

**OHANA MAKAMAE INC.**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
JUNE 30, 2021

OHANA MAKAMAE INC.

Statement of Financial Position  
For the Year Ended June 30, 2021

CURRENT ASSETS	
Cash and Cash Equivalents	\$ 383,229
Grants Receivable	53,917
Prepaid Expenses	<u>8,821</u>
Total Current Assets	445,967
FIXED ASSETS	
Furniture, Fixtures and Equipment	92,401
Leasehold Improvements	58,685
Vehicles	<u>57,071</u>
Total Fixed Assets	208,157
Less Accumulated Depreciation	<u>(172,436)</u>
Net Fixed Assets	<u>35,721</u>
TOTAL ASSETS	<u>\$ 481,688</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 2,454
Payroll Liabilities	18,836
Deferred Revenue	75,000
PPP Loan Payable	<u>73,745</u>
Total Current Liabilities	170,035
TOTAL LIABILITIES	<u>170,035</u>
NET ASSETS	
Net Assets Without Donor Restrictions	<u>311,653</u>
Total Net Assets	<u>311,653</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 481,688</u>

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

OHANA MAKAMAE INC.

Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2021

	<u>Without Donor</u> <u>Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>		
County of Maui Grants	\$ 46,862	\$ 46,862
State of Hawaii Grants	315,600	315,600
Foundation Grants	97,088	97,088
Donations and Contributions	4,058	4,058
Other Grants	7,108	7,108
Miscellaneous	616	616
Fees for Services	5,705	5,705
Interest	63	63
	477,100	477,100
<b>EXPENSES</b>		
Program Services	397,376	397,376
Supporting Services	88,785	88,785
Fundraising	9,263	9,263
	495,424	495,424
<b>CHANGE IN NET ASSETS</b>	(18,324)	(18,324)
<b>NET ASSETS, BEGINNING OF YEAR</b>	329,977	329,977
<b>NET ASSETS, END OF YEAR</b>	\$ 311,653	\$ 311,653

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OHANA MAKAMAE INC.

Statement of Functional Expenses  
For the Year Ended June 30, 2021

	Program Services	Supporting Services	Fundraising	Total
Salaries and Wages	\$ 229,726	\$ 41,940	\$ 7,935	\$ 279,601
Payroll Taxes	17,695	3,714	437	21,846
Employee Benefits	35,190	8,463	891	44,544
Professional Fees	21,743	9,319	-	31,062
Occupancy	29,372	12,588	-	41,960
Insurance	7,478	3,055	-	10,533
Supplies	9,050	91	-	9,141
Depreciation	7,237	73	-	7,310
Travel and Mileage	536	198	-	734
Program Activities	23,203	234	-	23,437
Printing and Reproduction	2,178	805	-	2,983
Office Expense	1,278	783	-	2,061
Equipment	450	-	-	450
Dues and Subscriptions	2,086	110	-	2,196
Repairs and Maintenance	3,030	2,847	-	5,877
Telecommunications	5,171	1,912	-	7,083
Postage and Shipping	584	216	-	800
Miscellaneous	1,370	2,436	-	3,806
	<u>\$ 397,376</u>	<u>\$ 88,785</u>	<u>\$ 9,263</u>	<u>\$ 495,424</u>

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OHANA MAKAMAE INC.

Statement of Cash Flows  
For the Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Government & Foundation Grants	\$ 451,945
Fundraising & Donations	97,088
Service Fees	5,705
Other Cash Receipts	11,845
Cash Paid to Employees and Vendors	<u>(501,303)</u>
Net Cash Provided by Operating Activities	<u>65,280</u>
NET INCREASE IN CASH	65,280
CASH BALANCE, BEGINNING OF YEAR	<u>317,949</u>
CASH BALANCE, END OF YEAR	<u>\$ 383,229</u>

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OHANA MAKAMAE INC.

Notes to the Financial Statements  
For the Year Ended June 30, 2021

1. ORGANIZATION

Ohana Makamae Inc. (the Organization) is located in Hana, Maui, Hawaii. The Organization was formed to provide primarily Behavioral Health Counseling services for adults and adolescents; these include Substance Abuse Treatment, Mental Health Counseling, Case Management, Sober Living Housing, Health and Wellness workshops, family support and other community resources. The major sources of revenues are derived from government grants and contracts, private foundation grants, donor contributions and program fees. The non-profit Organization was incorporated under the laws of the State of Hawaii and is a tax-exempt organization under Section 501(c)3 of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The accrual basis of accounting is used for financial and income tax reporting purposes. Under this method of accounting, revenues are recorded when earned and expenses are recorded when the obligation is incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205 *Not-for-Profit Entities Presentation of Financial Statements* and the recent issuance of ASU 2016-14 *Not-for-Profit Financial Statement Presentation*. Under ASU 2016-14, the Organization 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.

Management's Use of 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.

OHANA MAKAMAE INC.

Notes to the Financial Statements  
For the Year Ended June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents consists of a checking account, two savings accounts and two petty cash accounts.

Fair Value

The carrying amounts of the Organization's cash, grants receivable and accounts payable approximate their fair value due to the short-term nature of these items.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided on a straight-line basis over the estimated useful life of each asset. Costs of repairs and maintenance are charged to expense as incurred. Costs of additions and betterments are capitalized and depreciated over the estimated remaining or useful life of the related asset. Gains and losses on sales and retirements are reflected in income during the year of actual sale or retirement.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose or time of usage. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated Services

The Organization receives services donated by the general public in carrying out its purpose. No amounts have been reflected in the financial statements for donated services since they do not meet the criteria for recognition under ASC 958-605 *Not-for-Profit Entities Revenue Recognition*.

OHANA MAKAMAE INC.

Notes to the Financial Statements  
For the Year Ended June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue

The Organization recognizes grant and contract revenue as services are rendered under unit-of-service contracts and as expenses are incurred under cost reimbursement contracts. A receivable is recognized to the extent that grant revenue earned cash advances. Conversely, refundable advances are recognized when cash advances exceed grant and contract revenue earned. Grantors may, at their discretion, request reimbursement for expenses or return of funds, or both, by the Organization as a result of noncompliance with the terms of grants or contracts. The Organization considers all grant and contract receivables to be fully collectible, therefore, no allowance for uncollectible amounts have been recorded in the financial statements.

Contributions of cash or other assets are generally reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated resources. When a donor restriction expires, that is, when the restricted purpose has been achieved, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Additionally, donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Functional Allocation of Expenses

ASC 958-205 requires that not-for-profit organizations group their expenses by functional classifications: Program Services, Supporting Services, and Fundraising. Expenses are charged directly to program services, supporting services or fundraising based on specific identification. Other expenses such as payroll, payroll taxes, employee benefits and occupancy related costs are allocated based on estimated usage.

Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from State income taxes under Section 237-23(b) of the Hawaii Revised Statutes. Contributions to the Organization are tax deductible. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2019, 2020 and 2021 are subject to examination by the IRS, generally for three years after they were filed.



OHANA MAKAMAE INC.

Notes to the Financial Statements  
For the Year Ended June 30, 2021

3. SCHEDULE OF CASH AND CASH EQUIVALENTS

Bank of Hawaii Checking	\$ 181,060
Bank of Hawaii Savings	201,769
Petty Cash Accounts	<u>400</u>
	<u>\$ 383,229</u>

4. NET ASSETS

The Organization has conformed to FASB ASU 2016-14, Not-for-Profit (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASU 2016-14, the Organization 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 represent those assets that are not subject to donor-imposed stipulations. This was previously known and shown as unrestricted net assets.

Net assets with donor restrictions represent those net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. This was previously known and shown as temporarily restricted net assets. The Organization has no net assets with donor restrictions at June 30, 2021.

5. PAYCHECK PROTECTION PROGRAM LOANS

The Organization applied for \$73,745 loan under the Paycheck Protection Program (PPP) created as a part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

As of June 30, 2021, the Organization spent all of the PPP funds on presumably allowable expenses within the allowable 24 week period. Full forgiveness for PPP loan of \$73,745 was awarded upon completion of the forgiveness applications in July 2021.

OHANA MAKAMAE INC.

Notes to the Financial Statements  
For the Year Ended June 30, 2021

6. RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES

(Deficit) of support and revenue over expenses	\$ (18,324)
Adjustment to reconcile (deficit) of support and revenue over expenses to net cash provided by operating activities:	
Depreciation	7,310
Deferred Revenue	60,000
(Increase) in grants receivable	29,483
(Increase) in prepaid expenses	(24)
(Decrease) in accounts payables	(9,746)
Increase in payroll liabilities	2,533
Increase in Hana community endowment fund	<u>(5,952)</u>
Net cash provided by operating activities	<u>\$ 65,280</u>

7. CONCENTRATION OF RISK

The Organization receives a large portion of its funding from government agencies and foundation grants. Because of challenging economic condition and budgeting constraints, future availability of funding from these sources may be affected. Amounts received from these agencies are restricted to purposes designated in the related agreements. Final acceptance of the costs charged to such programs is subject to review and acceptance by the funding agency. For the year ended June 30, 2021, grants from the State of Hawaii and the County of Maui made up approximately 64% and 10%, respectively, of the Organization's total support.

Ohana Makamae Inc. maintains its cash and cash equivalents accounts in a financial institution in the State of Hawaii. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At June 30, 2021, the Organization had approximately \$130,000 in excess of FDIC insured limits.

OHANA MAKAMAE INC.

Notes to the Financial Statements  
For the Year Ended June 30, 2021

8. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

Financial assets	\$ 383,229
Less those unavailable to general expenditures within one year due to:	
Restrictions by donors	<u>                  -</u>
Financial assets available to meet cash need for general expenditures within one year	<u>\$ 383,229</u>

9. OPERATING AGREEMENT

The Organization has two lease agreements for their sober living house and administrative office. The administration office lease was entered into by the Organization at its inception in 1999. The lease was for the term of one year in the amount of \$20,000 and has been extended yearly to June 30, 2019. Rent expense related to this lease for the year ended June 30, 2021 was \$20,000.

The Organization had a lease agreement from July 2007 through December 2012 to rent the Nahiku Property (sober living house) for payments of \$2,400 per year, increasing to \$14,400 per year by 2012. When the lease ended in December 2012 it was converted to a month to month contract until the lease was terminated in December 2018. At that time, in December 2018, the Organization entered into a new lease for a relocated sober living house which is for a five year term. The Organization has committed to payments of \$1,500 per month through December 2023. Rent expense related to these sober living house leases for the year ended June 30, 2021 was \$17,897. The minimum future payments for the years ending June 30 are as follows:

2022	\$ 18,000
2023	18,000
2024	<u>9,000</u>
Total	<u>\$ 45,000</u>

OHANA MAKAMAE INC.

Notes to the Financial Statements  
For the Year Ended June 30, 2021

10. RETIREMENT PLAN

The Organization has adopted a Savings Incentive Match Plan for Employees Individual Retirement Account (SIMPLE) retirement plan which is a tax deferred employer-provided retirement plan. The plan provides for a matching contribution of 3% of qualifying employees' compensation. For the year ended June 30, 2021, contributions to the plan on behalf of employees totaled \$1,085.

11. MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS

Subsequent to the issuance of these financial statements, a worldwide Pandemic occurred, known as COVID-19. Economic conditions were negatively affected nationally and internationally. At the time the financial statements were available to be issued the situation remained volatile and the full effect of the pandemic on the future operations of the Organization could not be determined.

Management has evaluated subsequent events through May 23, 2022. There are no subsequent events that would have a material effect on the financial statements, and this is the date the financial statements were available to be issued.