

HONOLULU BIENNIAL FOUNDATION

FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANT'S REVIEW REPORT
FOR THE YEAR ENDED JUNE 30, 2019

Alex J. Smith

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

The Board of Directors
Honolulu Biennial Foundation:

I have reviewed the accompanying financial statements of the Honolulu Biennial Foundation (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

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.

Accountant's Responsibility

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



Honolulu, Hawaii
June 12, 2021

HONOLULU BIENNIAL FOUNDATION

Statement of Financial Position

June 30, 2019

	Assets	<u>2019</u>
Current assets		
Cash		\$ 266,271
Accounts receivable		9,812
Other assets		535
	Total assets	<u>\$ 276,618</u>
 Liabilities and Net Assets		
Current liabilities		
Accounts payable		\$ 11,074
Accrued payroll liabilities		17,644
	Total liabilities	<u>28,718</u>
Net assets		
Without donor restrictions		247,900
	Total net assets	<u>247,900</u>
	Total liabilities and net assets	<u>\$ 276,618</u>

See accompanying notes and independent accountant's review report.

HONOLULU BIENNIAL FOUNDATION

Statement of Activities

Year Ended June 30, 2019

	<u>2019</u>
Revenues	
Contributions and grants	\$ 735,890
Government contracts	71,032
Program service fees	40,130
Other income	18,239
	<u>865,291</u>
Expenses	
Program services	988,536
Supporting activities:	
Management and general	153,108
Fundraising	116,554
Total expenses	<u>1,258,198</u>
Change in net assets	<u>(392,907)</u>
Net assets, beginning of year	640,807
Net assets, end of year	<u><u>\$ 247,900</u></u>

See accompanying notes and independent accountant's review report.

HONOLULU BIENNIAL FOUNDATION

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services	Supporting Activities		Total Expenses 2019
		Management and General	Fundraising	
Expenses:				
Salaries and wages	\$ 139,873	\$ 89,012	\$ 50,525	\$ 279,410
Outside services	279,088	-	-	279,088
Program venue expenses	189,568	-	-	189,568
Other program expenses	143,594	-	44,746	188,340
Travel, meals & entertainment	124,913	581	3,915	129,409
Professional services	8,988	35,372	-	44,360
Payroll taxes and benefits	26,282	4,992	9,984	41,258
Advertising and promotion	34,056	306	3,079	37,441
Information technology	24,984	1,119	-	26,103
Equipment purchases & rentals	8,125	10,773	-	18,898
Insurance	6,668	7,951	297	14,916
Office expenses	2,397	3,002	480	5,879
Other	-	-	3,528	3,528
Total expenses	<u>\$ 988,536</u>	<u>\$ 153,108</u>	<u>\$ 116,554</u>	<u>\$ 1,258,198</u>

See accompanying notes and independent accountant's review report.

HONOLULU BIENNIAL FOUNDATION

Statement of Cash Flows

Year Ended June 30, 2019

	<u>2019</u>
Cash flows from operating activities:	
Cash received from contributions, contracts, and grants	\$ 1,047,110
Cash received from program fees	40,130
Interest and other income received	18,239
Cash paid for employees	(303,024)
Cash paid to suppliers	(934,357)
	<u>(131,902)</u>
Net cash used by operating activities	<u>(131,902)</u>
Net change in cash	(131,902)
Cash, beginning of year	398,173
Cash, end of year	<u>\$ 266,271</u>
Reconciliation of change in net assets to net cash used by operating activities:	
Change in net assets	\$ (392,907)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Decrease in accounts receivable	240,188
Increase in accounts payable	3,173
Increase in accrued payroll liabilities	17,644
Net cash used by operating activities	<u>\$ (131,902)</u>

See accompanying notes and independent accountant's review report.

HONOLULU BIENNIAL FOUNDATION

Notes to Financial Statements

Year ended June 30, 2019

NATURE OF OPERATIONS

Honolulu Biennial Foundation, is a nonprofit Hawaii corporation organized in August 2014 to support the arts within the State of Hawaii and foster the development of a creative economy by presenting an international festival of contemporary art and complimenting educational public programs, and presenting ongoing educational outreach programs and workshops, with an emphasis on linking arts education with technology and science. The Organization's major source of support and revenues are contributions and government contracts.

Honolulu biennial Foundation is governed by a Board of Directors, with a minimum of three (3) members who serve one (1) year terms, with no limit to consecutive terms.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of Honolulu Biennial Foundation have been prepared on the accrual basis of accounting in accordance with the AICPA Audit and Accounting Guide, "Not-for-Profit Organizations."

Accounting pronouncement adopted

During the year ended June 30, 2019, Honolulu Biennial Foundation adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Not-For-Profit Entities (Topic 958) Presentation of Financial Statements of Not-For-Profit Entities*. The ASU amended the current reporting model for nonprofit organizations and enhances required disclosures including net asset classification, the functional allocation of expenses and information about liquidity, financial performance, and cash flows.

Cash

Cash is comprised of cash on hand, and in checking and savings accounts. Management believes Honolulu Biennial Foundation is not exposed to any significant credit risk on cash.

Accounts receivable

Honolulu Biennial Foundation management expects that the accounts receivable are fully collectible, therefore no allowance has been set up related to these accounts.

Donated assets and services

Support arising from donated goods, property and services is recorded at its estimated fair value. Such contributions may be reflected in the financial statements if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

HONOLULU BIENNIAL FOUNDATION
Notes to Financial Statements, Continued
Year ended June 30, 2019

NOTE1. SIGNIFICANT ACCOUNTING POLICIES, Continued

Furniture and Equipment

Furniture and equipment of \$1,000 or more with an estimated useful life of at least one year are capitalized and recorded at cost. Donated assets are recorded at their estimated fair value at the date of donation. Depreciation is calculated using the straight-line method based on estimated useful lives of five years for office furniture and three years for computer software, equipment, and website development. Leasehold improvements are amortized utilizing the straight-line method over the lesser of the lease term or the estimated useful lives of assets.

The costs of repairs and maintenance are charged to expense when incurred. Major renewals and improvements are capitalized. Assets retired or otherwise disposed of are removed from the appropriate asset and related accumulated depreciation accounts. Gains and losses on the sale of the assets are reflected in the current operations.

Net assets

Honolulu Biennial Foundation's net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net assets with Donor Restrictions – net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, for example contributed assets that may or will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, for example stipulating that resources be maintained in perpetuity. Law may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, laws extend to donor-imposed restrictions.

Functionalized expense allocation

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll taxes and benefits, travel/meals/entertainment, advertising and promotion, insurance, office expenses, and information technology, which are allocated on the basis of estimates of time and effort.

Estimates

The preparation of financial statements in conformity with 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

HONOLULU BIENNIAL FOUNDATION
Notes to Financial Statements, Continued
Year ended June 30, 2019

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Honolulu Biennial Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. The expirations of donor-imposed restrictions are recognized when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Subsequent Events

Management of Honolulu Biennial Foundation has evaluated events and transactions subsequent to June 30, 2019 for potential recognition or disclosure in the financial statements. Except as provided in NOTE 3, Honolulu Biennial Foundation did not have subsequent events that required recognition or disclosure in the financial statements for the year ended June 30, 2019. Subsequent events have been evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

Income taxes

No provision has been made for federal or state income taxes because Honolulu Biennial Foundation has obtained tax exempt status under Internal Revenue Code Section 501 (c)(3) and applicable provisions of the Hawai'i Revised Statutes.

Honolulu Biennial Foundation follows Accounting Standards Codification Topic (ASC 740), *Income Taxes*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest, and penalties, disclosure, and transition. Management believes that no such uncertain tax position exists for Honolulu Biennial Foundation at June 30, 2019.

HONOLULU BIENNIAL FOUNDATION
Notes to Financial Statements, Continued
Year ended June 30, 2019

NOTE 2. LIQUIDITY AND AVAILABILITY

Honolulu Biennial Foundation's financial assets available within one year of the statement of financial position date for general expenditures are as follows as of June 30, 2018:

	2019
Cash and cash equivalents	\$ 266,271
Accounts receivable, net	9,812
Other assets	535
	<u>\$ 276,618</u>

As part of Honolulu Biennial Foundation's liquidity management plan, excess cash is invested in savings accounts.

NOTE 3. SUBSEQUENT EVENTS

On April 13, 2020, Honolulu Biennial Foundation registered with the Hawaii Department of Commerce and Consumer Affairs to *do business as* Hawaii Contemporary.

Beginning around March 2020, the COVID-19 virus was declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.