

MALAMA PONO – KAUAI AIDS PROJECT
FINANCIAL STATEMENTS AND SCHEDULE
And Independent Auditors' Report
For the Years Ended June 30, 2009 and 2008

CW Associates

A Hawaii Certified Public Accounting Corporation

CARLETON L. WILLIAMS, MANAGING PARTNER

INDEPENDENT AUDITORS' REPORT

Malama Pono – Kauai AIDS Project:

We have audited the accompanying statements of financial position of Malama Pono – Kauai AIDS Project, a nonprofit Hawaii corporation, as of June 30, 2009 and 2008, and the related statements of activities and of cash flows for the years then ended. These financial statements are the responsibility of the management of Malama Pono. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Malama Pono – Kauai AIDS Project as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of functional expenses for the year ended June 30, 2009 (with prior year comparative totals) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



September 16, 2009

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MALAMA PONO – KAUAI AIDS PROJECT

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash (including interest-bearing accounts)	\$ 46,632	\$ 30,680
Grants and contracts receivable – net	60,740	79,468
Prepaid expenses and other assets	<u>12,532</u>	<u>12,379</u>
Total current assets	<u>119,904</u>	<u>122,527</u>
Property and equipment – net	<u>12,611</u>	<u>6,255</u>
TOTAL ASSETS	<u>\$132,515</u>	<u>\$128,782</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Advances on line-of-credit	\$ -	\$ 20,000
Accounts payable	2,383	12,219
Accrued liabilities	17,285	12,327
Deferred revenue	<u>10,000</u>	<u>21,636</u>
Total liabilities	<u>29,668</u>	<u>66,182</u>
 NET ASSETS		
Unrestricted net assets	<u>102,847</u>	<u>62,600</u>
Total net assets	<u>102,847</u>	<u>62,600</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$132,515</u>	<u>\$128,782</u>

See accompanying notes to financial statements.

MALAMA PONO – KAUAI AIDS PROJECT

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Revenue and support		
Grants and contracts	\$441,888	\$451,593
Special events (including related contributions)	95,922	105,145
Other contributions and gifts	23,019	19,242
Other revenue and support	<u>1,886</u>	<u>6,420</u>
Total revenue and support	<u>562,715</u>	<u>582,400</u>
Expenses		
Program expenses		
Education	164,242	147,329
Case management	162,532	143,802
Client services	<u>83,559</u>	<u>106,973</u>
Total program expenses	<u>410,333</u>	<u>398,104</u>
Supporting services		
Management and general	62,725	83,029
Fundraising	<u>49,410</u>	<u>51,606</u>
Total supporting services	<u>112,135</u>	<u>134,635</u>
Total expenses	<u>522,468</u>	<u>532,739</u>
Increase in unrestricted net assets	<u>40,247</u>	<u>49,661</u>
INCREASE IN NET ASSETS	40,247	49,661
NET ASSETS – Beginning of year	<u>62,600</u>	<u>12,939</u>
NET ASSETS – End of year	<u>\$102,847</u>	<u>\$ 62,600</u>

See accompanying notes to financial statements.

MALAMA PONO – KAUAI AIDS PROJECT

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$40,247	\$49,661
Adjustment to reconcile increase in net assets to net cash provided (used) by operating activities		
Depreciation	3,980	1,680
(Increase) decrease in:		
Grants and contracts receivable – net	18,728	(10,400)
Prepaid expenses and other assets	(153)	120
Increase (decrease) in:		
Accounts payable	(9,836)	(6,731)
Accrued liabilities	4,958	1,949
Deferred revenue	<u>(11,636)</u>	<u>(36,303)</u>
Net cash provided (used) by operating activities	<u>46,288</u>	<u>(24)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	<u>(10,336)</u>	<u>(7,935)</u>
Net cash used by investing activities	<u>(10,336)</u>	<u>(7,935)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in advances on line-of-credit	<u>(20,000)</u>	<u>20,000</u>
Net cash provided (used) by financing activities	<u>(20,000)</u>	<u>20,000</u>
NET INCREASE IN CASH	15,952	12,041
CASH – Beginning of year	<u>30,680</u>	<u>18,639</u>
CASH – End of year	<u>\$46,632</u>	<u>\$30,680</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 198	\$ 511

See accompanying notes to financial statements.

MALAMA PONO – KAUAI AIDS PROJECT

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2009 and 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activity

Malama Pono – Kauai AIDS Project was incorporated under the laws of the State of Hawaii in October 1987 to stop the spread of HIV/AIDS, sexually transmitted diseases (STDs), and infectious Hepatitis through education, and to provide services to persons infected with or affected by these diseases on the Island of Kauai. Each year, Malama Pono sponsors the *Paradise Ride*, *Kauai Sings*, and other special events to support its programs. Special events revenue for the year ended June 30, 2009 included \$68,982 in contributions for the events, of which \$14,989 were in-kind contributions. Special events revenue for the year ended June 30, 2008 included \$83,695 in contributions for the events, of which \$18,124 were in-kind contributions.

Malama Pono – Kauai AIDS Project is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and is not a private foundation. Consequently, qualifying contributions to Malama Pono are tax deductible.

Basis of Accounting

Malama Pono reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets (none in 2009 and 2008), and permanently restricted net assets (none in 2009 and 2008). 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. When a temporary restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets. Revenue from certain grants and contracts is recognized to the extent of expenditures made in accordance with the related agreements. The recognition of such revenue is deferred until the services are performed. Expenses are recognized when the related liability is incurred. Expenses are allocated on a functional basis among various program and support services based on estimates by management. Expenses that can be identified with a program or supporting service are charged directly to the program or supporting service using natural expense classifications. Other expenses that are common to several functions are allocated by various bases. Advertising costs, amounting to \$16,958 and \$18,312 for the years ended June 30, 2009 and 2008, respectively, were expensed as incurred.

Amounts received for grants and contracts are subject to audit and adjustment by various agencies. Any disallowed claim, including amounts already collected, may constitute a liability. Management expects such amounts, if any, to be immaterial to the financial statements. Revenue and support is derived principally from grants and contracts, the loss of which could have a material adverse effect on the Organization.

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization, which is not reflected in these financial statements because it is not susceptible to objective measurement and valuation.

Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of 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 financial statements and the reported amounts of revenue and expenses 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 Malama Pono to credit risk include cash, and grants and contracts receivable. Cash on deposit with financial institutions was fully insured at June 30, 2009 and 2008. Grants and contracts receivable, which have been adjusted for all known doubtful accounts, are determined to be collectible or uncollectible based on an assessment by management of the facts and circumstances related to the individual accounts.

Property and Equipment

Property and equipment consists of office furniture and equipment 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 three to seven years. Repairs and maintenance are expensed. Major improvements are capitalized.

Line-of-Credit

Malama Pono has a \$30,000 revolving line-of-credit with Bank of Hawaii that is renewable annually. Advances on the line-of-credit are collateralized by the cash accounts of Malama Pono, and bear interest at the Bank's base rate plus 3%. Advances outstanding on the line-of-credit amounted to \$0 at June 30, 2009 and \$20,000 at June 30, 2008. The Bank's base rate was 3.25% at June 30, 2009 and 5% at June 30, 2008. The line-of-credit agreement includes covenants that limit the use of advances to the operations of Malama Pono in the normal course of business, and that require it to make periodic reports to the Bank.

Leases

Malama Pono leases office space and equipment under operating leases expiring in January and May 2010, respectively. Lease rent expense for the years ended June 30, 2009 and 2008 amounted to \$39,486 and \$39,115, respectively. At June 30, 2009, future minimum lease payments by fiscal years ending June 30th approximated \$5,000 in 2010.

Financial Statement Presentation

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation. Malama Pono operates on the Island of Kauai in the State of Hawaii. National and international events can have severe, adverse effects on economic conditions in Hawaii. The effects on the financial statements of Malama Pono, if any, from such changes in economic conditions are not presently determinable.

