

**MANOA HERITAGE CENTER
AND KUALII FOUNDATION**

**CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016
And Independent Auditor's Report**



CW Associates

A Hawaii Certified Public Accounting Corporation

INDEPENDENT AUDITOR'S REPORT

Manoa Heritage Center and Kualii Foundation:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Manoa Heritage Center and Kualii Foundation, nonprofit Hawaii corporations, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Manoa Heritage Center and Kualii Foundation as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

CW ASSOCIATES, CPAs

Honolulu, Hawaii
November 8, 2018

**MANOA HERITAGE CENTER
AND KUALII FOUNDATION**

**CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION**

As of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Operating cash	\$ 353,889	\$ 582,595
Accounts receivable – net	40,677	25,337
Inventory of books	47,535	65,425
Prepaid expenses	2,085	5,988
Total current assets	<u>444,186</u>	<u>679,345</u>
INVESTMENTS IN MARKETABLE SECURITIES	<u>10,998,779</u>	<u>9,144,980</u>
PROPERTY AND EQUIPMENT – Net	<u>6,211,840</u>	<u>4,346,212</u>
DESIGNATED FOR CAPITAL CAMPAIGN		
Cash designated for capital campaign	456,509	2,174,206
Pledges receivable – net, designated for capital campaign	125,000	200,000
Total designated for capital campaign	<u>581,509</u>	<u>2,374,206</u>
HISTORICAL COLLECTION (See Note A)	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 18,236,314</u>	<u>\$ 16,544,743</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 79,876	\$ 53,150
Accrued liabilities	10,544	303
Total current liabilities	<u>90,420</u>	<u>53,453</u>
NET ASSETS		
Unrestricted net assets		
Unrestricted – undesignated	9,556,174	8,421,801
Unrestricted – invested in property and equipment	6,211,840	4,346,212
Unrestricted – board designated endowment fund	750,000	750,000
Total unrestricted net assets	<u>16,518,014</u>	<u>13,518,013</u>
Temporarily restricted net assets	1,220,305	2,813,277
Permanently restricted net assets	407,575	160,000
Total net assets	<u>18,145,894</u>	<u>16,491,290</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,236,314</u>	<u>\$ 16,544,743</u>

See accompanying notes to the consolidated financial statements.

**MANOA HERITAGE CENTER
AND KUALII FOUNDATION**

**CONSOLIDATED
STATEMENTS OF ACTIVITIES**

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Revenue and support		
Investment income	\$ 1,386,823	\$ 999,059
Unrestricted contributions	280,729	388,064
Sales of books	19,868	5,150
Other revenue and support	1,532	541
Total revenue and support	<u>1,688,952</u>	<u>1,392,814</u>
Expenses		
Program services	418,379	305,056
Management and general	80,289	68,288
Fundraising	160,634	125,860
Total expenses	<u>659,302</u>	<u>499,204</u>
Revenue and support less expenses	1,029,650	893,610
Net assets released from capital campaign restrictions	1,970,351	1,207,702
Increase in unrestricted net assets	<u>3,000,001</u>	<u>2,101,312</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Temporarily restricted contributions	377,379	1,370,571
Net assets released from temporary restrictions	(1,970,351)	(1,207,702)
Increase (decrease) in temporarily restricted net assets	<u>(1,592,972)</u>	<u>162,869</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Permanently restricted contributions	247,575	160,000
Increase in permanently restricted net assets	<u>247,575</u>	<u>160,000</u>
INCREASE IN NET ASSETS	1,654,604	2,424,181
NET ASSETS – Beginning of year	<u>16,491,290</u>	<u>14,067,109</u>
NET ASSETS – End of year	<u>\$18,145,894</u>	<u>\$16,491,290</u>

See accompanying notes to the consolidated financial statements.

**MANOA HERITAGE CENTER
AND KUALII FOUNDATION**

**CONSOLIDATED
STATEMENTS OF FUNCTIONAL EXPENSES**

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Program services		
Professional fees	\$152,509	\$ 96,246
Salaries and related costs	130,940	83,490
Depreciation	58,946	56,222
Office and administrative	37,674	35,231
Education and program	25,100	15,815
Occupancy	13,210	18,052
Total program services	<u>418,379</u>	<u>305,056</u>
Management and general		
Salaries and related costs	41,039	29,098
Professional fees	15,180	12,533
Office and administrative	11,807	12,280
Depreciation	8,123	8,085
Occupancy	4,140	6,292
Total management and general	<u>80,289</u>	<u>68,288</u>
Fundraising		
Professional fees	75,378	70,125
Salaries and related costs	53,734	29,098
Office and administrative	15,463	12,280
Depreciation	10,639	8,081
Occupancy	5,420	6,276
Total fundraising	<u>160,634</u>	<u>125,860</u>
Total expenses	<u>\$659,302</u>	<u>\$499,204</u>

See accompanying notes to the consolidated financial statements.

**MANOA HERITAGE CENTER
AND KUALII FOUNDATION**

**CONSOLIDATED
STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,654,604	\$ 2,424,181
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
(Increase) decrease in cash designated for capital campaign	1,717,697	(710,482)
Decrease in pledges receivable – net, designated for capital campaign	75,000	687,500
Unrealized gains from holding marketable securities	(1,142,736)	(410,913)
Realized gains from sales of marketable securities	(10,998)	(400,394)
Depreciation	77,708	72,388
(Increase) decrease in:		
Accounts receivable – net	(15,340)	(25,337)
Inventory of books	17,890	(65,425)
Prepaid expenses	3,903	(3,698)
Increase in:		
Accounts payable	26,726	53,150
Accrued liabilities	10,241	303
Net cash provided by operating activities	<u>2,414,695</u>	<u>1,621,273</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,943,336)	(1,244,743)
Sales of marketable securities	5,686,013	5,920,625
Purchases of marketable securities	(6,386,078)	(6,240,339)
Net cash used by investing activities	<u>(2,643,401)</u>	<u>(1,564,457)</u>
NET INCREASE (DECREASE) IN CASH	(228,706)	56,816
OPERATING CASH – Beginning of year	<u>582,595</u>	<u>525,779</u>
OPERATING CASH – End of year	<u>\$ 353,889</u>	<u>\$ 582,595</u>

See accompanying notes to the consolidated financial Statements.

**MANOA HERITAGE CENTER
AND KUALII FOUNDATION**

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS**

For the Years Ended December 31, 2017 and 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activity

Manoa Heritage Center (Center) is a nonprofit corporation organized under the laws of the State of Hawaii on April 17, 1996, primarily to study and disseminate information about the cultural heritage of Hawaii in general, and Manoa Valley in particular; to operate a historic property museum; to preserve and interpret native Hawaii sites in the Manoa Valley; and to make them available to the public. Kualii Foundation (Foundation) is a nonprofit corporation organized under the laws of the State of Hawaii on April 17, 1996, primarily for the same purpose. The Center is the sole corporate member of the Foundation. The Center and Foundation are also related by common management and governance. The accompanying consolidated financial statements include the accounts of both the Center and Foundation, except that significant intercompany balances and transactions have been eliminated in consolidation.

Together, the Center and Foundation promote the natural and cultural heritage of Hawaii, the *Heiau* (Hawaiian temple) in Manoa Valley, the natural gardens of Kualii (the historic residence of Sam and Mary Cooke), Kualii itself, and Manoa Valley as a whole. The Center achieves its purpose by providing guided tours of the grounds, Kualii, and the *Heiau*, and educating visitors and school groups on the history of Hawaii and Manoa Valley. The Foundation achieves its purpose by providing monetary support to the Center and maintaining the museum land and buildings on which the Center is located.

Basis of Accounting

The Center and Foundation report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. Support is reported when pledged and is considered to be available for unrestricted use unless restricted by the donor. Donor restricted support is reported when pledged as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. Pledges due in more than one year are reflected at the present value of estimated future cash flows using discount rates in effect at the date of the pledge. When a temporary restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets. Revenue from sales of books is recognized upon the sale of the books and is reported net of the cost of the books sold of \$20,069 and \$53,661 for the years ended December 31, 2017 and 2016, respectively. Other revenue and support is recognized when earned. Expenses are recognized when the related liability is incurred.

The Center and Foundation allocate their expenses on a functional basis among their various programs and supporting services based on estimates by management. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Other expenses that are common to several functions are allocated by various bases.

**MANOA HERITAGE CENTER
AND KUALII FOUNDATION**

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS (Continued)**

For the Years Ended December 31, 2017 and 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (continued)

Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills that are performed by people with those skills and would otherwise be purchased. The value of unpaid volunteers who have made significant contributions of their time is not reflected in the consolidated financial statements because it does not meet the criteria for recognition.

Use of Estimates

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of consolidated financial statements in accordance with such 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 consolidated financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates, and it is reasonably possible that such estimates may change within the near term.

Concentrations of Credit Risk

Financial instruments that potentially subject the Center and Foundation to credit risk include operating cash, accounts receivable, investments in marketable securities, cash designated for capital campaign, and pledges receivable. Operating cash and cash designated for capital campaign on deposit with financial institutions exceeded the related federal deposit insurance by approximately \$452,000 and \$2,144,000 at December 31, 2017 and 2016, respectively. Accounts and pledges receivable, which have been adjusted for all known doubtful accounts (none at December 31, 2017 and 2016) are determined to be collectible or uncollectible based on an assessment by management of the facts and circumstances related to the individual accounts. Investments in marketable securities are fully insured by federal and private insurance, as represented by the custodian. Future changes in market prices may make such investments less valuable.

Inventory of Books

The inventory of books consists of copies of the book *Paintings, Prints, and Drawings of Hawaii from the Sam and Mary Cooke Collection*, which are held for sale to raise public awareness. Books remaining in inventory at year-end are stated at the lower of cost or net realizable value.

Investments in Marketable Securities

Investments in marketable securities are stated at fair value. Net realized and unrealized gains, determined using the specific identification method, are included in investment income.

**MANOA HERITAGE CENTER
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**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS (Continued)**

For the Years Ended December 31, 2017 and 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment is stated at cost or, if contributed, at estimated fair market value at the date of contribution. Depreciation is provided using the straight-line method over estimated useful lives of 15 to 30 years for buildings and improvements, 30 years for the *heiau* restoration, and five years for furniture, fixtures, and equipment. Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Repairs and maintenance are expensed as incurred. Major improvements are capitalized.

Historical Collection

The historical collection consists of documents and artifacts held for educational, research, and curatorial purposes. The collection is continuously cataloged, preserved, and cared for. The items in the collection are not recognized in the consolidated financial statements because they have no alternative uses. Purchases of collection items are recorded as decreases in unrestricted net assets when the items are acquired or as temporarily or permanently restricted net assets if they are purchased with donor-restricted funds. Contributed collection items are not reflected in the consolidated financial statements. Proceeds, if any, from the disposition of collection items are reflected as increases in the appropriate net asset classes.

Hawaii General Excise Tax

The State of Hawaii imposes a general excise tax of 4% on certain gross receipts within Hawaii, plus an additional 0.5% on such gross receipts within the City and County of Honolulu. The gross receipts of the Center and Foundation for the years ended December 31, 2017 and 2016 were exempt from the Hawaii general excise tax.

Income Taxes

The Center and Foundation are exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and are not private foundations. Accordingly, qualifying contributions to the Center or Foundation are tax deductible. The Tax Cuts and Jobs Act of 2017 that was signed into law on December 22, 2017 is not expected to impact the Center and Foundation.

Accounting principles generally accepted in the United States of America require uncertain tax positions to be recognized in the consolidated financial statements if they are more likely than not to fail upon regulatory examination. Management has evaluated the tax positions of the Center and Foundation as of and for the years ended December 31, 2017 and 2016 by reviewing their income tax returns and conferring with their tax advisors, and determined that they had no uncertain tax positions required to be reported in accordance with such generally accepted accounting principles. The Center and Foundation are subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

**MANOA HERITAGE CENTER
AND KUALII FOUNDATION**

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS (Continued)**

For the Years Ended December 31, 2017 and 2016

NOTE B – INVESTMENTS IN MARKETABLE SECURITIES

At December 31, 2017 and 2016, investments in marketable securities consisted of the following:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common stock and other investments	\$ 8,130,416	\$ 10,659,696	\$ 7,145,328	\$ 8,531,872
Money market funds	<u>339,083</u>	<u>339,083</u>	<u>613,108</u>	<u>613,108</u>
Total investment in marketable securities	<u>\$ 8,469,499</u>	<u>\$ 10,998,779</u>	<u>\$ 7,758,436</u>	<u>\$ 9,144,980</u>

Net investment income for the years ended December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Unrealized gains from holding marketable securities	\$ 1,142,736	\$ 410,913
Realized gains from sales of marketable securities	10,998	400,394
Interest and dividend income	309,815	303,768
Investment fees	<u>(76,726)</u>	<u>(116,016)</u>
Net investment income	<u>\$ 1,386,823</u>	<u>\$ 999,059</u>

NOTE C – FAIR VALUE MEASUREMENTS

The established framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to the valuation methodology used to measure fair value. There are three levels of inputs to the valuation methodology. Level 1 inputs consist of unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs are unobservable and significant to the fair value measurement. The fair value measurement level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation methodologies used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

**MANOA HERITAGE CENTER
AND KUALII FOUNDATION**

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS (Continued)**

For the Years Ended December 31, 2017 and 2016

NOTE C – FAIR VALUE MEASUREMENTS (Continued)

The following sets forth by level, within the fair value hierarchy, the Foundation's investments in marketable securities at fair value as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock and other investments				
Energy	\$ 2,732,101	\$ -	\$ -	\$ 2,732,101
Technology	2,252,164	-	-	2,252,164
Consumer Defensive	994,160	-	-	994,160
Other investments	915,208	-	-	915,208
Financial Services	769,782	-	-	769,782
Industrials	669,349	-	-	669,349
Consumer Cyclical	620,977	-	-	620,977
Communication	619,448	-	-	619,448
Healthcare	587,909	-	-	587,909
Emerging Markets Bonds	498,598	-	-	498,598
Total common stock and other investments	10,659,696	-	-	10,659,696
Money market funds	339,083	-	-	339,083
Total investments at fair value	<u>\$ 10,998,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,998,779</u>

The following sets forth by level, within the fair value hierarchy, the Foundation's investments in marketable securities at fair value as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock and other investments				
Energy	\$ 3,022,673	\$ -	\$ -	\$ 3,022,673
Technology	1,379,213	-	-	1,379,213
Other investments	1,232,158	-	-	1,232,158
Consumer Defensive	683,534	-	-	683,534
Financial Services	665,381	-	-	665,381
Industrials	569,703	-	-	569,703
Communication	520,942	-	-	520,942
Healthcare	458,268	-	-	458,268
Total common stock and other investments	8,531,872	-	-	8,531,872
Money market funds	613,108	-	-	613,108
Total investments at fair value	<u>\$ 9,144,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,144,980</u>

**MANOA HERITAGE CENTER
AND KUALII FOUNDATION**

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS (Continued)**

For the Years Ended December 31, 2017 and 2016

NOTE D – PROPERTY AND EQUIPMENT

At December 31, 2017 and 2016, property and equipment consisted of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 1,563,888	\$ 1,563,888
Buildings and improvements	1,200,508	1,200,508
Heiau restoration	990,800	990,800
Furniture, fixtures, and equipment	68,465	66,425
Construction in progress	<u>3,377,681</u>	<u>1,437,753</u>
Total	7,201,342	5,259,374
Accumulated depreciation	<u>(989,502)</u>	<u>(913,162)</u>
Property and equipment – net	<u>\$ 6,211,840</u>	<u>\$ 4,346,212</u>

In October 2015, the Center entered into a contract for approximately \$3.56 million for the construction of an on-site Visitor Education Center and other renovations to the property, of which approximately \$3.04 million had been completed and paid as of December 31, 2017. The construction and renovation project was completed and placed in service in April 2018.

NOTE E – ENDOWMENT FUNDS

In December 2016, the Foundation designated \$750,000 of unrestricted net assets as the Sam Cooke Quasi-Endowment Fund (Quasi-Endowment) to provide a continuous source of funding for the Center's operations and activities over the long term. The Quasi-Endowment is included in unrestricted net assets because it resulted from an internal designation and is not donor-restricted. Accordingly, the Foundation may later designate the unrestricted net assets in the Quasi-Endowment for other purposes. Income from the Quasi-Endowment will be considered unrestricted and appropriated for expenditure when earned. There was no income earned on the Quasi-Endowment for the years ended December 31, 2017 and 2016.

In December 2016, the Sam Cooke Endowment Fund (Endowment) was established in the Foundation by way of a contribution from the Center to provide a continuous source of funding for the Center's operations and activities over the long term. Accordingly, income from the Endowment will be considered unrestricted and appropriated for expenditure when earned. The Endowment earned \$664 and \$0 in income for the years ended December 31, 2017 and 2016, respectively. The Endowment is included in permanently restricted net assets.

**MANOA HERITAGE CENTER
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**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS (Continued)**

For the Years Ended December 31, 2017 and 2016

NOTE E – ENDOWMENT FUNDS (Continued)

The Board of Trustees of the Foundation adopted investment policies for its endowments to preserve the endowment principal, to provide for sufficient liquidity and long-term earnings, and to provide for annual spending allocations to support operations. The risk tolerance for the endowments is in the moderate to conservative range.

Accounting principles generally accepted in the United States of America provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). An enacted version of UPMIFA became effective in the State of Hawaii on July 1, 2009. The Board of Trustees of the Foundation has interpreted the Act as requiring the preservation of the original gift of donor-restricted endowment funds as permanently restricted net assets, absent explicit donor stipulations to the contrary. Other donor-restricted gifts are classified as temporarily restricted net assets. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. At December 31, 2017 and 2016, the Foundation's investments exceeded the related amount of its permanently restricted net assets.

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2017 and 2016, temporarily restricted net assets consisted of the following:

	<u>2017</u>	<u>2016</u>
Temporarily restricted for:		
Manoa Heritage Center capital campaign	\$ 1,205,289	\$ 2,792,309
Pettus Foundation grant for transportation	13,016	10,000
Marisla Fund grant for plant life and place-based education	-	10,968
NEH Grant	<u>2,000</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 1,220,305</u>	<u>\$ 2,813,277</u>

NOTE G – EMPLOYEE BENEFIT PLANS

The Center sponsors a defined contribution SIMPLE IRA plan covering substantially all of its employees to which it contributes up to 3% of their annual gross salaries in accordance with the plan document and Internal Revenue Code Section 408(p). The Center's contributions under this plan amounted to \$2,698 and \$3,080 for the years ended December 31, 2017 and 2016, respectively.

**MANOA HERITAGE CENTER
AND KUALII FOUNDATION**

**NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS (Continued)**

For the Years Ended December 31, 2017 and 2016

NOTE H – CONTINGENCIES

The Center and Foundation may be subject to legal proceedings, claims, or litigation arising in the ordinary course of business for which they may seek the advice of legal counsel. Management estimates that the cost to resolve such matters, if any, would not be material to the consolidated financial statements. However, it is reasonably possible that such estimates may change within the near term.

The Center and Foundation operate in the State of Hawaii. National and international events can have severe, adverse effects on economic conditions in Hawaii. The effects on the consolidated financial statements of the Center and Foundation from such changes in economic conditions, if any, are not presently determinable.

NOTE I – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 8, 2018, which is the date the consolidated financial statements were available to be issued, and determined that the Center and Foundation did not have any subsequent events requiring adjustment to the consolidated financial statements or disclosure in the notes to the consolidated financial statements, except as described in Note D above.
