

KAUAI HUMANE SOCIETY

FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016
(With Prior Year Comparative Information)
And Independent Auditor's Report



CW Associates

A Hawaii Certified Public Accounting Corporation

INDEPENDENT AUDITOR'S REPORT

Kauai Humane Society:

Report on the Financial Statements

We have audited the accompanying financial statements of the Kauai Humane Society (Society), a nonprofit Hawaii corporation, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, 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 on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of June 30, 2016, 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 Prior Year Comparative Information

We have previously audited the Society's financial statements as of and for the year ended June 30, 2015, and our report dated December 14, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the accompanying prior year comparative information is consistent, in all material respects, with the audited financial statements from which it has been derived.

CW ASSOCIATES CPAs

Honolulu, Hawaii
January 27, 2017

KAUAI HUMANE SOCIETY
STATEMENT OF FINANCIAL POSITION
As of June 30, 2016
(With Prior Year Comparative Information)

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash (including interest-bearing accounts)	\$ 110,062	\$ 95,144
Investments in marketable securities	175,067	207,360
Accounts and contributions receivable – net	29,242	7,291
Inventory of retail merchandise	19,501	21,563
Prepaid expenses and other assets	<u>22,535</u>	<u>27,494</u>
Total current assets	<u>356,407</u>	<u>358,852</u>
PROPERTY AND EQUIPMENT – Net	<u>2,539,462</u>	<u>2,665,878</u>
REMAINDER INTEREST IN TRUST – Net	<u>562,869</u>	<u>587,454</u>
TOTAL ASSETS	<u>\$3,458,738</u>	<u>\$3,612,184</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 57,645	\$ 32,718
Accrued liabilities	49,500	33,669
Deferred revenue	<u>17,644</u>	<u>-</u>
Total current liabilities	<u>124,789</u>	<u>66,387</u>
NET ASSETS		
Unrestricted net assets		
Unrestricted – undesignated	216,260	281,263
Unrestricted – invested in property and equipment	<u>2,539,462</u>	<u>2,665,878</u>
Total unrestricted net assets	<u>2,755,722</u>	<u>2,947,141</u>
Temporarily restricted net assets	<u>578,227</u>	<u>598,656</u>
Total net assets	<u>3,333,949</u>	<u>3,545,797</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$3,458,738</u>	<u>\$3,612,184</u>

See accompanying notes to the financial statements.

KAUAI HUMANE SOCIETY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016
(With Prior Year Comparative Information)

	<u>2016</u>	<u>2015</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Revenue and support		
County of Kauai contract for shelter services	\$ 760,000	\$ 760,000
Boarding, quarantine, and other services	636,204	609,947
Thrift Shop sales	327,467	292,289
Net assets released from temporary restrictions	281,829	286,633
Unrestricted contributions	254,471	328,497
Special events – net	51,898	83,722
Contributed food and other supplies	-	13,558
Other gains	-	21,212
Net investment loss	(6,882)	(6,922)
Total revenue and support	<u>2,304,987</u>	<u>2,388,936</u>
Expenses		
Animal shelter and related services	1,953,024	1,949,084
Cost of Thrift Shop	188,128	188,041
Management and general	234,345	240,203
Fundraising	120,909	132,708
Total expenses	<u>2,496,406</u>	<u>2,510,036</u>
Decrease in unrestricted net assets	<u>(191,419)</u>	<u>(121,100)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Temporarily restricted contributions	285,985	264,161
Net assets released from temporary restrictions	(281,829)	(286,633)
Temporarily restricted change in remainder interest in trust	(24,585)	18,403
Decrease in temporarily restricted net assets	<u>(20,429)</u>	<u>(4,069)</u>
DECREASE IN NET ASSETS	(211,848)	(125,169)
NET ASSETS – Beginning of year	<u>3,545,797</u>	<u>3,670,966</u>
NET ASSETS – End of year	<u>\$3,333,949</u>	<u>\$3,545,797</u>

See accompanying notes to the financial statements.

KAUAI HUMANE SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES

**For the Year Ended June 30, 2016
(With Prior Year Comparative Information)**

	<u>Animal Shelter and Related Services</u>	<u>Cost of Thrift Shop</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>2016 Total</u>	<u>2015 Total</u>
Salaries and benefits	\$ 1,131,602	\$ 114,756	\$ 162,345	\$ 62,902	\$ 1,471,605	\$ 1,451,786
Food and other supplies	279,524	485	1,989	2,553	284,551	264,765
Depreciation	154,017	-	-	-	154,017	147,770
Insurance	111,393	7,224	3,557	875	123,049	143,866
Telephone and utilities	96,409	9,894	-	-	106,303	97,321
Office and administrative	70,856	9,709	7,374	7,073	95,012	113,246
Professional services	14,742	-	56,331	6,609	77,682	81,571
Rent	4,073	44,702	-	-	48,775	47,500
Advertising and promotion	2,459	640	-	39,692	42,791	52,586
Travel and transportation	37,247	-	2,749	-	39,996	56,446
Repairs and maintenance	37,991	718	-	1,205	39,914	41,814
Taxes and licenses	12,711	-	-	-	12,711	11,365
Total	<u>\$ 1,953,024</u>	<u>\$ 188,128</u>	<u>\$ 234,345</u>	<u>\$ 120,909</u>	<u>\$ 2,496,406</u>	<u>\$ 2,510,036</u>

See accompanying notes to the financial statements.

KAUAI HUMANE SOCIETY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016
(With Prior Year Comparative Information)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$(211,848)	\$(125,169)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities		
Realized (gains) losses from sales of marketable securities	19,674	(9,600)
Unrealized (gains) losses from holding marketable securities	(7,818)	19,949
Depreciation	154,017	147,770
Temporarily restricted change in remainder interest in trust	24,585	(18,403)
(Increase) decrease in:		
Accounts and contributions receivable – net	(21,951)	5,962
Inventory of retail merchandise	2,062	7,276
Prepaid expenses and other assets	4,959	7,563
Increase (decrease) in:		
Accounts payable	24,927	9,163
Accrued liabilities	15,831	(23,259)
Deferred revenue	17,644	-
Net cash provided by operating activities	<u>22,082</u>	<u>21,252</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of marketable securities	351,084	297,551
Purchases of marketable securities	(330,647)	(455,918)
Purchases of property and equipment	(27,601)	(82,570)
Net cash used by investing activities	<u>(7,164)</u>	<u>(240,937)</u>
 NET INCREASE (DECREASE) IN CASH	 14,918	 (219,685)
 CASH – Beginning of year	 <u>95,144</u>	 <u>314,829</u>
 CASH – End of year	 <u>\$ 110,062</u>	 <u>\$ 95,144</u>

See accompanying notes to the financial statements.

KAUAI HUMANE SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

**For the Year Ended June 30, 2016
(With Prior Year Comparative Information)**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activity

The Kauai Humane Society (Society) was incorporated under the laws of the State of Hawaii on May 6, 1952 to ensure compassionate, informed care of all animals on the Island of Kauai; promote the human-animal bond; operate a shelter and provide temporary care of animals; and educate the community on the proper care and treatment of animals. The Society contracts annually with the County of Kauai for the impounding of unlicensed animals; for the maintenance of a shelter for impounded, lost, strayed, and homeless animals; for the disposition of impounded animals; for a pet sterilization program, and for direct release services for pets entering the State through the Lihue airport. The contracts require the Society to make periodic reports to the County. The Society also operates a Thrift Store in Lihue, Kauai that sells merchandise to help support its services. Substantially all of the merchandise is donated. Fundraising events include an annual dinner and silent auction, and other events.

Basis of Accounting

The Society reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets (none in 2016 and 2015). Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support is reported when pledged and is considered to be available for unrestricted use unless restricted by the donor. Donor restricted support is reported when pledged as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a temporary restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets. Revenue from grants and contracts is recognized to the extent of expenditures made in accordance with the related agreements (including expenditures for property and equipment, which are capitalized and depreciated for financial reporting purposes). Revenue from program fees is recognized when the required services are performed. Expenses are recorded when the related liability is incurred. In-kind contributions are reflected as contributions at their estimated fair market value and are recorded as assets or expenses in the same amount. The Society allocates its expenses on a functional basis among its various programs and supporting services based on estimates of management. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service using natural expense classifications. Other expenses that are common to several functions are allocated by various bases.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills that are performed by people with those skills and would otherwise be purchased by the Society. A substantial number of unpaid volunteers have made significant contributions of their time to the Society. The value of this time, estimated at \$74,400 and \$86,700 for the years ended June 30, 2016 and 2015, respectively, for animal shelter and related services, and for the Thrift Shop, is not reflected in these financial statements because it does not meet the criteria for recognition. The Society incurs advertising costs to promote its programs. Such costs are expensed as incurred. Advertising expenses were \$42,791 and \$52,586 for the years ended June 30, 2016 and 2015, respectively.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in accordance with such generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, and it is reasonably possible that such estimates may change within the near term.

Concentrations of Credit Risk

Financial instruments that potentially subject the Society to credit risk include cash, marketable securities, and receivables. Cash on deposit with financial institutions was fully insured at June 30, 2016 and 2015. Marketable securities are fully insured by federal and private insurance, as represented by the custodian. Future changes in market prices may make the securities less valuable. The Society has unsecured accounts and contributions receivable for services and donations that have been reduced for estimated allowances for doubtful accounts of \$0 at June 30, 2016 and 2015. Such receivables are determined to be collectible or uncollectible based on an assessment by management of the facts and circumstances related to the individual accounts.

Investment in Marketable Securities

Marketable securities are stated at fair value. Net realized and unrealized gains and losses, determined using the specific identification method, are included in investment income. Investments are classified as current or noncurrent depending upon their availability.

Inventory of Retail Merchandise

Inventory of retail merchandise consists of pet food and other pet supplies, and apparel and other logo-items, stated at the lower of cost or market value. Cost is determined using the retail method, which approximates cost using the specific identification method.

Property and Equipment

Property and equipment is stated at cost or, if contributed, at estimated fair market value at the date of contribution. Depreciation is computed using the straight-line method over estimated useful lives of 10 to 40 years for buildings and improvements, and 5 years for furniture, equipment, and vehicles. Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be fully recoverable. Major improvements are capitalized. Expenditures for maintenance and repairs are expensed.

Remainder Interest in Trust

A donor established an irrevocable charitable remainder trust that gives the Society a remainder interest in the assets of the trust upon the death of the income beneficiary. The remainder interest in the trust is stated at the estimated fair value of the assets included in the trust, net of a liability for future payments from the trust estimated using the discounted cash flow of the initial payments, adjusted for inflation. The net assets of the trust are subject to a time restriction. Changes in the net assets of the trust are reflected as increases or decreases in temporarily restricted net assets in the accompanying financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The established framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation methodologies used to measure fair value. There are three levels of inputs to the valuation methodology. Level 1 inputs consist of unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs are unobservable and significant to the fair value measurement. The fair value measurement level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation methodologies used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

County of Kauai Contract

Revenue is derived principally from annual contracts with the County of Kauai, the loss of which could have a material adverse effect on the Society. The contracts are subject to audit and adjustment by the County of Kauai. Any disallowed claim, including amounts already collected, may constitute a liability. Management expects such amounts, if any, to be immaterial to the financial statements.

Retirement Plan

The Society sponsors a defined contribution, Simple IRA plan covering substantially all of its employees, to which it makes a maximum contribution of 3% of eligible compensation. Employees may also contribute to the Plan up to the maximum allowed by the Internal Revenue Code. The Society's contributions to the Plan for the years ended June 30, 2016 and 2015 amounted to \$13,683 and \$14,756, respectively.

Hawaii General Excise Tax

The State of Hawaii imposes a general excise tax of 4% on the Society's gross receipts from certain services, as well as from Thrift Shop sales and special events within Hawaii. Hawaii general excise tax included in taxes and licenses expense amounted to \$15,573 and \$15,167 for the years ended June 30, 2016 and 2015, respectively.

Income Taxes

The Society is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and is not a private foundation. Accordingly, qualifying contributions to the Society are tax deductible. Accounting principles generally accepted in the United States of America require uncertain tax positions to be recognized in the financial statements if they are more likely than not to fail upon regulatory examination. Management has evaluated the Society's tax positions as of June 30, 2016 and 2015 and for the years then ended by reviewing its income tax returns and conferring with its tax advisors, and determined that it had no uncertain tax positions required to be reported in accordance with such generally accepted accounting principles. The Society is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

NOTE B – INVESTMENTS IN MARKETABLE SECURITIES

At June 30, 2016 and 2015, investments in marketable securities consisted of the following:

	2016		2015	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$174,101	\$172,797	\$163,293	\$156,285
Common stock	-	-	44,510	42,396
Money market funds	<u>2,270</u>	<u>2,270</u>	<u>8,679</u>	<u>8,679</u>
Total investments in marketable securities	<u>\$176,371</u>	<u>\$175,067</u>	<u>\$216,482</u>	<u>\$207,360</u>

For the years ended June 30, 2016 and 2015, net investment loss consisted of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 7,172	\$ 6,005
Realized gains (losses) from sales of marketable securities	(19,674)	9,600
Unrealized gains (losses) from holding marketable securities	7,818	(19,949)
Investment fees	<u>(2,198)</u>	<u>(2,578)</u>
Net investment loss	<u>\$ (6,882)</u>	<u>\$ (6,922)</u>

The fair value measurements reportable for the Society's investments in marketable securities at June 30, 2016 and 2015 consisted of investments in common stock and mutual funds valued at quoted market prices and investments in money market funds valued at stated value, all of which are Level 1 measurements. There were no investments in marketable securities for which Level 2 or Level 3 valuation inputs were required.

At June 30, 2016, the fair value measurements reportable by the Society for its investments in marketable securities were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Equity funds	\$ 95,719	\$ -	\$ -	\$ 95,719
Fixed income funds	<u>77,078</u>	-	-	<u>77,078</u>
Total mutual funds	<u>172,797</u>	-	-	<u>172,797</u>
Money market funds	<u>2,270</u>	-	-	<u>2,270</u>
Total investments at fair value	<u>\$ 175,067</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,067</u>

NOTE B – INVESTMENTS IN MARKETABLE SECURITIES (Continued)

At June 30, 2015, the fair value measurements reportable by the Society for its investments in marketable securities were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Equity funds	\$ 102,830	\$ -	\$ -	\$ 102,830
Fixed income funds	53,455	-	-	53,455
Total mutual funds	<u>156,285</u>	<u>-</u>	<u>-</u>	<u>156,285</u>
Common stock				
Large cap common stock	24,401	-	-	24,401
Medium and small cap common stock	17,995	-	-	17,995
Total common stock	<u>42,396</u>	<u>-</u>	<u>-</u>	<u>42,396</u>
Money market funds	<u>8,679</u>	<u>-</u>	<u>-</u>	<u>8,679</u>
 Total investments at fair value	 <u>\$ 207,360</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 207,360</u>

NOTE C – PROPERTY AND EQUIPMENT

At June 30, 2016 and 2015, property and equipment consisted of the following:

	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 3,929,727	\$ 3,929,727
Furniture and equipment	357,902	341,819
Vehicles	<u>171,670</u>	<u>180,662</u>
Total	4,459,299	4,452,208
Accumulated depreciation	<u>(1,919,837)</u>	<u>(1,786,330)</u>
 Property and equipment – net	 <u>\$ 2,539,462</u>	 <u>\$ 2,665,878</u>

NOTE D – REMAINDER INTEREST IN TRUST

At June 30, 2016 and 2015, the remainder interest in trust consisted of the following:

	<u>2016</u>	<u>2015</u>
Assets		
Marketable securities	\$ 368,067	\$ 389,526
Residential real property	<u>431,500</u>	<u>435,600</u>
Total assets	799,567	825,126
Estimated liability for annual expenses	<u>(236,698)</u>	<u>(237,672)</u>
 Remainder interest in trust – net	 <u>\$ 562,869</u>	 <u>\$ 587,454</u>

NOTE D – REMAINDER INTEREST IN TRUST (Continued)

In November 2007, a donor established an irrevocable charitable remainder trust that gives the Society a remainder interest in marketable securities and residential real property upon the death of the income beneficiary. The Society is the trustee for the remainder trust, and is responsible for providing for the annual expenses necessary to maintain the residential real property. Such expenses are expected to be provided from earnings of the marketable securities. The marketable securities and residential real property are stated at fair value. The liability for annual expenses was estimated using historical annual expenses through November 2007, which were increased for the commonly used annual inflation factor of 3%, and then were discounted to their present value using the Society’s borrowing rate in November 2007 of 6%.

The fair value measurements reportable for the Society’s remainder interest in the trust at June 30, 2016 and 2015 consisted of investments in equity securities valued at quoted market prices and in cash and money market accounts valued at stated value, Level 1 measurements; and an investment in real property stated at the annual assessed value of the property, a Level 3 measurement, which approximates fair value.

At June 30, 2016, the fair value measurements reportable by the Society for its remainder interest in the trust were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable securities				
Equities and options	\$ 354,839	\$ -	\$ -	\$ 354,839
Cash and money market	<u>13,228</u>	<u>-</u>	<u>-</u>	<u>13,228</u>
Total marketable securities	368,067	-	-	368,067
Residential real property	<u>-</u>	<u>-</u>	<u>431,500</u>	<u>431,500</u>
Total remainder interest in trust at fair value	<u>\$ 368,067</u>	<u>\$ -</u>	<u>\$ 431,500</u>	<u>\$ 799,567</u>

At June 30, 2015, the fair value measurements reportable by the Society for its remainder interest in the trust were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Marketable securities				
Equities and options	\$ 372,610	\$ -	\$ -	\$ 372,610
Cash and money market	<u>16,916</u>	<u>-</u>	<u>-</u>	<u>16,916</u>
Total marketable securities	389,526	-	-	389,526
Residential real property	<u>-</u>	<u>-</u>	<u>435,600</u>	<u>435,600</u>
Total remainder interest in trust at fair value	<u>\$ 389,526</u>	<u>\$ -</u>	<u>\$ 435,600</u>	<u>\$ 825,126</u>

NOTE D – REMAINDER INTEREST IN TRUST (Continued)

For the years ended June 30, 2016 and 2015, changes in the fair value measurements reportable by the Society for its remainder interest in a trust for which Level 3 measurements were required were as follows:

	<u>2016</u>	<u>2015</u>
Residential real property – beginning of year	\$435,600	\$ 386,900
Increase (decrease) in assessed value	<u>(4,100)</u>	<u>48,700</u>
Residential real property – end of year	<u>\$431,500</u>	<u>\$ 435,600</u>

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2016 and 2015, temporarily restricted net assets consisted of the following:

	<u>2016</u>	<u>2015</u>
Temporarily restricted for		
Remainder interest in trust	\$562,869	\$587,454
Other programs	<u>15,358</u>	<u>11,202</u>
Total temporarily restricted net assets	<u>\$578,227</u>	<u>\$598,656</u>

NOTE F – SPECIAL EVENTS

Special events consisted of the following for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Annual dinner and auction		
Revenue	\$99,033	\$115,879
Direct costs	<u>(47,135)</u>	<u>(32,157)</u>
Special events – net	<u>\$51,898</u>	<u>\$ 83,722</u>

NOTE G – LEASES

The Society leases the land underlying its operating facility in Haiku, Hawaii for \$5,400 per year from Grove Farm Company, Incorporated under an operating lease agreement expiring October 2025. As of October 2015, the Society may commence negotiations for a 20-year extension of the lease. In May 2014, the Society began leasing its Thrift Shop facilities for \$3,500 per month under an operating lease agreement expiring in April 2017. Lease rent expense, including taxes and costs, amounted to \$48,775 and \$47,500, for the years ended June 30, 2016 and 2015, respectively.

NOTE G – LEASES (Continued)

At June 30, 2016, minimum future lease payments approximated the following.

Years Ending June 30th:	
2017	\$40,400
2018	\$ 5,400
2019	\$ 5,400
2020	\$ 5,400
2021	\$ 5,400
Thereafter (cumulative)	\$23,400

NOTE H – CONTINGENCIES

The Society is subject to legal proceedings, claims, or litigation arising in the ordinary course of business for which it seeks the advice of legal counsel. Management estimates, on the advice of legal counsel, that the cost to resolve such matters will not material to the financial statements. However, it is at least reasonably possible that such estimates may change within the near term.

The Society operates on the Island of Kauai in the State of Hawaii. National and international events can have severe, adverse effects on economic conditions in Hawaii. The effects, if any, on the financial statements of the Society from such changes in economic conditions are not presently determinable.

NOTE I – FINANCIAL STATEMENT PRESENTATION

The financial statements include prior year comparative information that does not constitute a complete presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Society’s financial statements as of and for the year ended June 30, 2015, from which the information was derived. Certain amounts in the prior year comparative information have been reclassified to conform to the current year presentation.

NOTE J – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the independent auditor’s report, which is the date the financial statements were available to be issued, and determined that the Society did not have any subsequent events requiring adjustment to the financial statements or disclosure in the notes to the financial statements.