HONOLULU BIENNIAL FOUNDATION

Financial Statements

June 30, 2018

HONOLULU BIENNIAL FOUNDATION

Table of Contents

Wikoff Combs & Co., LLC
Certified Public Accountants

Independent Auditors' Report

Board of Directors
Honolulu Biennial Foundation

We have audited the accompanying financial statements of Honolulu Biennial Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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.

Auditors' 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 from 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 auditors' 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 auditors consider 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 Honolulu Biennial Foundation, as of June 30, 2018, 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 Summarized Comparative Information

We have previously audited Honolulu Biennial Foundation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 8, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wikoff Combs & Co., LLC

Honolulu, Hawaii
October 8, 2018

HONOLULU BIENNIAL FOUNDATION

Statement of Financial Position

June 30, 2018
(with comparative totals for 2017)

ASSETS

	2018	2017
Current assets		
Cash	$ 398,173	$ 11,395
Contribution receivable	250,000	-
Government contract receivables	-	285,000
Other assets	535	535
Total assets	$ 648,708	$ 296,930

LIABILITIES AND NET ASSETS

	2018	2017
Current liabilities		
Accounts payable	$ 7,901	$ 64,454
Net assets		
Unrestricted	640,807	232,476
Total liabilities and net assets	$ 648,708	$ 296,930

See accompanying notes to financial statements.

HONOLULU BIENNIAL FOUNDATION

Statement of Activities

For the Year Ended June 30, 2018
(with comparative totals for 2017)

	2018			
	Unrestricted	Temporarily Restricted	Total	2017
Support and Revenue				
Contributions	$ 769,604	$ -	$ 769,604	$ 1,045,959
Government contracts	-	-	-	285,000
Program service fees	-	-	-	73,957
Other income	3,242	-	3,242	5,725
Total support and revenue	772,846	-	772,846	1,410,641
Expenses				
Program services	187,891	-	187,891	1,118,067
Management and general	75,338	-	75,338	40,000
Fundraising	101,286	-	101,286	75,874
Total expenses	364,515	-	364,515	1,233,941
Changes in net assets	408,331	-	408,331	176,700
Net assets at beginning of year	232,476	-	232,476	55,776
Net assets at end of year	$ 640,807	$ -	$ 640,807	$ 232,476

See accompanying notes to financial statements.

HONOLULU BIENNIAL FOUNDATION

Statement of Functional Expenses

For the Year Ended June 30, 2018
(with comparative totals for 2017)

	2018				
	Program Services	Management and General	Fundraising	Total	2017
Salaries and wages expenses	$ 69,730	$ 26,346	$ 52,661	$ 148,737	$ 147,298
Payroll taxes and benefits	12,257	5,309	11,715	29,281	28,410
Total salaries and related benefits	81,987	31,655	64,376	178,018	175,708
Professional fees	19,500	23,758	9,885	53,143	97,448
Travel, meals and entertainment	27,322	3,230	12,852	43,404	65,561
Honorarium fees	41,850	-	-	41,850	56,757
Special event expenses	-	-	12,008	12,008	46,638
Other expenses	-	5,667	1,765	7,432	33,900
Equipment purchases and rentals	1,174	5,819	-	6,993	35,786
Printing and publications	5,668	693	173	6,534	51,886
Program supplies and materials	4,009	-	-	4,009	148,261
Office expenses	6	3,324	143	3,473	2,843
Program venue expenses	2,343	-	-	2,343	356,350
Shipping and handling fees	2,174	-	-	2,174	109,304
Advertising	1,469	394	13	1,876	5,575
License and bank fees	389	798	71	1,258	7,148
Artist production fees	-	-	-	-	40,776
Total expenses	$ 187,891	$ 75,338	$ 101,286	$ 364,515	$ 1,233,941

See accompanying notes to financial statements.

HONOLULU BIENNIAL FOUNDATION

Statement of Cash Flows

For the Year Ended June 30, 2018
(with comparative totals for 2017)

	2018	2017
Cash flows from operating activities		
Changes in net assets	$ 408,331	$ 176,700
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
(Increase) decrease in assets:		
Government contract receivables	285,000	(285,000)
Contribution receivable	(250,000)	(535)
Increase (decrease) in liabilities:		
Accounts payable	(56,553)	64,454
Net cash provided by (used in) operating activities	386,778	(44,381)
Cash at beginning of year	11,395	55,776
Cash at end of year	$ 398,173	$ 11,395

See accompanying notes to financial statements.

Background and Organization

Honolulu Biennial Foundation (Organization) is a nonprofit organization incorporated 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.

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and State income taxes. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

1. Summary of Significant Accounting Policies

<u>Basis of Accounting</u>

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America for not-for-profit organizations. The significant accounting and reporting policies used by the organization are described below to enhance the usefulness and understandability of the financial statements.

<u>Cash and Cash Equivalents</u>

The Organization considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents.

<u>Furniture and Equipment</u>

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.

1. Summary of Significant Accounting Policies, continued

Net Assets

The Organization's net assets and changes therein are classified and reported as follows:

Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. The only limits on unrestricted net assets are broad limits resulting from the nature of the Organization and purposes specified in its articles of incorporation or bylaws and any limits resulting from contractual agreements.

Temporarily restricted net assets are comprised of gifts; including pledges and trusts, as well as income and gains that can be expended, for which restrictions have not yet been met. Such restrictions include purpose restrictions wherein donors have specified the purpose for which the net assets are to be spent or time restrictions are imposed or implied by the nature of the gift. When a restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently restricted net assets represent the historical dollar amounts of gifts, including pledges and trusts, subject to donor-imposed stipulations to be invested in perpetuity, and only the income may be available for program operations. The Organization does not have permanently restricted net assets.

Contributions

Contributions are recognized as support when they become unconditional promises to give, at their fair value. The Organization records contributions as temporarily restricted if they are received with donor stipulations that limit their use, either through purposes or time restrictions, and those stipulations have not expired. When donor restrictions expire in subsequent years, that is, when a purpose restriction is fulfilled or a time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the financial statements as net assets released from restrictions.

Contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts in those amounts are computed at the rate commensurate with the risks involved based upon the rate applicable to the year in which the promise is received.

1. Summary of Significant Accounting Policies, continued

In-Kind Contributions

Donated Property, Equipment, and Supplies – Donations of property, equipment, and supplies are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as unrestricted net assets unless the donor has restricted the donated asset for a specific purpose. Expenses in the same amount are reflected in the financial statements.

Donated Services – Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A substantial number of unpaid volunteers have made significant contributions of their time to the Organization. The value of their time is not recognized as contributions in the financial statements since the recognition criteria were not met.

Recognition of Government Contracts Revenue

Government contracts are received from the federal and State governments. Revenues on cost reimbursement contracts are recognized when allowable and reimbursable expenses are incurred, and upon meeting the legal and contractual requirements of the funding source. Revenues on fee for service contracts are recognized when the services required by the contractual agreements are satisfactorily performed. These revenues are generally considered exchange transactions and are thereby recorded as revenues of the unrestricted net asset class. Government contract receivables are recorded in the financial statements when allowable expenses have been incurred but have not been reimbursed. Funding received in advance of the applicable revenue recognition criteria is recorded as refundable advances in the financial statements.

Advertising Costs

Advertising costs are expensed as incurred.

Functional Classification of Expenses

The costs of providing the various activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the activities and supporting services benefited, based on the direct cost incurred and management's estimate of resources consumed by the functions.

1. Summary of Significant Accounting Policies, continued

Use of Estimates

Preparing financial statements according to generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported, the disclosure of contingent assets and liabilities, and the revenues and expenses reported during the stated period. Actual results could differ from management's estimates.

Subsequent Events

Management has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

2. Contribution Receivable

Contribution receivable of $250,000 at June 30, 2018, is due within one year.

3. Concentrations of Risk

The Organization maintains its cash with financial institutions, which is insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2018, approximately $138,000 was not insured by the FDIC. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks.