
Kāko`o`Ōiwi

**Financial Statements
December 31, 2022 and 2021**

Wachi & Watanabe, CPA, Inc.

201 Merchant Street, Suite 2350
Honolulu, Hawaii 96813
Phone: 536-4444

Kāko`o`Ōiwi

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Wachi & Watanabe, CPA, Inc.

A Professional Corporation
Certified Public Accountants

Stanley S. Wachi, CPA
Managing Director

Independent Auditor's Report

To the Board of Directors
Kāko`o`Ōiwi

Opinion

We have audited the accompanying financial statements of Kāko`o`Ōiwi (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kāko`o`Ōiwi as of December 31, 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kāko`o`Ōiwi and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kāko`o`Ōiwi ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Kāko`o`Ōiwi's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kāko`o`Ōiwi's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Nachi & Natanabe CPA

Honolulu, Hawaii

November 30, 2023

Kāko`o`Ōiwi
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents (note 1 and 2)		
Operating	\$ 566,781	\$ 93,233
Cash restricted for building project	67,200	148,330
Total cash and cash equivalents	633,981	241,563
Contributions receivable	425,995	203,670
Total current assets	1,059,976	445,233
Property and equipment, net (note 1 and 3)	1,010,622	916,319
Operating lease right-of-use assets (note 1 and 5)	12,000	12,500
Total assets	\$ 2,082,598	\$ 1,374,052
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 64,477	\$ 117,693
Accrued payroll expenses	44,425	34,282
Operating lease liability, current portion (note 1 and 5)	500	500
Other current liabilities	1,932	1,932
Total current liabilities	111,334	154,407
Operating lease liability, net current portion (note 1 and 5)	11,500	12,000
Total liabilities	\$ 122,834	\$ 166,407
Net Assets		
Without donor restrictions		
Undesignated	\$ 333,905	\$ (129,045)
Invested in property and equipment	1,010,622	916,319
Total without donor restrictions	1,344,527	787,274
With donor restrictions (note 4)	615,237	420,371
Total net assets	1,959,764	1,207,645
Total liabilities and net assets	\$ 2,082,598	\$ 1,374,052

See accompanying notes to financial statements.

Kāko`o`Ōiwi
Statements of Activities and Net Assets
For the years ended December 31, 2022 and 2021

	December 31, 2022			December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support						
Contributions	94,252	881,104	975,356	277,392	758,803	1,036,195
Government grants	-	970,508	970,508	-	320,165	320,165
Donated facilities (note 1 and 5)	-	300,000	300,000	-	300,000	300,000
In-kind contributions (note 1)	-	-	-	-	9,528	9,528
Produce sales	132,892	-	132,892	100,060	-	100,060
Program service fees	53,103	-	53,103	20,486	-	20,486
Rental income	20,450	-	20,450	22,500	-	22,500
Other Income	43	-	43	835	-	835
Net assets released from restriction	1,956,746	(1,956,746)	-	1,388,496	(1,388,496)	-
Total revenues and support	<u>\$ 2,257,486</u>	<u>\$ 194,866</u>	<u>\$ 2,452,352</u>	<u>\$ 1,809,769</u>	<u>\$ -</u>	<u>\$ 1,809,769</u>
Expenditures						
Program services	1,627,101	-	1,627,101	1,628,342	72,973	1,701,315
Total program services	<u>1,627,101</u>	<u>-</u>	<u>1,627,101</u>	<u>1,628,342</u>	<u>72,973</u>	<u>1,701,315</u>
Supporting services						
Management and general	57,578	-	57,578	22,553	-	22,553
Fundraising	15,554	-	15,554	14,421	-	14,421
Total supporting services	<u>73,132</u>	<u>-</u>	<u>73,132</u>	<u>36,974</u>	<u>-</u>	<u>36,974</u>
Total expenditures	<u>1,700,233</u>	<u>-</u>	<u>1,700,233</u>	<u>1,665,316</u>	<u>72,973</u>	<u>1,738,289</u>
Increase (decrease) in net assets	<u>557,253</u>	<u>194,866</u>	<u>752,119</u>	<u>144,453</u>	<u>(72,973)</u>	<u>71,480</u>
Net assets						
Beginning of year, as previously reported	787,274	420,371	1,207,645	482,405	696,389	1,178,794
Prior period adjustments (note 7)	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,416</u>	<u>(203,045)</u>	<u>(42,629)</u>
Beginning of year	<u>787,274</u>	<u>420,371</u>	<u>1,207,645</u>	<u>642,821</u>	<u>493,344</u>	<u>1,136,165</u>
End of year	<u>\$ 1,344,527</u>	<u>\$ 615,237</u>	<u>\$ 1,959,764</u>	<u>\$ 787,274</u>	<u>\$ 420,371</u>	<u>\$ 1,207,645</u>

See accompanying notes to financial statements.

Kāko`o`Ōiwi
Statements of Functional Expenses
For the Year Ended December 31, 2022 and 2021

	December 31, 2022				December 31, 2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries & wages	\$ 618,198	\$ 22,698	\$ 15,476	\$ 656,372	\$ 796,664	\$ 19,800	\$ 13,500	\$ 829,964
Payroll taxes and benefits	218,281	162	78	218,521	267,833	766	343	268,942
Total payroll costs	836,479	22,860	15,554	874,893	1,064,497	20,566	13,843	1,098,906
Depreciation	81,103	-	-	81,103	51,384	-	-	51,384
General excise tax	2,956	-	-	2,956	2,017	-	-	2,017
Insurance	18,794	5,906	-	24,700	13,686	-	-	13,686
Occupancy - donated (note 5)	300,000	-	-	300,000	300,000	-	-	300,000
Occupancy	25,328	2,590	-	27,918	14,448	-	-	14,448
Office expenses	4,097	1,363	-	5,460	3,740	763	15	4,518
Other expenses	3,653	5,840	-	9,493	314	1,224	563	2,101
Professional fees	123,698	-	-	123,698	100,253	-	-	100,253
Repairs and maintenance	38,258	13,218	-	51,476	11,938	-	-	11,938
Supplies	175,016	5,765	-	180,781	119,868	-	-	119,868
Transportation and travel	17,719	36	-	17,755	19,170	-	-	19,170
Total expenses	\$ 1,627,101	\$ 57,578	\$ 15,554	\$ 1,700,233	\$ 1,701,315	\$ 22,553	\$ 14,421	\$ 1,738,289
	96%	3%	1%		98%	1%	1%	

Kāko`o`Ōiwi
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 752,119	\$ 71,480
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	81,103	51,384
(Increase)/Decrease in		
Contributions receivable	(222,325)	(33,613)
Increase/(Decrease) in		
Accounts payable	(53,216)	82,062
Accrued payroll expenses	10,143	(8,347)
Other current liabilities	-	1,932
Net cash provided by operating activities	<u>567,824</u>	<u>164,898</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(175,406)</u>	<u>(369,609)</u>
Net cash used by investing activities	<u>(175,406)</u>	<u>(369,609)</u>
Net increase (decrease) in cash	392,418	(204,711)
Cash and restricted cash, beginning of year	<u>241,563</u>	<u>446,274</u>
Cash and restricted cash, end of year	<u>\$ 633,981</u>	<u>\$ 241,563</u>

See accompanying notes to financial statements.

Kāko`o`Ōiwi
Notes to Financial Statements
December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Activities

Kāko`o`Ōiwi (Organization) is a community-oriented non-profit organization based in He`eia, Hawaii. The Organization's mission is to perpetuate the cultural and spiritual practices of Native Hawaiians. Revenue and support are derived principally from grants and contributions from agencies with similar missions.

As a nonprofit corporation described in Section 501(c)(3) of the Internal Revenue Code (IRC), the Organization is exempt from federal and State income taxes on related income pursuant to IRC Section 501(a) and the related sections of the Hawaii Revised Statutes. The Organization has been determined not to be a private foundation as defined in IRC Section 509(a).

Basis of Accounting

The Organization prepares the financial statements in accordance with generally accepted accounting principles promulgated in the United States of America for not-for-profit organizations. The significant accounting and reporting policies used by the Organization are described below to enhance the usefulness and understandability of the financial statements.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Property and Equipment

The Organization records property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities.

Expenditures for maintenance, repairs and renewals of minor items are charged to expenses as incurred. Major renewals and improvements are capitalized. Property and equipment retired or otherwise disposed of is removed from the appropriate asset and related accumulated depreciation accounts. Gains and losses on the sale of the assets are reflected in the current operations.

Property and equipment are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

Kāko`o`Ōiwi
Notes to Financial Statements
December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. The net assets may be used at the discretion of the Organization’s management and Board of Directors.

Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are classified from net asset with donor restrictions to net assets without donor restrictions in the Statement of Activities. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Produce sales are recognized at the time of purchase. Program fees are recognized when the performance obligations of providing the services are met. Rental income is recognized during the period of the lease term.

Contributions receivable that are expected to be collected within one year at net realizable value. Contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the Statements of Activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

Donated Services and In-Kind Contributions

Donations of property and equipment and facilities are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Expenses in the same amount are reflected in the financial statements.

Kāko`o`Ōiwi
Notes to Financial Statements
December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Donated Services and In-Kind Contributions (continued)

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased by the Organization. Volunteers also provided cultivating services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. The Organization receives a substantial number of services donated by volunteers in carrying out its mission.

Functional Allocation of Expenses

The Organization has summarized the costs of program and supporting activities in the Statement of Activities. The expense analysis in the Statement of Functional Expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs to the supporting services benefitted. The financial statements report certain categories of expenses that are attributable to more than one program or support function. The expenses that are allocated on the basis of estimates of time and effort include salaries, payroll taxes and benefits. Other costs are classified in each functional category based on the underlying purpose of each transaction.

New Accounting Standards – (right-of-use asset, operating lease liability)

Effective January 1, 2022, the Organization adopted FASB ASC 842, *Leases*. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization utilized all of the available practical expedients. The adoption had an immaterial impact on the Organization's balance sheet and income statement. The impact on the balance sheet was the recognition of ROU assets and lease liabilities for operating leases. The Organization recorded ROU asset balance of \$12,000 and current operating lease liability balance of \$500 and noncurrent lease liability of \$11,500. A cumulative-effect adjustment was not made to net assets as the effect on the previous year was immaterial. See Note 5 – Land Lease for additional disclosures resulting from the adoption of ASU 2016-02.

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 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 and those differences could be material.

Kāko`o`Ōiwi
Notes to Financial Statements
December 31, 2022 and 2021

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following:

	Years ended December 31,	
	2022	2021
Cash and cash equivalents	\$ 633,981	\$ 241,563
Contributions receivable	425,995	203,670
Cash restricted for building project	(67,200)	(148,330)
Financial assets available to meet cash needs for general expenditures within one year	\$ 992,776	\$ 296,903

The Organization's revenue and support are received mainly from grants and public support, which can be unpredictable. Management believes maintaining highly liquid assets is necessary to help reduce the volatility of future donations and grants to meet the general expenditures of the Organization for the following year.

Note 3 – Property and Equipment

Property and equipment consist of the following as of December 31, 2022, and 2021:

	Years ended December 31,	
	2022	2021
Building	\$ 846,525	\$ 794,160
Construction in Progress	63,419	-
Computer equipment	1,393	1,393
Farm equipment	336,473	276,851
Kitchen equipment	21,664	21,664
Total property and equipment	1,269,474	1,094,068
Less accumulated depreciation	(258,852)	(177,749)
Property and equipment, net	\$ 1,010,622	\$ 916,319

Note 4 – Net Assets with Donor Restrictions

The Organization has various projects and programs all centered around agriculture and the community.

Building and operations

One of the Organization's goals is to create a food system that ties community to land. Project Opu Nui is the poi mill that is part of the project and was built to handle large scale raw products and value-added products. The Ho'olauana wash pack station facilitates the processing of raw products grown and harvested on the property, from other farmers and the community.

Kāko`o`Ōiwi
Notes to Financial Statements
December 31, 2022 and 2021

Note 4 – Net Assets with Donor Restrictions (continued)

He`eia restoration

The restoration of the wetland habitat to protect and enhance the ecosystem and the surrounding community. This project includes the creation and maintenance of the habitat and fish passages for marine and estuarine species, removal of invasive vegetation, replanting native vegetation, and the implementation of traditional agriculture and aquaculture practices.

Apprenticeship and training programs

With the assistance of grants, the Organization has established an apprenticeship program to establish a work-based learning program focused on providing the opportunity to building skills in agriculture and natural resources management grounded in `ike kupuna and `oiwi perspectives. The Organization also participates in community outreach by providing agricultural education and training.

Net assets with donor restrictions are available for the following purposes or periods:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purposes:		
Building – Opu Nui and Ho`olauana	\$ 67,200	\$ 153,329
Building operations – Opu Nui	-	82,269
Building and operations	67,200	235,598
He`eia restoration	142,182	184,773
Apprenticeship and training programs	405,855	-
Total	<u>\$ 615,237</u>	<u>\$ 420,371</u>

Note 5 – Land Lease

The Organization leases 405 acres of land for its operations under a restricted use lease for the purpose of wetlands restoration and agricultural cultivation. The lease expires on December 31, 2047. Annual lease payments are \$500 per year plus a percentage of gross sales. Lease expense for 2022 was approximately \$500. Included in the accompanying financial statements is management's estimate of the fair value of the donated use of the land of approximately \$300,000. This amount is reflected as donated facilities and occupancy expense.

Minimum future payments under the land lease as of December 31, 2022, are approximated as follows:

<u>Years ending</u> <u>December 31,</u>	<u>Amount</u>
2023	\$ 500
2024	500
2025	500
2026	500
2027 and thereafter	<u>10,000</u>
Total minimum obligations	<u>\$ 12,000</u>

Kāko`o`Ōiwi
Notes to Financial Statements
December 31, 2022 and 2021

Note 6 – Concentrations

The Organization maintains its cash balance in a financial institution which is insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. On December 31, 2022 and 2021, the uninsured cash balance at a financial institution totaled approximately \$378,000 and \$0, respectively.

Note 7 – Prior Period Adjustment

The Organization made the following adjustments to net asset as of January 1, 2021:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>
Net assets with donor restrictions previously not released when funds expended	\$ 160,416	\$ (160,416)
2020 payroll expenses not previously accrued	-	(42,629)
	<u>\$ 160,416</u>	<u>\$ (203,045)</u>

Note 8 – Subsequent Events

Management has evaluated subsequent events through November 30, 2023, the date the financial statements were available to be issued.