

**KILAUEA POINT NATURAL HISTORY ASSOCIATION
(A Non-Profit Corporation)**

**FINANCIAL STATEMENTS
Year Ended September 30, 2017
(With Summarized Comparative Totals for 2016)**

AND

INDEPENDENT AUDITOR'S REPORT

**KILAUEA POINT NATURAL HISTORY ASSOCIATION
(A Non-Profit Corporation)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kilauea Point Natural History Association

We have audited the accompanying financial statements of Kilauea Point Natural History Association (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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 auditor considers 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.

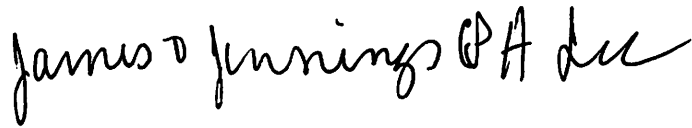
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kilauea Point Natural History Association as of September 30, 2017, 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 the Kilauea Point Natural History Association 2016 financial statements, and our report dated May 19, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "James O. Jennings CPA LLC". The signature is written in a cursive style with a large initial 'J' and 'O'.

Honolulu, Hawaii
February 11, 2018

KILAUEA POINT NATURAL HISTORY ASSOCIATION
(A Non-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
September 30, 2017 and 2016

ASSETS	2017	2016
Current Assets		
Cash and cash equivalents	\$ 255,457	\$ 231,630
Cash held for others	1,100	1,100
Inventory	88,879	78,098
Total current assets	345,436	310,828
Property and Equipment, net	482,712	527,864
Total assets	\$ 828,148	\$ 838,692
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 21,775	\$ 24,479
Accrued salaries and payroll taxes	9,013	9,391
Total current liabilities	30,788	33,870
Non-Current Liabilities		
Funds held for others	1,100	1,100
Total liabilities	31,888	34,970
Net Assets		
Unrestricted net assets		
Available for Operations	732,429	722,578
Designated by the Board of Directors for reserve purposes	60,849	81,144
Total unrestricted	793,278	803,722
Temporarily restricted	2,982	-
Total net assets	796,260	803,722
Total liabilities and net assets	\$ 828,148	\$ 838,692

See auditor's report and accompanying notes to financial statements.

KILAUEA POINT NATURAL HISTORY ASSOCIATION
(A Non-Profit Corporation)
STATEMENT OF ACTIVITIES
For Year Ended September 30, 2017 with Summarized Comparative Totals for 2016

	Unrestricted	Temporarily Restricted	Total	
			2017	2016
REVENUES AND OTHER SUPPORT				
Bookstore revenues	540,846	\$ -	\$ 540,846	365,150
Contributions	25,092	2,982	28,074	25,638
In-Kind Contributions	-	-	-	770
Grants	-	-	-	-
Interest income	1,307	-	1,307	1,325
Membership dues	4,545	-	4,545	2,910
Net assets released from restrictions satisfied by payments	-	-	-	-
Total revenue and support	<u>571,790</u>	<u>2,982</u>	<u>574,772</u>	<u>395,793</u>
EXPENSES				
Program services	<u>480,294</u>	<u>-</u>	<u>480,294</u>	<u>408,714</u>
Supporting expenses				
Fundraising	26,510	-	26,510	18,296
Management and general	<u>75,430</u>	<u>-</u>	<u>75,430</u>	<u>91,244</u>
Total supporting expenses	<u>101,940</u>	<u>-</u>	<u>101,940</u>	<u>109,540</u>
Total expenses	<u>582,234</u>	<u>-</u>	<u>582,234</u>	<u>518,254</u>
Change in net assets	(10,444)	2,982	(7,462)	(122,461)
Net assets, beginning of year	<u>803,722</u>	<u>-</u>	<u>803,722</u>	<u>926,183</u>
Net assets, end of year	<u>\$ 793,278</u>	<u>\$ 2,982</u>	<u>\$ 796,260</u>	<u>\$ 803,722</u>

See auditor's report and accompanying notes to financial statements.

KILAUEA POINT NATURAL HISTORY ASSOCIATION
(A Non-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
For Year Ended September 30, 2017 with Summarized Comparative Totals for 2016

	Bookstore	Lighthouse	Scholarship	Environmental	Total Program Services	Supporting Activities		Total Program and Supporting Activities	
						Fundraising	Management and General	2017	2016
Salaries and related expenses:									
Salaries and wages	\$ 83,979	\$ -	\$ -	\$ 3,792	\$ 87,771	\$ 22,558	\$ 38,299	\$ 148,628	\$ 150,644
Payroll taxes	6,417	-	-	294	6,711	1,864	2,925	11,500	11,729
Employee benefits	16,651	-	-	-	16,651	677	1,084	18,412	20,971
Total salaries and related expenses	107,047	-	-	4,086	111,133	25,099	42,308	178,540	183,344
Operating expenses:									
Purchases	236,419	-	-	-	236,419	-	-	236,419	158,732
Depreciation	1,203	45,281	-	-	46,484	-	293	46,777	47,275
General excise tax	22,196	-	-	-	22,196	-	-	22,196	15,115
Repairs & maintenance	1,043	15,000	-	-	16,043	-	-	16,043	30,000
Professional fees	1,350	-	-	-	1,350	-	15,302	16,652	14,930
Bank service charges	12,259	-	25	-	12,284	-	47	12,331	8,413
Scholarship	-	-	10,000	-	10,000	-	-	10,000	10,000
Refuge project	-	-	-	8,887	8,887	-	-	8,887	10,579
Travel	1,362	-	-	-	1,362	-	4,991	6,353	6,156
Environmental projects	-	-	-	5,382	5,382	-	-	5,382	6,390
Supplies	1,172	-	-	-	1,172	183	3,618	4,973	4,625
Insurance	82	-	-	-	82	-	4,445	4,527	4,341
Education	-	-	-	4,289	4,289	-	-	4,289	3,410
Telephone	1,505	-	-	-	1,505	-	1,386	2,891	3,158
Printing	-	-	-	-	-	1,205	599	1,804	1,874
Storage	877	-	-	-	877	-	292	1,169	1,169
Board and staff development	600	-	-	-	600	-	338	938	2,280
Miscellaneous	125	-	-	-	125	-	628	753	673
Postage & delivery	104	-	-	-	104	23	608	735	839
Advertising & media	-	-	-	-	-	-	575	575	4,181
Donated good and service	-	-	-	-	-	-	-	-	770
Total operating expenses	280,297	60,281	10,025	18,558	369,161	1,411	33,122	403,694	334,910
Total functional expenses	\$ 387,344	\$ 60,281	\$ 10,025	\$ 22,644	\$ 480,294	\$ 26,510	\$ 75,430	\$ 582,234	\$ 518,254

See auditor's report and accompanying notes to financial statements.

KILAUEA POINT NATURAL HISTORY ASSOCIATION
(A Non-Profit Corporation)
STATEMENTS OF CASH FLOWS
September 30, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities:		
Change in net assets	\$ (7,462)	\$ (122,461)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	46,777	47,275
Changes in operating assets and liabilities:		
Inventories	(10,782)	551
Accounts payable	(2,703)	8,781
Accrued payroll and related liabilities	(378)	650
	<u>25,452</u>	<u>(65,204)</u>
Cash Flows From Investing Activities:		
Purchase of equipment	(1,625)	-
	<u>(1,625)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	23,827	(65,204)
Cash and cash equivalents:		
Beginning of year	231,630	296,834
End of year	<u>\$ 255,457</u>	<u>\$ 231,630</u>

See auditor's report and accompanying notes to financial statements.

KILAUEA POINT NATURAL HISTORY ASSOCIATION
(A Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2017

1. Organization and Summary of Significant Accounting Policies

Organization

Kilauea Point Natural History Association (KPNHA) is a Hawaii Non-Profit Corporation incorporated in November 1983 to promote better understanding, appreciation, and conservation of the natural history and environment of Kauai's National Wildlife Refuges. KPNHA cooperates with the U.S. Fish and Wildlife Service to:

- Foster educational, interpretive, scientific and other activities appropriate to the goals and objectives of the Kilauea Point and National Wildlife Refuge for the benefit of the public.
- Purchase or produce and make available to Refuge visitors, by sales or free distribution, suitable interpretive and educational material such as books, pamphlets, posters, slides, photographs, maps and other items of interest, to promote the Association's goals and, to increase the visitors' understanding of the surrounding natural environment and natural history.
- Acquire books, films, recordings and other materials for use in interpretive programs which may be donated to the U.S. Fish and Wildlife Service and assist them in carrying out such programs.

Summary of Significant Accounting Policies

Basis of accounting and financial statement presentation

KPNHA's financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958, Not-for-Profit Entities, formerly Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under ASC No. 958, KPNHA is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and cash equivalents

For purposes of the statements of cash flows, KPNHA considers all highly liquid investments with maturities of three months or less to be cash equivalents. KPNHA places the majority of its cash balances with major Hawaii-based financial institutions. As of September 30, 2017, aggregate cash balances per bank were within federally insured limits.

KILAUEA POINT NATURAL HISTORY ASSOCIATION
(A Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2017

1. Organization and Summary of Significant Accounting Policies - (Continued)

Comparative information

For comparative purposes, the financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended September 30, 2016 from which the summarized information was derived.

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rate applicable to the years in which the promises are to be received.

Depreciation

The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$500; the fair value of donated fixed assets is similarly capitalized when a clearly measurable and objective basis for determining the value is available. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

Donated property and equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, KPNHA reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. KPNHA reclassifies temporarily restricted net assets to unrestricted net assets at that time. Donated facilities are recorded at the fair market value of the rentals received if such amounts can be readily determined.

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.

KILAUEA POINT NATURAL HISTORY ASSOCIATION
(A Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2017

1. Organization and Summary of Significant Accounting Policies - (Continued)

Expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income tax status

KPNHA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, any income from activities not directly related to its tax-exempt purpose may be subject to taxation as unrelated business income. In addition, since KPNHA has been classified as an organization that is not a private foundation under Section 509(a)(2), certain financial and other assistance provided to KPNHA would qualify for the charitable contribution deduction under Section 170(b)(1)(A).

Inventory

Inventory consists of books and other supplies, and is stated at the lower of cost, determined on the first-in, first-out method, or market.

Restricted and unrestricted revenue and support

Contributions, revenues and support are recorded in the period earned as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

2. U.S. Fish and Wildlife Service Affiliation

The U.S. Fish and Wildlife Service (Service) authorized the KPNHA to use the facilities at the Kilauea Point Visitor Center to sell and distribute educational and interpretive materials for the benefit of the visiting public.

The facilities are made available to the Association at no charge. The fair market value of this grant has not been reflected in the financial statements. The Service has the right to terminate this agreement at anytime upon 60 days written notice.

KILAUEA POINT NATURAL HISTORY ASSOCIATION
(A Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2017

3. Property and Equipment

As of September 30, 2017, property and equipment consisted of various equipment and computer software as well as costs for the lighthouse restoration.

Equipment	\$ 32,441
Computers	16,886
Lighthouse Restoration	679,209
Leasehold Improvements	<u>12,296</u>
	740,832
Less accumulated depreciation	<u>(258,121)</u>
	<u>\$ 482,711</u>

Depreciation expense for the year ended September 30, 2017 was \$46,777.

The Kilauea Lighthouse is part of the federal lands operated by the U.S. Fish and Wildlife Service. KPNHA fundraised and assisted in the restoration of this landmark. Restoration costs have been included in property and equipment.

4. Pension Plan

The Association has adopted a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) covering all employees meeting the eligibility requirements. The Organization contributes a matching contribution to each eligible employee's SIMPLE IRA equal to the employee's salary reduction up to a limit of 3% of the employee's compensation for the year. During the year ended September 30, 2017, the Organization contributed \$3,679 into the pension plan.

5. Net Assets

Permanently restricted net assets

There were no permanently restricted assets as of September 30, 2017.

Temporarily restricted net assets

KPNHA's temporarily restricted net assets consist of amounts that are available to KPNHA, but have a purpose restriction imposed by the donor.

KILAUEA POINT NATURAL HISTORY ASSOCIATION
(A Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2017

5. Net Assets – (Continued)

As of September 30, 2017, the KPNHA donor restricted net assets that are available and released for the following purposes:

	<u>Available</u>	<u>Released</u>
Huleia NWR kayak fees	\$ 2,982	\$ -
	<u>\$ 2,982</u>	<u>\$ -</u>

Unrestricted net assets

KPNHA's unrestricted net assets include amounts with board designated restrictions. At September 30, 2017, board designated net assets were \$60,849, which consisted of \$55,743 for the Daniel Moriarty Memorial Scholarship and \$5,106 for the Lighthouse Restoration.

6. Income Tax Positions

Kilauea Point Natural History Association adopted the provisions of ASC 740, Income Taxes, on October 1, 2008. As required by the uncertain tax position guidance in ASC 740, Kilauea Point Natural History Association would recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position after an audit. At the adoption date, Kilauea Point Natural History Association applied the uncertain tax position guidance in ASC 740 to all tax positions for which the statute of limitations has remained open, including Kilauea Point Natural History Association's status as a tax-exempt organization and its lack of unrelated business income. As a result of the implementation of the uncertain tax position guidance in ASC 740, Kilauea Point Natural History Association has not recognized an additional liability for unrecognized tax benefits nor any interest or penalties as of September 30, 2017. Management does not anticipate that this will change significantly in the next twelve months.

Kilauea Point Natural History Association files income tax returns in the U. S. federal jurisdiction and the State of Hawaii. Tax regulations within each jurisdiction are subject to interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2014.

7. Subsequent Events

In preparing these financial statements, KPNHA has evaluated events and transactions for potential recognition or disclosure through February 11, 2018, the date the financial statements were available to be issued.