

**KILAUEA POINT NATURAL HISTORY ASSOCIATION
DBA FRIENDS OF KAUA'I WILDLIFE REFUGES**
(A Hawai'i Nonprofit Corporation)

REVIEWED FINANCIAL STATEMENTS
(With Independent Accountant's Review Report)

FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Totals for the Year Ended September 30, 2020)

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Friends of Kaua'i Wildlife Refuges
P.O. Box 1130
Kilauea, Hawai'i 96754

We have reviewed the accompanying financial statements of Kilauea Point Natural History Association dba Friends of Kaua'i Wildlife Refuges (a Hawai'i nonprofit corporation), which comprise the statements of financial position as of September 30, 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows 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 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 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements and Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards required 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 accounting principles generally accepted in the United State of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

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 accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Report on Summarized Comparative Information

We have previously reviewed Kilauea Point Natural History Association dba Friends of Kaua'i Wildlife Refuges' September 30, 2020 financial statements, and our report dated March 15, 2021, expressed an unmodified opinion on those reviewed financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

Carlson CPAs & Mgmt Group

Wailuku, Hawaii
January 10, 2022

KILAUEA POINT NATURAL HISTORY ASSOCIATION
DBA FRIENDS OF KAUA'I WILDLIFE REFUGES

Statements of Financial Position
As of September 30, 2021 and 2020

ASSETS	2021	2020
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2)	\$ 206,934	\$ 117,030
Inventory (Note 2)	53,316	82,523
Total Current Assets	260,250	199,553
FIXED ASSETS (Note 2)		
Building Improvements	12,296	12,296
Furniture and Fixtures	27,437	55,417
Less Accumulated Depreciation	(36,255)	(62,720)
Net Fixed Assets	3,478	4,993
OTHER ASSETS		
Investments (Note 9)	65,209	110,206
TOTAL ASSETS	<u>\$ 328,937</u>	<u>\$ 314,752</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 15,376	\$ 19,308
Paycheck Protection Program Loan (Note 11)	-	55,000
Total Current Liabilities	15,376	74,308
NET ASSETS (Note 5)		
Net Assets Without Donor Restrictions		
Board Designated	37,768	37,768
Others	230,620	167,503
Total Net Assets Without Donor Restrictions	268,388	205,271
Net Assets With Donor Restrictions	45,173	35,173
Total Net Assets	313,561	240,444
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 328,937</u>	<u>\$ 314,752</u>

The accompanying notes and independent accountant's review report are an integral part of these financial statements.

KILAUEA POINT NATURAL HISTORY ASSOCIATION
DBA FRIENDS OF KAUA 'I WILDLIFE REFUGES

Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2021
(With Comparative Totals for the Year Ended September 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Totals	2020 Totals
PUBLIC SUPPORT AND SALES				
Sales	\$ 135,728	\$ -	\$ 135,728	\$ 299,001
Forgiveness of Paycheck Protection Program Loan (Note 11)	104,810	-	104,810	-
Grants	60,000	10,000	70,000	18,831
Donations	21,652	4,000	25,652	28,744
Membership Dues	6,011	-	6,011	4,545
Interest Income	1,600	-	1,600	2,229
Other Revenue	992	-	992	265
In Kind Donations (Note 12)	-	-	-	1,450
Net Assets Released from Restrictions	4,000	(4,000)	-	-
Total Public Support and Sales	334,793	10,000	344,793	355,065
OPERATING EXPENSES				
Program Services	190,665	-	190,665	374,948
Management and General	51,241	-	51,241	62,206
Fundraising	29,770	-	29,770	36,544
Total Operating Expenses	271,676	-	271,676	473,698
CHANGE IN NET ASSETS	\$ 63,117	\$ 10,000	\$ 73,117	\$ (118,633)
NET ASSETS, BEGINNING OF YEAR	205,271	35,173	240,444	359,077
NET ASSETS, END OF YEAR	<u>\$ 268,388</u>	<u>\$ 45,173</u>	<u>\$ 313,561</u>	<u>\$ 240,444</u>

The accompanying notes and independent accountant's review report are an integral part of these financial statements.

KILAUEA POINT NATURAL HISTORY ASSOCIATION
DBA FRIENDS OF KAUA'I WILDLIFE REFUGES

Statement of Functional Expenses
For the Year Ended September 30, 2021
(With Comparative Totals for the Year Ended September 30, 2020)

	Program Services	Management and General	Fundraising	2021 Totals	2020 Totals
Salaries and Wages	\$ 61,032	\$ 25,353	\$ 19,015	\$ 105,400	\$ 200,289
Cost of Goods Sold	63,041	-	-	63,041	122,534
Professional Fees	13,123	11,868	2,891	27,882	47,572
Refuge	11,822	50	1,450	13,322	7,317
Employee Benefits	8,780	2,476	1,857	13,113	19,785
Scholarships	10,000	-	-	10,000	11,000
Payroll Taxes	5,479	2,263	1,697	9,439	16,855
Insurance	2,748	2,746	-	5,494	5,498
General Excise Taxes	5,341	-	-	5,341	15,511
Bank Service Charges	3,074	885	383	4,342	7,399
Dues and Subscriptions	1,945	1,122	850	3,917	1,953
Utilities	1,546	1,381	262	3,189	3,331
Other Expenses	869	403	1,120	2,392	1,888
Supplies	1,272	350	45	1,667	3,300
Depreciation	-	1,515	-	1,515	1,516
Travel and Entertainment	74	809	110	993	2,977
Storage	519	-	-	519	1,260
Education	-	20	90	110	2,685
Special Events	-	-	-	-	618
Advertising (Note 2)	-	-	-	-	410
Total Expenses	\$ 190,665	\$ 51,241	\$ 29,770	\$ 271,676	\$ 473,698

The accompanying notes and independent accountant's review report are an integral part of these financial statements.

KILAUEA POINT NATURAL HISTORY ASSOCIATION
DBA FRIENDS OF KAUA 'I WILDLIFE REFUGES

Statements of Cash Flows

For the Years Ended September 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Sales	\$ 135,728	\$ 299,001
Cash Received from Grants	70,000	18,831
Cash Received from Contributions	25,652	28,744
Cash Received from Dues and Other Revenue	7,003	4,810
Cash Received from Interest	1,600	2,229
Cash Paid to Vendors and Employees	(244,886)	(476,910)
Net Cash Used by Operating Activities (Note 7)	(4,903)	(123,295)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Net Sale of Investment in Certificates of Deposits	44,997	24,895
Purchase of Fixed Assets	-	(4,532)
Net Cash Provided by Investing Activities	44,997	20,363
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan (Note 11)	49,810	55,000
Net Increase (Decrease) in Cash for the Year	89,904	(47,932)
CASH AND CASH EQUIVALENTS BALANCE, BEGINNING OF YEAR	117,030	164,962
CASH AND CASH EQUIVALENTS BALANCE, END OF YEAR	\$ 206,934	\$ 117,030
SUPPLEMENTAL NON-CASH FINANCING AND OPERATING ACTIVITIES		
Forgiveness of Paycheck Protection Program Loan (Note 11)	\$ 104,810	\$ -

The accompanying notes and independent accountant's review report are an integral part of these financial statements.

KILAUEA POINT NATURAL HISTORY ASSOCIATION
DBA FRIENDS OF KAUA'I WILDLIFE REFUGES

Notes to the Financial Statements
September 30, 2021

Note 1. ORGANIZATION

Kilauea Point Natural History Association dba Friends of Kaua'i Wildlife Refuges (the Association) is a 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. The Association 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 Kaua'i National Wildlife Refuge Complex 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.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting: The Association uses the accrual basis of accounting for financial statement reporting according to generally accepted accounting principles. Under this method of accounting, revenue is recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

Cash and Cash Equivalents: For purposes of the statements of cash flows, the Association considers all highly liquid investments with maturities of three months or less to be cash equivalents. The Association places the majority of its cash balances with major Hawaii-based financial institutions. As of September 30, 2021, and 2020, aggregate cash balances per bank were within federally insured limits.

Fixed Assets: The Association's policy is to capitalize all property and equipment in excess of \$500 with a useful life greater than one year. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of 5 to 7 years.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

Advertising: The Association expenses advertising costs when they occur. Total advertising costs were \$-0- and \$410 for the years ending September 30, 2021 and 2020, respectively.

KILAUEA POINT NATURAL HISTORY ASSOCIATION
DBA FRIENDS OF KAUA'I WILDLIFE REFUGES

Notes to the Financial Statements
September 30, 2021

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition: Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions (Note 5). Unconditional promises to donate due in the next year, are reflected as current promises to give and are recorded at their net realizable value. Grants and other contributions of cash are reported as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. In accordance with FASB's ASC Topic 606, *Revenue from Contracts with Customers* performance obligation related to program services and grant revenue are recognized as the expenses occurred or the services have been provided throughout the year. Other revenues and donations do not have a specific performance obligation and are generally earned when received.

Income Tax Status: The Association 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 the Association has been classified as an association that is not a private foundation under Section 509(a)(2), certain financial and other assistance provided to the Association would qualify for the charitable contribution deduction under Section 170(b)(1)(A).

Functional Expenses: Functional expenses are allocated to program related and administrative functions. Most expenses are allocated directly to the program or support services benefited. Certain expenses are allocated using a percentage base.

Reclassifications: Certain items included in the 2020 financial statements have been reclassified to conform to current year presentation. These reclassifications had no effect on Net Assets.

Note 3. U.S. FISH AND WILDLIFE SERVICE AFFILIATION

The U.S. Fish and Wildlife Service (the Service) authorized the Association 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 any time upon 60 days written notice.

Note 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. At the discretion of the Board, the Association may contribute 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, 2021 and 2020, the Association contributed \$-0- and \$838 into the pension plan, respectively.

KILAUEA POINT NATURAL HISTORY ASSOCIATION
DBA FRIENDS OF KAUA'I WILDLIFE REFUGES

Notes to the Financial Statements
September 30, 2021

Note 5. NET ASSETS

In accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, the Association is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions include all resources that are not subject to donor-imposed stipulations or contributions with donor-imposed restrictions that are met during the same year as the contribution is made. Net assets without donor restrictions denoted as property and equipment represent equity in such property and equipment. Included in net assets without donor restrictions are Board Designated net assets. Board Designated net assets without donor restrictions consist of the following at September 30:

	2021	2020
Daniel Moriarty Memorial Scholarship	\$ 28,149	\$ 28,149
Lighthouse Maintenance	9,619	9,619
	\$ 37,768	\$ 37,768

Net assets with donor restrictions include amounts that the donor subjects to restrictions in perpetuity and amounts subject to legal or donor-imposed stipulations that may or will be met either by actions of the Association and/or passage of time. Net assets with donor restrictions consist of the following at September 30:

	2021	2020
Light House Maintenance	\$ 23,352	\$ 23,352
Hanalei Water Restoration Project	10,000	-
Huleia NWR Kayak Fees	7,960	7,960
Birds of Kilauea Point Book Project	3,861	3,861
	\$ 45,173	\$ 35,173

Note 6. INCOME TAX POSITIONS

Kilauea Point Natural History Association dba Friends of Kaua'i Wildlife Refuges adopted the provisions of ASC 740, Income Taxes, on October 1, 2008. As required by the uncertain tax position guidance in ASC 740, the 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, the Association applied the uncertain tax position guidance in ASC 740 to all tax positions for which the statute of limitations has remained open, including the 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, the Association has not recognized an additional liability for unrecognized tax benefits nor any interest or penalties as of September 30, 2021. Management does not anticipate that this will change significantly in the next twelve months.

KILAUEA POINT NATURAL HISTORY ASSOCIATION
DBA FRIENDS OF KAUA'I WILDLIFE REFUGES

Notes to the Financial Statements
September 30, 2021

Note 6. INCOME TAX POSITIONS (Continued)

The 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 Association is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before fiscal year 2018.

Note 7. RECONCILIATION OF CHANGE IN ASSETS WITH NET CASH USED BY OPERATING ACTIVITIES

	<u>2021</u>	<u>2020</u>
Change in Net Assets	\$ 73,117	\$ (118,633)
Add Depreciation	1,515	1,516
Forgiveness of Paycheck Protection Program Loan (Note 11)	(104,810)	-
Adjustments to Reconcile:		
Change in Inventory	29,207	(3,329)
Change in Accounts Payable and Accrued Expenses	<u>(3,932)</u>	<u>(2,849)</u>
Net Change Used by Operating Activities	<u>\$ (4,903)</u>	<u>\$ (123,295)</u>

Note 8. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Management's policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Financial Assets at September 30, 2021	\$ 206,934
Less those unavailable to general expenditures within one year due to:	
Net Assets With Donor Restrictions	<u>(45,173)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 161,761</u>

Note 9. FAIR VALUE MEASUREMENTS

This fair value hierarchy consists of three broad levels:

- Level 1 inputs consist of unadjusted quoted prices in active markets such as stock exchanges for identical assets and have the highest priority.
- Level 2 inputs consist of significant other observable inputs such as quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs consist of significant unobservable inputs and include situations where there is little, if any, market activity for the investment. The inputs require significant judgment or estimates, such as those associated with discounted cash flow methodologies and appraisals.

KILAUEA POINT NATURAL HISTORY ASSOCIATION
DBA FRIENDS OF KAUA'I WILDLIFE REFUGES

Notes to the Financial Statements
September 30, 2021

Note 9. FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis are as follows, there are no liabilities or other assets measured at fair value on a recurring or non-recurring basis.

Assets	Total as of September 30, 2021	Quoted Prices Level 1	Significant Other Inputs Level 2	Significant Non- Observable Inputs Level 3
Certificates of Deposit	\$ 65,209	\$ 65,209	\$ -	\$ -

Assets	Total as of September 30, 2020	Quoted Prices Level 1	Significant Other Inputs Level 2	Significant Non- Observable Inputs Level 3
Certificates of Deposit	\$ 110,206	\$ 110,206	\$ -	\$ -

The fair value of the certificates of deposit is determined by reference to statements received from the financial institution holding the certificates of deposit.

Note 10. SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 10, 2022, the date the financial statements were available to be issued. There are no recognized subsequent events, events that provide additional evidence about conditions that existed at the statement of net position date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the statement of net position date, which are necessary to disclose to keep the financial statements from being misleading.

Subsequent to the year end, the COVID-19 pandemic was still ongoing. The United States economy was negatively affected and the financial markets have experienced fluctuations due to the outbreak. At the time these financial statements were available to be issues, the situations remained volatile and the full effect of the pandemic on the operations of the Association could not be determined.

Note 11. PAYROLL PROTECTION PROGRAM LOAN

On May 1, 2020, the Association received the first round of loan proceeds in the amount of \$55,000 under the Paycheck Protection Program (PPP). On February 6, 2021, the Association received the second round of loan proceeds in the amount of \$49,810. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The Association used the funds for the eligible purposes and the first round of loan proceeds was forgiven in May 2021 and the second round of loan proceeds was forgiven in September 2021. The Association recognized the revenue in the current fiscal year.

KILAUEA POINT NATURAL HISTORY ASSOCIATION
DBA FRIENDS OF KAUA'I WILDLIFE REFUGES

Notes to the Financial Statements
September 30, 2021

Note 12. DONATED SERVICES, GOODS AND FACILITIES

Donated services, goods and facilities are recognized as contributions in accordance with FASB ASC 958-605-25-16, *Accounting for Contributions Received and Contributions Made*. Contributions of donated noncash assets are recorded at their fair values in the period received. Donated professional services are reflected in the statement of activities at their fair value at the date of donation. The contribution of services are recognized if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association. During the year ended September 30, 2021 and 2020, the Association recognized \$-0- and \$1,450 in in-kind donations, respectively.

Note 13. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, *Leases*, which supersedes FASB Accounting Standards Codification (ASC) Topic 840, *Leases*, and makes other conforming amendments to U.S. GAAP. ASU 2016-02, requires, among other changes to the lease accounting guidance, lessees to recognize most leases on the balance sheet via a right-of-use asset and lease liability as well as additional qualitative and quantitative disclosures. ASU 2016-02 is effective for entity fiscal years beginning after December 15, 2021, but permits early adoption, and mandates a modified retrospective transition method. The provisions are effective for the Association's fiscal year ending September 30, 2023. Management is currently evaluating the impact that the adoption of these provisions will have on the financial statements, but expects ASU 2016-02 to add significant right-of-use assets and lease liabilities to the statement of financial position.