TAX FOUNDATION OF HAWAII

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
December 31, 2018

TAX FOUNDATION OF HAWAII
Honolulu, Hawaii

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CONTENTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT 1

FINANCIAL STATEMENTS

STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS – MODIFIED CASH BASIS 3

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS – MODIFIED CASH BASIS 4

STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS 5

NOTES TO THE FINANCIAL STATEMENTS 6

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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 financial statements of Tax Foundation of Hawaii (the "Foundation"), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2018, the related statement of revenues, expenses, and change in net assets – modified cash basis 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 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's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for 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

Our responsibility is to conduct the review engagements 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 us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

Known Departure from Generally Accepted Accounting Principles In the United States of America

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles in the United States of America. Our conclusion is not modified with respect to this matter.

Other Matter

The accompanying supplementary schedules of functional expenses – modified cash basis for the year ended December 31, 2018 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

TRUSTA

An Accountancy Corporation

Honolulu, Hawaii
June 4, 2019

TAX FOUNDATION OF HAWAII
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
MODIFIED CASH BASIS
December 31, 2018

(See Independent Accountant's Review Report)

Assets		
Cash	$	3,774
Liabilities and Net Assets		
Current Liability		
Note payable	$	3,333
Net Assets		
Net assets without donor restrictions		441
Total liability and net assets	$	3,774

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

TAX FOUNDATION OF HAWAII
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
MODIFIED CASH BASIS
Year Ended December 31, 2018

(See Independent Accountant's Review Report)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues Collected			
Membership dues	$ 106,593	$ 2,875	$ 109,468
Contributions	57,043	-	57,043
Seminar registration fees	6,717	280	6,997
Special events	14,125	-	14,125
Other income	-	240	240
Net assets released from restrictions	10,512	(10,512)	-
Total revenues collected	194,990	(7,117)	187,873
Expenses Paid			
Program services			
Legislative tax bill service	67,359	-	67,359
Continuing education	46,658	-	46,658
Association of Weinburg Fellows expenses	5,584	-	5,584
Total program services	119,601	-	119,601
Supporting services			
Direct donor benefit	5,788	-	5,788
Fundraising	12,000	-	12,000
Management and general	65,186	-	65,186
Total supporting services	82,974	-	82,974
Total expenses paid	202,575	-	202,575
Change in Net Assets	(7,585)	(7,117)	(14,702)
Net Assets			
Beginning of year	8,026	7,117	15,143
End of year	$ 441	$ -	$ 441

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

TAX FOUNDATION OF HAWAII
STATEMENT OF FUNCTIONAL EXPENSES
MODIFIED CASH BASIS
Year Ended December 31, 2018

(See Independent Accountant's Review Report)

	Program Services				Supporting Services		
	Legislative Tax Bill Service	Continuing Education	Association of Weinburg Fellows	Total	Fundraising	Management and General	Total
Salaries and payroll taxes	$ 52,652	$ 32,974	$ -	$ 85,626	$ -	$ 36,802	$ 122,428
Rent	8,971	8,265	-	17,236	-	11,428	28,664
Special events	-	-	-	-	17,788	-	17,788
Employee benefits	4,806	4,501	-	9,307	-	6,033	15,340
Other	-	-	4,052	4,052	-	2,947	6,999
Dues	-	-	-	-	-	4,210	4,210
Telephone	497	485	-	982	-	655	1,637
Equipment and maintenance	-	-	-	-	-	1,523	1,523
Entertainment	-	-	-	-	-	958	958
Meals and lodging	-	-	932	932	-	-	932
Printing	433	433	-	866	-	-	866
Insurance	-	-	-	-	-	630	630
Travel	-	-	600	600	-	-	600
Total expenses paid	$ 67,359	$ 46,658	$ 5,584	$ 119,601	$ 17,788	$ 65,186	$ 202,575

TAX FOUNDATION OF HAWAII
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – Summary of Significant Accounting Policies

Nature of Business

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 the 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 financial statements have been prepared under the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America ("GAAP"). The modified cash basis of accounting differs from GAAP in that revenues are recognized when received rather than when promised or earned, expenses are recognized when cash is disbursed rather than when the obligation is incurred, and capital assets are fully expensed when purchased rather than amortized over their useful life.

Cash Equivalents

The Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2018.

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 reports information regarding its financial position and activities according to the following net asset classifications:

Net assets with donor restrictions – net assets subject to a donor stipulation. Temporary donor imposed restrictions are met by the Foundation's actions or with the passage of time. Donor imposed restrictions that are perpetual in nature stipulate the funds be maintained in perpetuity.

NOTE 1 – Summary of Significant Accounting Polices (Continued)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net asset with donor restrictions to net assets without donor restrictions in the statements of activities. The Foundation's net assets with donor restrictions consist of contributions for the AWF program (Note 5).

Net assets without donor restrictions – net assets that are not subject to donor imposed restrictions and may be expended for any purpose in the Foundation's operations. Donor restricted contributions received and expended in the same reporting period are classified as net assets without donor restrictions. All expenses are recorded as a reduction to net assets without restrictions.

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, 2018.

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, 2018 and determined that it has no unrecognized tax benefits requiring financial statement recognition.

The Foundation recognizes interest and penalties related to its tax positions as interest and penalty expense, respectively.

NOTE 1 – Summary of Significant Accounting Polices (Continued)

Concentrations of Credit Risk

The Foundation places its cash with financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to certain limits. The Foundation's cash deposits were not in excess of the FDIC limits as of December 31, 2018.

Accounting Standards Recently Adopted

Effective January 1, 2018, the Foundation adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which changed the net asset classification requirements and provides information about the Foundation's liquidity, financial performance, and cash flows. The Foundation applied the new standard on the retrospective basis.

Going Concern

The Foundation has sustained decreases in contributions and negative cash flows which resulted in a cash balance of $3,774 as of December 31, 2018. These factors indicate that future cash flows may not be sufficient for the Foundation to meet its obligations as they become due in the ordinary course of business for a period of 12 months from the date these financial statements were issued.

Management has implemented programs to raise additional funding through (1) the addition of a new membership package; (2) partnering campaigns; (3) increasing efforts to attract new members and donors; (4) additional fundraising events; and (5) increasing the attendance at the Legislative Breakfast Briefings.

NOTE 2 – Liquidity

The Foundation's activities are primarily supported by membership dues and contributions which are used to pay program and supporting expenses. The Foundation received donor restricted contributions to support the activities of the AWF. As of December 31, 2018, there were no net assets with donor restrictions remaining because restricted funds were used to support AWF activities and the remaining funds were gifted to the Foundation and another organization during the year.

The Foundation structured its financial assets to be available for general expenditures, liabilities, and other obligations as they become due. The Foundation's membership and contributions have decreased over the past few years which reduced the Foundation's financial assets. Therefore all funds are currently available for operating expenditures.

The Foundation's financial assets available for general expenditures of December 31, 2018 within one year consisted of cash of $3,774.

NOTE 3 – Related Party

Parties are considered related if they can control or significantly influence management or the operating policies of another entity to the extent one of the entities may be prevented from pursuing its own interests. Types of related parties are affiliates (entities under common ownership), shareholders, and members of management and their immediate family.

On February 26, 2018, the Foundation executed a non-interest bearing loan to its President totaling $10,000 with monthly payments of $833 and a maturity date of March 27, 2019. The non-interest bearing loan balance as of December 31, 2018 was $3,333.

NOTE 4 – Operating Lease

The Foundation leases office premises and parking space under an operating lease expiring on September 30, 2020. The lease requires payment of a monthly minimum rent, maintenance fee, and general excise tax. The Foundation's minimum rent and contingent rent expenses for the year ended December 31, 2018 were $14,100 and $14,564, respectively.

Future minimum rental payments for the years ended December 31 consist of:

2019	$ 14,100
2020	10,575
	$ 24,675

NOTE 5 – Net Assets With Donor Restrictions

Weinberg Foundation Grants

The Foundation periodically receives 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 direction of the Weinberg Foundation. During 2018, the subcontract with the Weinberg Foundation concluded and half of the remaining funds were gifted to the Foundation.

Dues and registration fees of $3,395 earned from the program have been recorded as net assets with donor restrictions in accordance with the terms of the grant.

NOTE 6 – Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 4, 2019, the date the financial statements were available to be issued.