

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**  
**JUNE 30, 2022 and 2023**

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

*Committed to  
your business'  
success...*

- ✦ Complete tax services – corporations, partnerships, proprietorships, foreign shareholders, nonprofits, trusts and gift, tax planning and IRS representation.

- ✦ Complete bookkeeping service and financial statement prep

- ✦ Audits, reviews & compilations

- ✦ Business consulting

- ✦ Project accounting management

- ✦ Regulatory Filings

*Committed to  
your family's  
security...*

- ✦ Customized tax planning and prep for simple and complex situations

- ✦ Multi-state returns

- ✦ Nonresident alien tax returns

*Committed to  
you...*

- ✦ Convenient island offices

- ✦ All calls returned promptly.

- ✦ No fee for brief phone consultations

**Japanese Translation  
Available**

CENTRAL MAUI  
**(808) 244-2030**  
2158 Main St., Ste. 109  
Wailuku, Maui, HI 96793  
Fax (808) 244-1616



*Experience you can trust  
Island convenience*

## INDEPENDENT AUDITOR'S REPORT

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

### ***Opinion***

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, 2022 and 2023, 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.

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, 2022 and 2023, 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.

### ***Basis for Opinion***

We conducted our audit accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Ma Ka Hana Ka'ike Building Program and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about of Ma Ka Hana Ka'ike Building Program's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ma Ka Hana Ka'ike Building Program 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ma Ka Hana Ka'ike Building Program's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*James & Associates CPA's, Inc.*

Wailuku, Hawaii  
March 22, 2024

MA KA HANA KA'IKE BUILDING PROGRAM

Statement of Financial Position  
June 30, 2022

ASSETS	
CURRENT ASSETS	
Cash	\$ 360,194
Grants receivable	169,424
Prepaid expenses	<u>16,940</u>
Total current assets	546,558
FIXED ASSETS	
Machinery and equipment	227,809
Vehicles	71,839
Accumulated depreciation	<u>(247,176)</u>
Net fixed assets	52,472
OTHER ASSETS	
Investment in Hana Community Kokua Fund	<u>750</u>
Total other assets	<u>750</u>
TOTAL ASSETS	<u>\$ 599,780</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 2,200
Student awards payable	85,384
Accrued payroll liabilities	<u>46,636</u>
Total current assets	<u>134,220</u>
TOTAL LIABILITIES	134,220
NET ASSETS	
Without donor restrictions	<u>465,560</u>
TOTAL NET ASSETS	<u>465,560</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 599,780</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, 2022

	<u>Without donor restrictions</u>	<u>Total</u>
SUPPORT		
Contracts and earned income	\$ 703,860	\$ 703,860
Grants	383,148	383,148
Contributions	556,993	556,993
Interest income	76	76
PPP forgiven	199,190	199,190
In-kind support	<u>14,000</u>	<u>14,000</u>
Total Support and Revenue	1,857,267	1,857,267
EXPENSES		
Program services	1,499,786	1,499,786
Management and general	121,562	121,562
Fundraising	<u>-</u>	<u>-</u>
Total Expenses	<u>1,621,348</u>	<u>1,621,348</u>
CHANGE IN NET ASSETS	235,919	235,919
NET ASSETS, BEGINNING OF YEAR	<u>229,641</u>	<u>229,641</u>
NET ASSETS, END OF YEAR	<u>\$ 465,560</u>	<u>\$ 465,560</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, 2022

	Program Services	Management and General	Fundraising	Total
Development & Evaluation	\$ 31,878	\$ -	\$ -	\$ 31,878
Educational	301,627	-	-	301,627
Equipment, Maintenance, and Repairs	9,177	-	-	9,177
Depreciation	18,291	1,199	-	19,490
Program Vehicle Expense	18,659	-	-	18,659
Telecommunications	-	3,819	-	3,819
General & Administrative	-	41,948	-	41,948
Community Events/Outreach	3,387	-	-	3,387
Contractor/Mentor Participation	16,740	-	-	16,740
Materials & Supplies	143,854	-	-	143,854
Other Program Expense	11,628	4,579	-	16,207
Program Personnel	715,145	53,828	-	768,973
Payroll Taxes and Benefits	215,081	16,189	-	231,270
Travel	319	-	-	319
Rent Expense	14,000	-	-	14,000
Total expenses	<u>\$ 1,499,786</u>	<u>\$ 121,562</u>	<u>\$ -</u>	<u>\$ 1,621,348</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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 235,919
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	19,490
Decrease in grants receivable	170,050
(Increase) in prepaid expenses	(3,669)
(Decrease) in accounts payable	(2,083)
Increase in student awards payable	9,963
(Decrease) in accrued payroll liabilities	<u>(11,031)</u>
Net cash provided by operating activities	418,639
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	<u>(14,744)</u>
Net cash (used in) investing activities	(14,744)
CASH FLOWS FROM FINANCING ACTIVITIES	
PPP forgiven	<u>(199,190)</u>
Net cash (used in) investing activities	<u>(199,190)</u>
NET CHANGE IN CASH	204,705
CASH AT BEGINNING OF YEAR	<u>155,489</u>
CASH AT END OF YEAR	<u>\$ 360,194</u>

See Accompanying Notes to the Financial Statements.

MA KA HANA KA'IKE BUILDING PROGRAM

Statement of Financial Position

June 30, 2023

ASSETS	
CURRENT ASSETS	
Cash	\$ 341,832
Grants receivable	130,357
Prepaid expenses	<u>17,154</u>
Total current assets	489,343
FIXED ASSETS	
Machinery and equipment	248,455
Vehicles	98,839
Accumulated depreciation	<u>(264,009)</u>
Net fixed assets	83,285
OTHER ASSETS	
Investment in Hana Community Kokua Fund	<u>750</u>
Total other assets	<u>750</u>
TOTAL ASSETS	<u>\$ 573,378</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 2,791
Student awards payable	85,292
Accrued payroll liabilities	<u>52,159</u>
Total current assets	<u>140,242</u>
TOTAL LIABILITIES	140,242
NET ASSETS	
Without donor restrictions	<u>433,136</u>
TOTAL NET ASSETS	<u>433,136</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 573,378</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, 2023

	<u>Without donor restrictions</u>	<u>Total</u>
SUPPORT		
Contracts and earned income	\$ 542,090	\$ 542,090
Grants	200,936	200,936
Contributions	1,027,090	1,027,090
Interest income	150	150
In-kind support	<u>14,000</u>	<u>14,000</u>
Total Support and Revenue	1,784,266	1,784,266
EXPENSES		
Program services	1,684,479	1,684,479
Management and general	132,211	132,211
Fundraising	<u>-</u>	<u>-</u>
Total Expenses	<u>1,816,690</u>	<u>1,816,690</u>
CHANGE IN NET ASSETS	(32,424)	(32,424)
NET ASSETS, BEGINNING OF YEAR	<u>465,560</u>	<u>465,560</u>
NET ASSETS, END OF YEAR	<u>\$ 433,136</u>	<u>\$ 433,136</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, 2023

	Program Services	Management and General	Fundraising	Total
Development & Evaluation	\$ 21,708	\$ -	\$ -	\$ 21,708
Educational	353,596	-	-	353,596
Equipment, Maintenance, and Repairs	14,460	-	-	14,460
Depreciation	15,634	1,199	-	16,833
Program Vehicle Expense	17,257	-	-	17,257
Telecommunications	-	4,287	-	4,287
General & Administrative	-	38,809	-	38,809
Community Events/Outreach	1,926	-	-	1,926
Contractor/Mentor Participation	9,101	-	-	9,101
Materials & Supplies	144,758	-	-	144,758
Other Program Expense	25,691	8,718	-	34,409
Program Personnel	815,239	61,362	-	876,601
Payroll Taxes and Benefits	236,959	17,836	-	254,795
Travel	14,150	-	-	14,150
Rent Expense	14,000	-	-	14,000
Total expenses	<u>\$ 1,684,479</u>	<u>\$ 132,211</u>	<u>\$ -</u>	<u>\$ 1,816,690</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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (32,424)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	16,833
Decrease in grants receivable	39,067
(Increase) in prepaid expenses	(214)
Increase in accounts payable	591
(Decrease) in student awards payable	(92)
Increase in accrued payroll liabilities	<u>5,523</u>
Net cash provided by operating activities	29,284
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment and vehicle	<u>(47,646)</u>
Net cash (used in) investing activities	<u>(47,646)</u>
NET CHANGE IN CASH	(18,362)
CASH AT BEGINNING OF YEAR	<u>360,194</u>
CASH AT END OF YEAR	<u>\$ 341,832</u>

See Accompanying Notes to the Financial Statements.

# MA KA HANA KA'IKE BUILDING PROGRAM

## Notes to the Financial Statements

June 30, 2022 and 2023

### 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, 2022 and 2023

#### 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 transaction 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.

# MA KA HANA KA'IKE BUILDING PROGRAM

## Notes to the Financial Statements June 30, 2022 and 2023

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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.

### 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 for 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, 2022 and 2023, 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, 2022 and 2023 were \$1,337 and \$1,166, respectively.

### 6. DONATED USE OF FARM

The Organization entered into a lease agreement for the farm property used in a 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 December 2024. The financial statements reflect the fair market value of \$14,000 per year of the rent during the years ended on June 30, 2022 and 2023. 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, 2022 and 2023

7. EVALUATION OF SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition and disclosure through March 22, 2024, 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.

8. ASSETS AVAILABLE FOR GENERAL EXPENDITURES

The Organization's financial assets available within one year of June 30, 2022 and 2023 for general expenditure are as follows:

	<u>2022</u>	<u>2023</u>
Cash	\$ 360,194	\$ 341,832
Accounts receivable	<u>169,424</u>	<u>130,357</u>
Total assets available for general expenditure	<u>\$ 529,618</u>	<u>\$ 472,189</u>

9. 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. There were no in-kind donations except the donated farm use discussed in footnote 6 for the years ended June 30, 2022 and 2023.

10. PAYMENT PROTECTION PROGRAM (PPP)

On April 27, 2020, the Organization received 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 forgiveness payment was made by Small Business Administration on August 24, 2021.

## MA KA HANA KA'IKE BUILDING PROGRAM

### Notes to the Financial Statements

June 30, 2022 and 2023

#### 11. NEW ACCOUNTING STANDARDS

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under Topic 840, *Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Leases (Topic 842) Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statement of financial position. The Association elected to adopt these ASUs effective June 1, 2022, and the adoption had no impact on the Association's financial statements as they do not have any material leases which are required to be recorded under the standard.