSETS AVAILABLE FOR GENERAL EXPENDITURES

The Organization's financial assets available within one year of June 30, 2020 for general expenditure are as follows:

Cash	\$ 389,599
Accounts receivable	<u>161,570</u>
Total assets available for general expenditure	<u>\$ 551,169</u>

10. IN-KIND DONATIONS

Contributions of donated materials and services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. For the year ended June 31, 2019 and 2020, in-kind donations totaled \$4,651 and \$0.

11. PAYMENT PROTECTION PROGRAM (PPP)

On April 27, 2020, the Organization received a loan proceeds in the amount of \$199,190 under the Paycheck Protection Program (PPP) from Bank of Hawaii. The PPP loan may be eligible for forgiveness if certain conditions are met relating to the borrower's expenses and maintenance of employment and wage levels. Up to 100 percent of the loan principal may be forgiven. The loan has not been approved for forgiveness.