

TAX FOUNDATION OF HAWAII
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
December 31, 2014

TAX FOUNDATION OF HAWAII
Honolulu, Hawaii

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**
December 31, 2014

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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, 2014, 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

April 2, 2015

TAX FOUNDATION OF HAWAII
STATEMENT OF ASSETS AND NET ASSETS
CASH BASIS
December 31, 2014

(See Independent Accountant's Review Report)

Assets

Cash and cash equivalents	\$	40,436
Restricted cash		4,358
Investments		13,605
Total assets	\$	<u>58,399</u>

Net Assets

Unrestricted:		
Undesignated	\$	53,340
Board designated		701
		<u>54,041</u>
Temporarily restricted		4,358
Total net assets	\$	<u>58,399</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, 2014

(See Independent Accountant's Review Report)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues Collected			
Membership dues			
Benefactors	\$ 76,050	\$ -	\$ 76,050
Business associate	76,750	-	76,750
Individual associate	14,368	-	14,368
Contributions	17,306	-	17,306
Seminar revenues	4,070	-	4,070
Association of Weinberg Fellows revenues	-	4,800	4,800
Interest and dividends	1,214	-	1,214
Net assets released from restrictions	6,759	(6,759)	-
Total revenues collected	<u>196,517</u>	<u>(1,959)</u>	<u>194,558</u>
Expenses Paid			
Program services			
Legislative tax bill service	96,392	-	96,392
Website overhaul and continuing education	55,966	-	55,966
Association of Weinburg Fellows expenses	6,759	-	6,759
Total program services	<u>159,117</u>	<u>-</u>	<u>159,117</u>
Supporting service			
Management and general	83,192	-	83,192
Total expenses paid	<u>242,309</u>	<u>-</u>	<u>242,309</u>
Change in Net Assets	(45,792)	(1,959)	(47,751)
Net Assets			
Beginning of year	99,833	6,317	106,150
Ending of year	<u>\$ 54,041</u>	<u>\$ 4,358</u>	<u>\$ 58,399</u>

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

TAX FOUNDATION OF HAWAII
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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, demand deposits, and money market funds with an original maturity of three months or less.

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.

Investments

The investments of the Foundation are stated at cost. The fair value of investments is based on quoted market prices. Investment returns consist of dividends.

Net Asset Categories

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

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, 2014.

TAX FOUNDATION OF HAWAII
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 – Summary of Significant Accounting Policies (Continued)

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, 2014.

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, 2014, 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, 2011 through 2014.

TAX FOUNDATION OF HAWAII
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 – Summary of Significant Accounting Policies (Continued)

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, 2014.

NOTE 2 – Investments

Investments as of December 31, 2014 consisted of the following:

	Cost	Fair Value
Common Stock	\$ 13,605	\$ 12,970

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 for the year ended December 31, 2014 were \$8,459.

NOTE 4 – Operating Lease

The Foundation leases office premises under an operating lease expiring in September 2017. 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, consists of the following:

2015	\$ 12,060
2016	12,060
2017	9,045
	\$ 33,165

The Foundation’s minimum rent and contingent rent expenses for the year ended December 31, 2014 were \$12,060 and \$16,343, respectively.

TAX FOUNDATION OF HAWAII
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 5 – Temporarily Restricted Net Assets

Weinberg Foundation Grants

The Foundation received a grant from the Weinberg Foundation to fund expenses incurred to support the 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 \$4,800 earned from the program 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, 2014 were \$701. There was no activity during the year ended December 31, 2014.

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, 2014, 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 April 2, 2015, 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, 2014

(See Independent Accountant's Review Report)

	Program Services				Supporting Services	
	Legislative Tax Bill Service	Website Overhaul and Continuing Education	Association of Weinburg Fellows	Total	Management and General	Total
Salaries and payroll taxes	\$ 73,953	\$ 43,843	\$ 2,061	\$ 119,857	\$ 61,205	\$ 181,062
Rent	12,469	6,618	-	19,087	9,316	28,403
Pension plan contribution	3,883	1,886	-	5,769	2,690	8,459
Employee benefits	2,366	2,050	-	4,416	2,753	7,169
Dues	-	-	-	-	2,959	2,959
Other	-	-	1,064	1,064	2,051	3,115
Equipment and maintenance	-	-	2,400	2,400	-	2,400
Insurance	1,849	-	-	1,849	-	1,849
Meals and lodging	883	883	-	1,766	-	1,766
Telephone	646	343	-	989	483	1,472
Conference	-	-	-	-	1,312	1,312
Travel	-	-	834	834	-	834
Website development	343	343	-	686	-	686
Seminar	-	-	-	-	423	423
Entertainment	-	-	400	400	-	400
Total expenses paid	<u>\$ 96,392</u>	<u>\$ 55,966</u>	<u>\$ 6,759</u>	<u>\$ 159,117</u>	<u>\$ 83,192</u>	<u>\$ 242,309</u>