

ALOHA MEDICAL MISSION

**FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017
And Independent Auditor's Report**



CW Associates
A Hawaii Certified Public Accounting Corporation

INDEPENDENT AUDITOR'S REPORT

Aloha Medical Mission:

Report on Financial Statements

We have audited the accompanying financial statements of Aloha Medical Mission (Organization), a nonprofit Hawaii corporation, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

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

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

Topa Financial Center
700 Bishop Street, Suite 1040
Honolulu, Hawaii 96813
Telephone (808) 531-1040
Facsimile (808) 531-1041
www.cwassociatescpas.com

Opinion on Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, during the year ended December 31, 2018, the Organization adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

CW ASSOCIATES, CPAs

Honolulu, Hawaii
August 9, 2019

ALOHA MEDICAL MISSION
STATEMENTS OF FINANCIAL POSITION

As of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash (including interest-bearing accounts)	\$200,859	\$140,788
Investments – current	94,147	108,989
Grants receivable – net	22,489	93,825
Prepaid expenses	<u>13,897</u>	<u>5,516</u>
Total current assets	331,392	349,118
PROPERTY AND EQUIPMENT – Net	127,142	128,488
INVESTMENTS – Noncurrent	<u>72,902</u>	<u>72,834</u>
TOTAL ASSETS	<u>\$531,436</u>	<u>\$550,440</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 9,702	\$ 24,500
Accrued liabilities	17,746	19,627
Deferred revenue	-	<u>37,576</u>
Total current liabilities	<u>27,448</u>	<u>81,703</u>
NET ASSETS		
Net assets without donor restrictions	113,125	229,361
Net assets with donor restrictions	<u>390,863</u>	<u>239,376</u>
Total net assets	<u>503,988</u>	<u>468,737</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$531,436</u>	<u>\$550,440</u>

See accompanying notes to the financial statements.

ALOHA MEDICAL MISSION
STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Net assets released from donor restrictions	\$ 385,141	\$ 458,473
Contributions without donor restrictions	173,907	91,902
Special events – net	-	144,752
In-kind contributions	127,900	83,537
Other revenue and support	2,428	5,246
Investment income	272	5,140
Total revenue and support	<u>689,648</u>	<u>789,050</u>
Expenses		
Program services		
Honolulu clinic	518,415	408,757
Overseas missions	138,591	140,654
Total program services	<u>657,006</u>	<u>549,411</u>
Supporting services		
Management and general	83,056	68,311
Fundraising and development	65,822	83,329
Total supporting services	<u>148,878</u>	<u>151,640</u>
Total expenses	<u>805,884</u>	<u>701,051</u>
Increase (decrease) in net assets without donor restrictions	<u>(116,236)</u>	<u>87,999</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions with donor restrictions	536,628	379,989
Net assets released from donor restrictions	(385,141)	(458,473)
Increase (decrease) in net assets with donor restrictions	<u>151,487</u>	<u>(78,484)</u>
INCREASE IN NET ASSETS	35,251	9,515
NET ASSETS – Beginning of year	<u>468,737</u>	<u>459,222</u>
NET ASSETS – End of year	<u>\$ 503,988</u>	<u>\$ 468,737</u>

See accompanying notes to the financial statements.

ALOHA MEDICAL MISSION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	Program Services			Supporting Services		
	Honolulu Clinic	Overseas Missions	Total Program Services	Management and General	Fund- Raising and Development	Total Supporting Services
	\$	\$	\$	\$	\$	\$
Salaries, wages, and benefits	\$396,817	\$ 28,066	\$ 424,883	\$ 32,508	\$34,074	\$ 66,582
Mission expenses	-	81,773	81,773	-	-	-
Printing and supplies	66,013	1,893	67,906	2,281	7,900	10,181
Professional fees	23,732	20,617	44,349	10,470	11,255	21,725
Occupancy	8,111	1,089	9,200	11,258	1,078	12,336
Repairs and maintenance	16,220	126	16,346	112	112	224
Depreciation	-	-	-	16,156	-	16,156
Meetings and conferences	3,399	133	3,532	784	7,273	8,057
Insurance	3,107	3,107	6,214	1,601	1,601	3,202
Miscellaneous	20	1,200	1,220	7,050	101	7,151
Advertising	915	292	1,207	146	548	694
Taxes and fees	70	295	365	220	1,028	1,248
Dues and subscriptions	11	-	11	470	852	1,322
Total expenses with special events costs	<u>518,415</u>	<u>138,591</u>	<u>657,006</u>	<u>83,056</u>	<u>65,822</u>	<u>148,878</u>
Less special events netted with revenue	-	-	-	-	-	-
Total expenses	<u>\$518,415</u>	<u>\$138,591</u>	<u>\$ 657,006</u>	<u>\$ 83,056</u>	<u>\$ 65,822</u>	<u>\$148,878</u>
						<u>\$ 805,884</u>

See accompanying notes to the financial statements.

ALOHA MEDICAL MISSION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	Program Services			Supporting Services		
	Honolulu Clinic	Overseas Missions	Total Program Services	Management and General	Fund- Raising and Development	Total Supporting Services
				Development	Services	Total
Salaries, wages, and benefits	\$ 297,676	\$ 26,490	\$ 324,166	\$ 31,407	\$ 32,090	\$ 63,497
Mission expenses	-	92,766	92,766	-	-	-
Printing and supplies	61,582	893	62,475	1,524	10,831	12,355
Professional fees	24,392	17,840	42,232	9,034	9,034	18,068
Occupancy	8,421	1,354	9,775	1,324	2,242	3,566
Repairs and maintenance	12,410	347	12,757	231	231	462
Depreciation	-	-	-	13,752	-	13,752
Meetings and conferences	2,434	-	2,434	1,106	3,659	4,765
Insurance	1,313	784	2,097	-	5,045	5,045
Miscellaneous	5	-	5	9,526	394	9,920
Advertising	456	-	456	25	12,700	12,725
Taxes and fees	64	180	244	220	2,717	2,937
Dues and subscriptions	4	-	4	162	4,386	4,548
Special events	-	-	-	-	43,623	43,623
Total expenses with special events costs	<u>408,757</u>	<u>140,654</u>	<u>549,411</u>	<u>68,311</u>	<u>126,952</u>	<u>195,263</u>
Less special events netted with revenue	-	-	-	-	(43,623)	(43,623)
Total expenses on statement of activities	<u>\$ 408,757</u>	<u>\$ 140,654</u>	<u>\$ 549,411</u>	<u>\$ 68,311</u>	<u>\$ 83,329</u>	<u>\$ 151,640</u>
						<u>\$ 701,051</u>

See accompanying notes to the financial statements.

ALOHA MEDICAL MISSION
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 35,251	\$ 9,515
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
In-kind contributions of property and equipment	(22,000)	(5,000)
Depreciation	16,156	13,752
Unrealized (gains) losses from holding investments	1,499	(3,987)
Loss on disposal of property and equipment	7,050	9,518
(Increase) decrease in		
Grants receivables – net	71,336	(76,015)
Prepaid expenses	(8,381)	(782)
Increase (decrease) in		
Accounts payable	(14,798)	(8,193)
Accrued liabilities	(1,881)	7,443
Deferred revenue	<u>(37,576)</u>	<u>37,576</u>
Net cash provided (used) by operating activities	<u>46,656</u>	<u>(16,173)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments	15,000	-
Purchases of investments	(1,725)	(1,125)
Purchases of property and equipment	(6,510)	(25,258)
Proceeds from sale of property and equipment	6,650	-
Net cash provided (used) by investing activities	<u>13,415</u>	<u>(26,383)</u>
NET INCREASE (DECREASE) IN CASH	60,071	(42,556)
CASH – Beginning of year	<u>140,788</u>	<u>183,344</u>
CASH – End of year	<u>\$200,859</u>	<u>\$140,788</u>
NONCASH INVESTING ACTIVITIES		
In-kind contributions of property and equipment	\$ 22,000	\$ 5,000

See accompanying notes to the financial statements.

ALOHA MEDICAL MISSION

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activity

The Aloha Medical Mission (Organization) was founded in Hawaii in 1983 to provide free medical care to the underserved people of the Pacific, Asia, and Hawaii through overseas missions and a dental clinic located in Honolulu, Hawaii.

The overseas missions include provision of medicines, medical supplies, and medical equipment which may be donated by medical professionals, companies, and institutions. These missions are initiated through medical invitations from other governments or non-government organizations (NGOs). The Organization assesses the need, location, security, and cooperation of the local government, medical community, and other NGOs before a decision is made whether to conduct a mission. Missions abroad are 10 to 15 days in length with travel time. Mission volunteers come from all over the United States with a few from other countries. Medical and dental volunteers for overseas missions must have completed their professional training and have current valid professional licenses from their country, state, or province. Volunteers must pay for all of their expenses (i.e., airfare, hotel accommodations, meals, and other travel expenses) associated with the overseas missions. Additionally, the Organization also provides financial support to a clinic in Dhaka, Bangladesh under the name Aloha Health Services, Bangladesh, which is a year-round mission.

In the early 1990's, the Organization began free medical care for the homeless, uninsured, and indigent in the State of Hawaii. In 2002, the Organization changed its Hawaii focus to operating the only free dental clinic. Dental treatments are at no cost to individuals who qualify. The dental clinic treats approximately 300 patients a month. All dental professionals volunteering at the clinic must be certified.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and is not a private foundation. Accordingly, qualifying contributions to the Organization are tax deductible.

Basis of Accounting

The Organization reports 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. Support is reported when pledged and is considered to be available for unrestricted use unless restricted by the donor. Donor restricted support is recognized when pledged as an increase in net assets with donor restrictions. When a restriction is satisfied or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. In-kind contributions are recorded as contributions at their estimated fair value at the time of donation.

ALOHA MEDICAL MISSION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (continued)

Expenses are allocated on a functional basis among 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. Expenses that are common to several functions are allocated by square footage or employee time. Expenses are recognized when the related liability is incurred.

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 by the Organization. A substantial number of unpaid volunteers have made significant contributions of their time to the Organization. The value of the time that does not meet the criteria for recognition is not reflected in these financial statements.

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 the Organization to credit risk include cash, investments, and grants receivable. Cash on deposit with financial institutions were fully insured at December 31, 2018 and 2017. Investments are fully insured by federal and private insurance, as represented by the custodian. Future changes in market prices may make such investments less valuable. Grants receivable have been reduced for estimated allowances for doubtful accounts (none at December 31, 2018 and 2017). Such receivables are determined to be collectible or uncollectible based on an assessment by management of the facts and circumstances related to the individual accounts.

Investments

Investments are stated at fair value. Net realized and unrealized gains and losses, determined using the specific identification method, are included in investment income. Investments related to net assets without restrictions are generally classified as current as the amounts are available for operations. Investments related to net assets with donor restrictions are generally classified as noncurrent.

ALOHA MEDICAL MISSION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2018 and 2017

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 donation. Depreciation is provided using the straight-line method over the shorter of the estimated useful lives of five to 40 years or the term of the lease for leasehold improvements, and estimated useful lives of three to 10 years for furniture and equipment. Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Expenditures in excess of \$500 are capitalized. Repairs and maintenance are expensed as incurred.

Hawaii General Excise Tax

The State of Hawaii imposes a general excise tax of 4% on the gross receipts of the Organization from special events in 2017 and sale of merchandise in 2018 within the State, plus an additional 0.5% on such gross receipts within the City and County of Honolulu. Hawaii general excise tax expense from the sale of merchandise amounted to \$330 for the year ended December 31, 2018. Hawaii general excise tax expense from special events amounted to \$2,107 for the year ended December 31, 2017.

Income Taxes

Accounting principles generally accepted in the United States of America require uncertain tax positions to be recognized in the financial statements if they are more likely than not to fail upon regulatory examination. Management has evaluated the Organization's tax positions as of and for the years ended December 31, 2018 and 2017 by reviewing its tax returns and conferring with its tax advisors, and determined that the Organization had no uncertain tax positions required to be reported in accordance with such generally accepted accounting principles. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 was signed into law. The law includes significant changes to the United States of America corporate income tax system, including changes to unrelated business income tax and limitations on the deductibility of certain expenses. Accounting principles generally accepted in the United States of America require the effect of a change in tax law to be recognized when enacted. The new tax law did not have a significant financial impact on the Organization.

ALOHA MEDICAL MISSION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under this ASU, there are two classes of net assets – net assets with donor restrictions and net assets without donor restrictions. This ASU also requires reporting of the underwater amounts for donor-restricted endowments with enhanced disclosures; allows for the presentation of cash flows using the indirect or direct method without a reconciliation of the direct method to the indirect method; requires qualitative information on how the organization manages its liquid assets and associated liquidity risks; requires information on the financial statement or in the notes to the financial statements on the availability of the organization's assets to meet cash needs for general expenditures within one year; and requires reporting of expenses by function and nature along with an analysis of such expenses. The Organization implemented this ASU in the year ended December 31, 2018.

NOTE B – LIQUIDITY

The Organization has \$317,495 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. Those financial assets consist of cash of \$200,859, current investments of \$94,147, and grants receivable, net of allowances for doubtful accounts, of \$22,489 as of December 31, 2018. The noncurrent investments are held for the purposes of meeting donor restrictions. The financial assets of \$317,495 are not subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The grants receivable are subject to implied time restrictions, but are expected to be collected within one year. The Organization's policy is to maintain cash balances to provide for its general expenditures, liabilities, and other obligations as they come due.

ALOHA MEDICAL MISSION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2018 and 2017

NOTE C – INVESTMENTS

At December 31, 2018 and 2017, investments consisted of the following:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$133,052	\$133,052	\$147,465	\$147,465
Mutual funds	16,040	19,838	14,902	20,389
Equity securities	<u>17,739</u>	<u>14,159</u>	<u>17,739</u>	<u>13,969</u>
Total investments	<u>\$166,831</u>	<u>\$167,049</u>	<u>\$180,106</u>	<u>\$181,823</u>

The fair value of the investments exceeded their cost by \$218 and \$1,717 at December 31, 2018 and 2017, respectively.

Investment income consisted of the following for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$1,783	\$1,159
Unrealized gains (losses) from holding investments	(1,499)	3,987
Investment fees	<u>(12)</u>	<u>(6)</u>
Investment income	<u>\$ 272</u>	<u>\$5,140</u>

NOTE D – FAIR VALUE MEASUREMENTS

The established framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation methodologies used to measure fair value. There are three levels of the fair value hierarchy. Level 1 inputs to the valuation methodologies consist of unadjusted quoted prices for identical assets or liabilities in active markets that the organization 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.

ALOHA MEDICAL MISSION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2018 and 2017

NOTE D – FAIR VALUE MEASUREMENTS (Continued)

At December 31, 2018 and 2017, the fair value measurements reportable by the Organization consisted of investments in money market funds valued at stated value, and in equity securities and mutual funds valued at quoted market prices, for which Level 1 valuation inputs were required. There were no investments for which Level 2 and 3 valuation inputs were required. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

The following sets forth by level, within the fair value hierarchy, the investments of the Organization at fair value as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$133,052	\$ -	\$ -	\$133,052
Mutual funds				
Balanced funds	19,838	-	-	19,838
Equity securities				
Banking and investment	14,149	-	-	14,149
Pharmaceutical	10	-	-	10
Total equity securities	<u>14,159</u>	<u>-</u>	<u>-</u>	<u>14,159</u>
Total investments at fair value	<u>\$167,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$167,049</u>

The following sets forth by level, within the fair value hierarchy, the investments of the Organization at fair value as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$147,465	\$ -	\$ -	\$147,465
Mutual funds				
Balanced funds	20,389	-	-	20,389
Equity securities				
Banking and investment	13,939	-	-	13,939
Pharmaceutical	30	-	-	30
Total equity securities	<u>13,969</u>	<u>-</u>	<u>-</u>	<u>13,969</u>
Total investments at fair value	<u>\$181,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$181,823</u>

ALOHA MEDICAL MISSION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2018 and 2017

NOTE E – PROPERTY AND EQUIPMENT

At December 31, 2018 and 2017, property and equipment consisted of the following:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$142,371	\$142,371
Furniture and equipment	208,341	183,330
Construction in progress	9,367	19,569
Total	<u>360,079</u>	<u>345,270</u>
Accumulated depreciation	<u>(232,937)</u>	<u>(216,782)</u>
Property and equipment – net	<u>\$127,142</u>	<u>\$128,488</u>

NOTE F – SPECIAL EVENTS

Revenue and support includes special events for the years ended December 31, 2018 and 2017 consisting of the following:

	<u>2018</u>	<u>2017</u>
Contributions and sales (including in-kind contributions of direct expenses of \$0 and \$11,937 in 2018 and 2017, respectively)	\$ -	\$188,375
Direct expenses (including in-kind contributions of direct expenses of \$0 and \$11,937 in 2018 and 2017, respectively)	<u>-</u>	<u>(43,623)</u>
Special events – net	<u>\$ -</u>	<u>\$144,752</u>

The in-kind contributions do not include volunteer time as such time does not meet the criteria for recognition.

ALOHA MEDICAL MISSION
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Years Ended December 31, 2018 and 2017

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2018 and 2017, net assets with donor restrictions consisted of the following:

	<u>2018</u>	<u>2017</u>
Dental Clinic	\$217,015	\$ 63,530
Overseas Missions & Disaster	<u>173,848</u>	<u>175,846</u>
 Total net assets with donor restrictions	 <u>\$390,863</u>	 <u>\$239,376</u>

In 2008, two endowment funds, a Mission Fund and a Clinic Fund, were created requiring that the principal gift be maintained in perpetuity. These funds were placed in a brokerage account and are currently invested in money market funds. The amount in the two funds as of December 31, 2018 and 2017 was \$72,809.

The Organization is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). It is the policy of the Organization to preserve the original gift of donor-restricted endowment funds as net assets with donor restrictions, absent explicit donor stipulations to the contrary. Unless otherwise stated, other donor-restricted gifts are classified as net assets with donor restrictions.

Earnings on the endowment funds are recorded as net assets without donor restrictions, absent explicit donor stipulations to the contrary. 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 Organization to retain as a fund of perpetual duration.

In accordance with accounting principles generally accepted in the United States, deficiencies of this nature are reported in net assets without donor restrictions (none for the years ended December 31, 2018 and 2017). No funds have been spent as the Organization is still working to increase the balance of the endowment fund. The Organization has not formally adopted spending and investment policies.

NOTE H – LEASES

The Organization leases space under an operating lease for its dental clinic and office facilities expiring in December 2021. In 2018, under an operating lease, the Organization began paying rent for its new dental clinic and office facilities. The lease on the new space expires in July 2028. Lease rent expense, including common area costs, for the years ended December 31, 2018 and 2017 amounted to \$21,537 and \$13,341, respectively.

ALOHA MEDICAL MISSION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2018 and 2017

NOTE H – LEASES (Continued)

At December 31, 2018, future minimum lease payments approximated the following:

Years Ending December 31st	
2019	\$ 44,300
2020	\$ 44,800
2021	\$ 44,800
2022	\$ 37,000
2023	\$ 37,000
Thereafter (cumulative)	\$ 169,600

NOTE I – COMMITMENTS AND CONTINGENCIES

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

Amounts received for grants and contracts may be 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 not material to the financial statements. The loss of revenue and support derived from grants and contracts could have an adverse effect on the Organization.

The Organization is heavily dependent on donations and grants from foundations, corporations, and individuals in the form of money, goods, and services. Any decrease in the level of donations could have an adverse effect on the Organization's mission.

The Organization operates in the State of Hawaii and internationally. Local, national, and international events can have severe, adverse effects on economic conditions in Hawaii. The effects, if any, on the financial statements of the Organization from such changes in economic conditions are not presently determinable.

NOTE J – FINANCIAL STATEMENT PRESENTATION

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Such reclassifications have no effect on the previously reported changes in net assets.

ALOHA MEDICAL MISSION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2018 and 2017

NOTE K – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 9, 2019, which is the date the financial statements were available to be issued, and determined that the Organization did not have any subsequent events requiring adjustment to the financial statements or disclosure in the notes to the financial statements.
