

**TAX FOUNDATION OF HAWAII**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
December 31, 2013

**TAX FOUNDATION OF HAWAII**  
Honolulu, Hawaii

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**  
December 31, 2013

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## TRUSTA

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### INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
Tax Foundation of Hawaii  
Honolulu, Hawaii

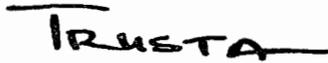
We have reviewed the accompanying statement of assets and net assets – cash basis of Tax Foundation of Hawaii (the “Foundation”) as of December 31, 2013, and the related statement of revenues, expenses, and change in net assets – cash basis for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Foundation's 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, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the cash basis of accounting, as described in Note 1.

Our review was made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with the cash basis of accounting. The supplementary information included in the accompanying statement of functional expenses is presented only for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we did not become aware of any material modifications that should be made to such information.

A handwritten signature in black ink that reads "TRUSTA". The letters are bold and slightly slanted, with a horizontal line above the "T" and a horizontal line below the "A".

An Accountancy Corporation

Honolulu, Hawaii  
July 31, 2014

**TAX FOUNDATION OF HAWAII**  
**STATEMENT OF ASSETS AND NET ASSETS**  
**CASH BASIS**  
December 31, 2013

(See Independent Accountant's Review Report)

**Assets**

Cash and cash equivalents	\$ 86,228
Restricted cash	6,317
Investments	13,605
Total assets	<u>\$ 106,150</u>

**Net Assets**

Unrestricted:	
Undesignated	\$ 99,132
Board designated	701
	<u>99,833</u>
Temporarily restricted	6,317
Total net assets	<u>\$ 106,150</u>

The accompanying notes are an integral part of these financial statements.

**TAX FOUNDATION OF HAWAII**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS**  
**CASH BASIS**

Year Ended December 31, 2013

(See Independent Accountant's Review Report)

	Unrestricted	Temporarily Restricted	Total
<b>Revenues Collected</b>			
Membership dues			
Benefactors	\$ 104,200	\$ -	\$ 104,200
Business associate	72,104	-	72,104
Individual associate	14,235	-	14,235
Contributions	72,450	-	72,450
Weinberg Foundation dues and registration fees	-	3,800	3,800
Interest and dividends	539	-	539
Realized losses on sale of investments	(336)	-	(336)
Net assets released from restrictions	5,073	(5,073)	-
Total revenues collected	268,265	(1,273)	266,992
<b>Expenses Paid</b>			
Program services			
Government finance analysis	142,158	-	142,158
Association of Weinburg Fellows	5,074	-	5,074
Total program services	147,232	-	147,232
Supporting services			
Management and general	88,127	-	88,127
Total expenses paid	235,359	-	235,359
<b>Change in Net Assets</b>	32,906	(1,273)	31,633
<b>Net Assets</b>			
Beginning of year	66,927	7,590	74,517
Ending of year	\$ 99,833	\$ 6,317	\$ 106,150

The accompanying notes are an integral part of these financial statements.

**TAX FOUNDATION OF HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2013

**NOTE 1 – Summary of Significant Accounting Policies**

**Nature of Business**

The Tax Foundation of Hawaii (the “Foundation”) was organized as a nonprofit organization on December 21, 1953, to inform the public, specifically the taxpayer, about the finances of state and local governments in Hawaii.

The Foundation is dependent on contributions and membership dues to fund its operations. Such revenues, by their nature, are variable and unpredictable. Management continues to seek additional sources of revenue to fund future operations of the Foundation.

**Basis of Accounting**

The Foundation’s policy is to prepare its financial statements on the cash basis of accounting; consequently, contributions and other revenues are recognized when received rather than when promised or earned, and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

**Cash and Cash Equivalents**

Cash and cash equivalents includes currency on hand, money market funds, and demand deposits with an original maturity of three months or less.

**Investments**

The investments of the Foundation are stated at fair value as determined by the most recently traded price on the date of the statement of assets and net assets. Investment returns consist of dividends.

**Restricted Cash**

Restricted cash represents funds maintained for the Foundation’s Association of Weinberg Fellows (“AWF”) program. The disbursement of these funds is restricted to support program objectives.

**Net Asset Categories**

The Foundation classifies its net assets and its revenues based on the existence or absence of donor-imposed restrictions.

**TAX FOUNDATION OF HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2013

**NOTE 1 – Summary of Significant Accounting Policies** (Continued)

Permanently restricted net assets are those for which donor-imposed restrictions limit the Foundation's use of an asset or its economic benefits that neither expire with the passage of time nor can be removed by the Foundation meeting certain requirements. The Foundation did not have any permanently restricted net assets as of December 31, 2013.

Temporarily restricted net assets are those that carry restrictions that expire upon the passage of a prescribed period or upon the occurrence of a stated event as specified by the donor. Temporarily restricted net assets consist of contributions for the AWF program (Note 5).

Unrestricted net assets are those not included under permanently or temporarily restricted categories. Donor-restricted contributions that are received and expended in the same reporting period are classified as unrestricted. All expenses are recorded as a reduction to unrestricted net assets. Board designated net assets (Note 6) represent special gifts and one-time contributions that are not anticipated to be received on a regular basis. Expenditures that are unusual and unanticipated must be approved by the majority of the Board of Directors. The Board has also designated that these net assets be utilized to provide any severance benefits, unemployment obligations, and lease termination costs that might be incurred upon winding down of the Foundation's operations in the event of a serious adverse change in the Foundation's financial condition.

**Donated Services and Facilities**

Various individuals and businesses donate their time and facilities toward the Foundation's activities; however, these activities have not been recorded in the accompanying financial statements.

**Furniture and Equipment**

The costs of furniture and equipment are expensed when purchased.

**Income Taxes**

The Foundation is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation did not have any unrelated business income and has not paid any income taxes for the year ended December 31, 2013.

**TAX FOUNDATION OF HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2013

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

The Foundation recognizes the financial statement effects of tax positions when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Management considers the facts, circumstances, and information available to determine whether or not a tax position has met the more-likely-than-not recognition threshold. The tax benefit is recognized at the largest amount that is more than 50% likely to be realized upon ultimate settlement. Management evaluated its tax positions for the year ended December 31, 2013, and determined that it has no unrecognized tax benefits requiring financial statement recognition. The federal and state statutes of limitations remains open for the years ended December 31, 2010 through 2013.

**Concentrations of Credit Risk**

Financial instruments which potentially subject the Foundation to concentrations of credit risk are the cash and cash equivalents. The Foundation places its cash and cash equivalents with financial institutions that are insured by the Federal Deposit Insurance Corporation (“FDIC”) or the Securities Investor Protection Corporation (“SIPC”) up to certain limits. The Foundation’s cash deposits were not in excess of the FDIC or SIPC limits as of December 31, 2013.

**NOTE 2 – Investments**

Investments as of December 31, 2013 consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Common Stock	\$ <u>13,605</u>	\$ <u>12,988</u>

**NOTE 3 – Pension Plan**

The Foundation has a profit sharing plan covering substantially all of its employees. The Foundation’s contribution to the plan is determined annually by the Board of Directors and is limited to 15% of the annual aggregate salaries of those employees eligible for participation in the plan. Contributions to the plan for the year ended December 31, 2013, were \$12,739.

**NOTE 4 – Operating Lease**

The Foundation leases office premises under an operating lease expiring in September 2014. The lease provides for the payment of a monthly minimum rent, maintenance fee and general excise tax. Future minimum rental payments for the years ended December 31, 2014 is \$9,045.

The Foundation’s minimum and contingent rent expenses for the year ended December 31, 2013, was \$12,060 and \$15,738, respectively.

**TAX FOUNDATION OF HAWAII**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2013

**NOTE 5 – Temporarily Restricted Net Assets**

**Weinberg Foundation Grants**

In 2001, the Foundation received a grant from the Weinberg Foundation, which funded the AWF program. In 2008, the Foundation received an additional \$10,000 grant from Weinberg Foundation for the AWF program. The grants related to this program are classified as temporarily restricted in the financial statements.

The purpose of the AWF program is to fund expenses incurred for support services related to the meetings and activities of the AWF, who are alumni of the Weinberg Leadership Development program. The Foundation is responsible for performing these support services, upon the discretion of the Weinberg Foundation.

Dues and registration fees of \$3,800 earned from the programs have been recorded as temporarily restricted net assets in accordance with the terms of the grant.

**NOTE 6 – Board Designated Net Assets**

The Foundation's board designated endowment net assets as of December 31, 2013 were \$701. There was no activity during the year ended December 31, 2013.

**Investment Policy**

The Foundation places its endowment assets into cash, money market funds, and equities that attempt to provide a predictable and steady stream of funding for activities. Under this policy, the Foundation's investment objective is to ensure principal will not erode from market fluctuations.

**Interpretation of Relevant Law**

The Board of Directors has interpreted Hawaii's Uniform Management of Institutional Funds Act ("HUMIFA") as requiring the preservation of the fair value of the original gift as the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As of December 31, 2013, the Foundation did not have any donations applicable to HUMIFA as its endowment fund is from unrestricted net assets that have been designated by the Board.

**NOTE 7 – Subsequent Events**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through July 31, 2014, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**TAX FOUNDATION OF HAWAII**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**CASH BASIS**  
Year Ended December 31, 2013

(See Independent Accountant's Review Report)

	Program Services			Supporting Services	
	Government Finance Analysis	Association of Weinburg Fellows	Total	Management and General	Total
Salaries and payroll taxes	\$ 108,989	\$ 1,590	\$ 110,579	\$ 65,205	\$ 175,784
Rent	17,605	-	17,605	10,193	27,798
Pension plan contribution	7,894	-	7,894	4,845	12,739
Employee benefits	5,249	-	5,249	3,418	8,667
Dues	-	-	-	1,932	1,932
Other	-	674	674	1,096	1,770
Equipment and maintenance	1,603	-	1,603	-	1,603
Insurance	-	-	-	1,071	1,071
Meals and lodging	-	946	946	-	946
Telephone	560	-	560	324	884
Conference	-	800	800	-	800
Travel	-	600	600	-	600
Website development	-	464	464	-	464
Internet service	258	-	258	-	258
Entertainment	-	-	-	43	43
Total expenses paid	\$ 142,158	\$ 5,074	\$ 147,232	\$ 88,127	\$ 235,359