

HONOLULU BIENNIAL FOUNDATION
dba HAWAII CONTEMPORARY

FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANT'S REVIEW REPORT
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Alex J. Smith

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

The Board of Directors
Honolulu Biennial Foundation
dba Hawaii Contemporary:

I have reviewed the accompanying financial statements of the Honolulu Biennial Foundation, *dba* Hawaii Contemporary (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, cash flows, and functional expenses for the years 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
dba HAWAII CONTEMPORARY
Statements of Financial Position
June 30, 2020 and 2019

	Assets	<u>2020</u>	<u>2019</u>
Current assets			
Cash		\$ 156,595	\$ 266,271
Accounts receivable		83,214	9,812
Other assets		535	535
Total assets		<u>\$ 240,344</u>	<u>\$ 276,618</u>
Liabilities and Net Assets			
Current liabilities			
Accounts payable		\$ 3,000	\$ 11,074
Accrued payroll liabilities		18,706	17,644
Total current liabilities		<u>21,706</u>	<u>28,718</u>
Noncurrent liabilities			
PPP loan		34,900	-
Total liabilities		<u>56,606</u>	<u>28,718</u>
Net assets			
Without donor restrictions		178,738	247,900
With donor restrictions		5,000	-
Total net assets		<u>183,738</u>	<u>247,900</u>
Total liabilities and net assets		<u>\$ 240,344</u>	<u>\$ 276,618</u>

See accompanying notes and independent accountant's review report.

HONOLULU BIENNIAL FOUNDATION
dba HAWAII CONTEMPORARY
Statements of Activities
Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Contributions and grants	\$ 253,993	\$ 5,000	\$ 258,993	\$ 735,890	\$ -	\$ 735,890
Government contracts	7,000	-	7,000	71,032	-	71,032
Program service fees	-	-	-	40,130	-	40,130
Other income	1,335	-	1,335	18,239	-	18,239
	<u>262,328</u>	<u>5,000</u>	<u>267,328</u>	<u>865,291</u>	<u>-</u>	<u>865,291</u>
Expenses						
Program services	98,654	-	98,654	988,536	-	988,536
Supporting activities:						
Management and general	120,729	-	120,729	153,108	-	153,108
Fundraising	112,107	-	112,107	116,554	-	116,554
Total expenses	<u>331,490</u>	<u>-</u>	<u>331,490</u>	<u>1,258,198</u>	<u>-</u>	<u>1,258,198</u>
Change in net assets	<u>(69,162)</u>	<u>5,000</u>	<u>(64,162)</u>	<u>(392,907)</u>	<u>-</u>	<u>(392,907)</u>
Net assets, beginning of year	247,900	-	247,900	640,807	-	640,807
Net assets, end of year	<u>\$ 178,738</u>	<u>\$ 5,000</u>	<u>\$ 183,738</u>	<u>\$ 247,900</u>	<u>\$ -</u>	<u>\$ 247,900</u>

See accompanying notes and independent accountant's review report.

HONOLULU BIENNIAL FOUNDATION
dba HAWAII CONTEMPORARY
Statements of Functional Expenses
Years Ended June 30, 2020 and 2019

	Supporting Activities			Total	Supporting Activities			Total
	Program Services	Management and General	Fundraising	Expenses 2020	Program Services	Management and General	Fundraising	Expenses 2019
Expenses:								
Salaries and wages	\$ 25,548	\$ 51,015	\$ 74,683	\$ 151,246	\$ 139,873	\$ 89,012	\$ 50,525	\$ 279,410
Outside services	45,306	5,010	-	50,316	279,088	-	-	279,088
Professional services	-	27,669	-	27,669	8,988	35,372	-	44,360
Travel, meals & entertainment	5,549	1,107	14,562	21,218	124,913	581	3,915	129,409
Advertising and promotion	10,845	517	9,595	20,957	34,056	306	3,079	37,441
Payroll taxes and benefits	4,469	4,433	8,866	17,768	26,282	4,992	9,984	41,258
Equipment purchases & rentals	-	13,885	-	13,885	8,125	10,773	-	18,898
Insurance	127	8,799	254	9,180	6,668	7,951	297	14,916
Other program expenses	5,641	-	3,175	8,816	143,594	-	44,746	188,340
Office expenses	251	7,711	247	8,209	2,397	3,002	480	5,879
Program venue expenses	880	-	-	880	189,568	-	-	189,568
Information technology	38	583	-	621	24,984	1,119	-	26,103
Other	-	-	725	725	-	-	3,528	3,528
Total expenses	\$ 98,654	\$ 120,729	\$ 112,107	\$ 331,490	\$ 988,536	\$ 153,108	\$ 116,554	\$ 1,258,198

See accompanying notes and independent accountant's review report.

HONOLULU BIENNIAL FOUNDATION
dba HAWAII CONTEMPORARY
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from contributions, contracts, and grants	\$ 192,591	\$ 1,047,110
Cash received from program fees	-	40,130
Interest and other income received	1,335	18,239
Cash paid for employees	(169,014)	(303,024)
Cash paid to suppliers	(169,488)	(934,357)
Net cash used by operating activities	<u>(144,576)</u>	<u>(131,902)</u>
Cash flows from financing activities:		
Receipt of PPP funds	34,900	-
Net cash provided by financing activities	<u>34,900</u>	<u>-</u>
Net change in cash	(109,676)	(131,902)
Cash, beginning of year	266,271	398,173
Cash, end of year	<u>\$ 156,595</u>	<u>\$ 266,271</u>
Reconciliation of change in net assets to net cash used by operating activities:		
Change in net assets	\$ (64,162)	\$ (392,907)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Decrease (increase) in accounts receivable	(73,402)	240,188
Increase (decrease) in accounts payable	(8,074)	3,173
Increase in accrued payroll liabilities	1,062	17,644
Net cash used by operating activities	<u>\$ (144,576)</u>	<u>\$ (131,902)</u>

See accompanying notes and independent accountant's review report.

HONOLULU BIENNIAL FOUNDATION
dba HAWAII CONTEMPORARY
Notes to Financial Statements
Years ended June 30, 2020 and 2019

NATURE OF OPERATIONS

Honolulu Biennial Foundation, which registered on April 13, 2020 to *do business as* Hawaii Contemporary, 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.

Hawaii Contemporary 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 Hawaii Contemporary 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, Hawaii Contemporary 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 Hawaii Contemporary is not exposed to any significant credit risk on cash.

Accounts receivable

Hawaii Contemporary 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.

See independent accountant's review report.

HONOLULU BIENNIAL FOUNDATION
dba HAWAII CONTEMPORARY
Notes to Financial Statements, Continued
Years ended June 30, 2020 and 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

Hawaii Contemporary'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. (See also NOTE 2.)

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.

See independent accountant's review report.

HONOLULU BIENNIAL FOUNDATION
dba HAWAII CONTEMPORARY
Notes to Financial Statements, Continued
Years ended June 30, 2020 and 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. Hawaii Contemporary 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 Hawaii Contemporary has evaluated events and transactions subsequent to June 30, 2020 for potential recognition or disclosure in the financial statements. Hawaii Contemporary did not have subsequent events that required recognition or disclosure in the financial statements for the year ended June 30, 2020. 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 Hawaii Contemporary has obtained tax exempt status under Internal Revenue Code Section 501 (c)(3) and applicable provisions of the Hawai'i Revised Statutes.

Hawaii Contemporary 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 Hawaii Contemporary at June 30, 2020 and 2019.

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation.

See independent accountant's review report.

HONOLULU BIENNIAL FOUNDATION
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Notes to Financial Statements, Continued
Years ended June 30, 2020 and 2019

NOTE 2. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Video art grant	\$ 5,000	\$ -
	<u>\$ 5,000</u>	<u>\$ -</u>

NOTE 3. LIQUIDITY AND AVAILABILITY

Hawaii Contemporary's financial assets available within one year of the statement of financial position date for general expenditures are as follows as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 156,595	\$ 266,271
Accounts receivable	83,214	9,812
Other assets	535	535
	<u>\$ 240,344</u>	<u>\$ 276,618</u>

As part of Hawaii Contemporary's liquidity management plan, excess cash is invested in savings accounts.

NOTE 4. PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On April 21, 2020, Hawaii Contemporary received loan proceeds in the amount of \$34,900 under the Paycheck Protection Program (PPP). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after then end of the covered period. Hawaii Contemporary intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

To the extent that Hawaii Contemporary is not granted forgiveness, Hawaii Contemporary will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of April 21, 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

See independent accountant's review report.

HONOLULU BIENNIAL FOUNDATION
dba HAWAII CONTEMPORARY
Notes to Financial Statements, Continued
Years ended June 30, 2020 and 2019

NOTE 4. PAYCHECK PROTECTION PROGRAM (PPP) LOAN, Continued

Hawaii Contemporary has recorded a note payable and will record forgiveness upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended June 30, 2020. Hawaii Contemporary is required to repay any remaining balance of \$34,900, plus interest accrued at 1% per annum in monthly payments beginning on October 21, 2020. Principal and interest payments will be required through the maturity date of April 21, 2022.

NOTE 5. COVID-19

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.