
J^{ay} M^{iyaki}, CPA, LLC

**WAIKIKI
BUSINESS
IMPROVEMENT
DISTRICT
ASSOCIATION**

Financial Statements
For the Year Ended June 30, 2021
*(With Prior Year Summarized
Comparative Information)*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
of the Waikiki Business Improvement District Association:

We have audited the accompanying financial statements of the Waikiki Business Improvement District Association, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 organization'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 organization'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Waikiki Business Improvement District Association as of June 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the Waikiki Business Improvement District Association's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 18, 2020. In our opinion, the prior year summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Jay Miyaki, CPA, LLC

Honolulu, Hawaii
October 14, 2021

WAIKIKI BUSINESS IMPROVEMENT DISTRICT ASSOCIATION
FINANCIAL STATEMENTS
AND NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021
(With Prior Year Summarized Comparative Information)

WAIKIKI BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

STATEMENT OF FINANCIAL POSITION

As of June 30, 2021

(With Prior Year Summarized Comparative Information)

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash	\$2,308,191	\$2,547,636
Member assessments receivable – net	1,167,528	22,382
Prepaid expenses	<u>13,858</u>	<u>894</u>
Total current assets	<u>3,489,577</u>	<u>2,570,912</u>
PROPERTY AND EQUIPMENT		
Office furniture, fixtures, and equipment	78,854	78,854
Accumulated depreciation	<u>(73,522)</u>	<u>(70,642)</u>
Property and equipment – net	<u>5,332</u>	<u>8,212</u>
TOTAL ASSETS	<u>\$3,494,909</u>	<u>\$2,579,124</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 265,389	\$ 226,405
Paycheck protection program loan	<u>-</u>	<u>62,500</u>
Total current liabilities	<u>265,389</u>	<u>288,905</u>
TOTAL LIABILITIES	<u>265,389</u>	<u>288,905</u>
NET ASSETS		
Without donor restrictions	<u>3,229,520</u>	<u>2,290,219</u>
Total net assets	<u>3,229,520</u>	<u>2,290,219</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$3,494,909</u>	<u>\$2,579,124</u>

The accompanying notes are an integral part of these financial statements.

WAIKIKI BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

(With Prior Year Summarized Comparative Information)

	<u>2021</u>	<u>2020</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Member assessments	\$4,259,057	\$4,177,442
Paycheck protection program loan forgiveness	62,500	-
Donated facilities	46,800	46,800
Interest and other income	<u>1,442</u>	<u>3,278</u>
Total revenue and support	<u>4,369,799</u>	<u>4,227,520</u>
Expenses		
Program services		
Streetscape maintenance	1,740,853	1,789,905
Hospitality	1,116,846	1,488,013
Security	198,310	187,713
Research and planning	74,997	172,624
Public improvements	<u>40,918</u>	<u>42,505</u>
Total program services	3,171,924	3,680,760
Management and general	<u>258,574</u>	<u>266,194</u>
Total expenses	<u>3,430,498</u>	<u>3,946,954</u>
Increase in net assets without donor restrictions	<u>939,301</u>	<u>280,566</u>
INCREASE IN NET ASSETS	939,301	280,566
NET ASSETS – Beginning of year	<u>2,290,219</u>	<u>2,009,653</u>
NET ASSETS – End of year	<u>\$3,229,520</u>	<u>\$2,290,219</u>

The accompanying notes are an integral part of these financial statements.

WAIKIKI BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

(With Prior Year Summarized Comparative Information)

	Program Services								
	Streetscape Maintenance	Hospitality	Security	Research and Planning	Public Improvements	Total Program Services	Management and General	2021 Total	2020 Total
Contract services	\$1,682,420	\$1,024,589	\$164,405	\$2,500	\$ -	\$2,873,914	\$ -	\$2,873,914	\$3,372,318
Salaries and related expenses	45,911	39,487	26,640	56,962	32,150	201,150	203,164	404,314	402,543
Occupancy	6,172	47,309	3,581	7,658	4,323	69,043	27,314	96,357	104,193
Insurance	1,079	928	626	1,339	755	4,727	4,775	9,502	9,538
Professional fees	1,044	897	605	1,294	730	4,570	4,615	9,185	11,088
Printing and supplies	791	681	459	982	554	3,467	3,502	6,969	6,405
Equipment rental and maintenance	755	650	438	937	529	3,309	3,342	6,651	8,722
Meetings	688	592	399	854	482	3,015	3,046	6,061	7,243
Telephone	650	559	377	806	455	2,847	2,875	5,722	5,979
Postage and shipping	461	396	267	571	322	2,017	2,038	4,055	4,261
Depreciation	327	281	190	406	229	1,433	1,447	2,880	3,152
Professional development	205	176	119	254	144	898	907	1,805	1,628
Travel	-	-	-	-	-	-	-	-	6,288
Other expenses	<u>350</u>	<u>301</u>	<u>204</u>	<u>434</u>	<u>245</u>	<u>1,534</u>	<u>1,549</u>	<u>3,083</u>	<u>3,596</u>
Total expenses	<u>\$1,740,853</u>	<u>\$1,116,846</u>	<u>\$198,310</u>	<u>\$74,997</u>	<u>\$40,918</u>	<u>\$3,171,924</u>	<u>\$258,574</u>	<u>\$3,430,498</u>	<u>\$3,946,954</u>

The accompanying notes are an integral part of these financial statements.

WAIKIKI BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2021

(With Prior Year Summarized Comparative Information)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 939,301	\$ 280,566
Adjustments to reconcile increase in net assets to net cash (used) provided by operating activities:		
Paycheck protection program loan forgiveness	(62,500)	-
Depreciation	2,880	3,152
(Increase) decrease in:		
Member assessments receivable – net	(1,145,146)	12,514
Prepaid expenses	(12,964)	(247)
Increase (decrease) in:		
Accounts payable	<u>38,984</u>	<u>(68,512)</u>
Net cash (used) provided by operating activities	<u>(239,445)</u>	<u>227,473</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>-</u>	<u>(5,474)</u>
Net cash used by investing activities	<u>-</u>	<u>(5,474)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Paycheck protection program loan	<u>-</u>	<u>62,500</u>
Net cash provided by financing activities	<u>-</u>	<u>62,500</u>
NET (DECREASE) INCREASE IN CASH	(239,445)	284,499
CASH – Beginning of year	<u>2,547,636</u>	<u>2,263,137</u>
CASH – End of year	<u>\$2,308,191</u>	<u>\$2,547,636</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash financing activity:		
Paycheck protection program loan forgiveness	\$ 62,500	\$ -

The accompanying notes are an integral part of these financial statements.

WAIKIKI BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

(With Prior Year Summarized Comparative Information)

NOTE A – ORGANIZATION

The Waikiki Business Improvement District Association is a nonprofit Hawaii corporation chartered on September 13, 2000 to enhance the quality of life in Waikiki by providing businesses, visitors, employees, and residents of Waikiki a safe, clean, and enjoyable environment in which to live, work, and play. The Association works in partnership with business and government to develop and implement programs that will strengthen the physical and economic vitality of Waikiki in order to help maintain its position as a world-class resort destination. The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, qualifying contributions to the Association are tax deductible.

The Association was organized to execute and carry out the responsibilities and activities prescribed in the Waikiki Business Improvement District Plan for the City and County of Honolulu Business Improvement District No. One (Waikiki) dated June 20, 2000, to improve neighborhood conditions and the environment within the Waikiki Business Improvement District, and to supplement municipal services within the District through such methods as information and safety officers, supplemental landscaping and maintenance crews, and other services and improvements consistent with its charitable purposes. The duration of the Association is perpetual, except that it shall be wound up and dissolved in accordance with its articles of incorporation in the event that the Waikiki Business Improvement District is terminated by the City Council of the City and County of Honolulu.

The Association implements and manages programs to accomplish its mission. Under the *Streetscape Maintenance* program that was launched in March 2001, custodial and landscape maintenance services are provided daily to keep the public areas of Waikiki clean and attractive. The original *Security* program was also launched in March 2001 to provide daily beach and sidewalk patrols within the district to assist visitors and serve as a visible presence to deter criminal activity. In July 2007, that Security program was replaced by the *Hospitality* program, which is staffed by Aloha Ambassadors who serve as hosts of Waikiki and provide information, assistance, and aloha to everyone they encounter. The Ambassadors are also alert to safety and security issues and work closely with the Honolulu Police Department. The current *Security* program supports enhanced police patrols of the District's public sidewalks and beaches. The Association also has a *Public Improvements* program which develops guidelines and action programs for systematic, integrated, and ongoing district-wide improvements. The *Research and Planning* program conducts studies of public sidewalks, street usage, and the homeless population in Waikiki, as well as general research on Waikiki indicators and best practices utilizing data from other business improvement districts.

The members of the Association are the assessed property owners and tenants of the Waikiki Business Improvement District. The Association contracts with others for its hospitality and streetscape maintenance programs under agreements through June 30, 2022. Such contracts may be terminated by the Association for nonperformance or upon written notice, as provided in the agreements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements are prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recognized when the related liability is incurred. The Association 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 and contributions receivable are recorded when pledged as net assets without donor restrictions, which is net assets not subject to donor restriction and available for use in general operations; or net assets with donor restrictions, which is net assets subject to donor imposed restrictions. Any successful appeal, including member assessments already collected, may constitute a liability. Expenses are recognized when the related liability is incurred.

Functional Allocation of Expenses – The cost of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocated expenses include salaries and related expenses, and the allocation is based on actual and estimated time and effort. Other expenses are allocated on a functional basis among various programs and support 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.

Revenue and Revenue Recognition – The Association recognizes revenue from member assessments over the assessment period, which is generally one year. Member assessments are recognized ratably over the Association’s fiscal year and are derived from real property assessment on all commercial, nonresidential properties in Waikiki. Rates vary depending on location. Properties in the Kalakaua/Kuhio corridor pay the full rate and receive primary services. Other areas receiving the indirect benefits of an improved neighborhood pay only a portion of the full rate. Assessments are also subject to credits based on an appeal by the property owner. The assessments are used to cover the costs of maintaining a safe and clean environment in the district.

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 at least reasonably possible that such differences will occur in the near-term.

Concentrations of Credit Risk – Financial instruments that potentially subject the Association to credit risk include cash and member assessments receivable. At June 30, 2021 and 2020, cash on deposit with financial institutions exceeded the related federal deposit insurance by approximately \$2,117,300 and \$2,307,600, respectively. Management periodically evaluates the relative credit standing of such institutions to ensure the cash on deposit is adequately safeguarded. Member assessments receivable, which has been adjusted for all known doubtful accounts, is determined to be collectible or uncollectible based on an assessment by management of the facts and circumstances related to the individual accounts.

Other Concentrations – The Association operates in Honolulu, Hawaii. National and international events can have severe, adverse effects on economic conditions in Hawaii. The effects, if any, on the financial statements of the Waikiki Business Improvement District Association from such changes in economic conditions are not presently determinable.

Cash and Cash Equivalents – For purposes of reporting cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Organization did not have any cash equivalents at June 30, 2021 and 2020.

Property and Equipment – Property and equipment consists of office furniture, fixtures, 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 five years. Property and equipment and other long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Repair and maintenance costs are expensed. Expenditures for property and equipment in excess of \$500 are capitalized.

Income Taxes – The Association qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for income taxes. The Association's tax filings are subject to examination by federal and state tax authorities, generally for three years after they were filed. Interest and penalties, if any, are classified as income tax expense. Management is not aware of uncertain tax positions required to be recognized and disclosed in the financial statements in accordance with generally accepted accounting principles.

Retirement Plan – The Association sponsors a defined contribution, Simple-IRA salary reduction retirement plan, covering substantially all of its employees to which it contributes 3% of each employee's annual salary, up to the maximum allowed under Internal Revenue Code Section 408(p). Retirement plan expense amounted to \$9,925 and \$9,901 for the years ended June 30, 2021 and 2020, respectively.

Financial Statement Presentation – The financial statements include prior year summarized comparative information that is not in sufficient detail to constitute a complete presentation in conformity with generally accepted accounting principles. Accordingly, the financial statements should be read together with the Association's financial statements as of and for the year ended June 30, 2020, from which the summarized comparative information was derived.

NOTE C – LEASES

The Association leases office facilities under an operating lease agreement expiring on July 2022. The Association also utilized donated facilities from related parties which amounted to \$46,800 and \$46,800 for the years ended June 30, 2021 and 2020, respectively. The Association leases office equipment under an operating lease through January 2022. Office and equipment lease expense (including donated facilities) amounted to \$99,396 and \$107,320, for the years ended June 30, 2021 and 2020, respectively. At June 30, 2021, future minimum lease payments by fiscal years ending June 30th approximated \$55,600 in 2022, \$53,900 in 2023 and \$53,900 in 2024.

NOTE D – LIQUIDITY AND AVAILABILITY

The Association’s financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2021 and 2020, are comprised of the following:

	<u>2021</u>	<u>2020</u>
Cash	\$2,308,191	\$2,547,636
Member assessments receivable - net	<u>1,167,528</u>	<u>22,382</u>
Total financial assets available	<u>\$3,475,719</u>	<u>\$2,570,018</u>

The cash reserve balance is maintained on a rolling basis through a Bank of Hawaii account, and has the objective of representing 4-6 months of operating expenses. Adjustments to the reserve balance are recorded and updates are provided to the WBIDA Board of Directors at a minimum annually, and more frequent, if needed or requested.

NOTE E – PAYCHECK PROTECTION PROGRAM LOAN

On April 14, 2020, the Association was approved to receive loan proceeds in the amount of \$62,500 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after either eight weeks or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week or twenty-four week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1 percent, with a deferral of payments for the first six months. The Association intends to use the proceeds for purposes consistent with the PPP.

In June 2021, the Small Business Administration (SBA) completed processing the Association’s forgiveness request for the Association’s Paycheck Protection Program (PPP) loan. The SBA informed the Association that the SBA approved forgiveness of the Association’s entire PPP loan balance.

NOTE F – COVID-19

In February 2020, the impact of a world-wide pandemic due to COVID-19 severely slowed the economy of the United States of America, including Hawaii. The Association reduced the scope of services and staffing for Hospitality, Safety, and Custodial services starting on March 23, 2020 related to the COVID-19 crisis and definition of essential services. Staffing for non-essential scope services (primarily hospitality) was provided paid leave from that time until April 14, 2020, and essential scope services (safety and custodial) were reduced to 75% as of April 8 and to 50% as of April 15. On January 1, 2021, the Association’s service levels were increased to 100% for safety ambassadors and custodial services, and 25% for hospitality ambassadors. Landscape maintenance services were not reduced as these were defined as essential services. The Association expects to get back to pre-COVID-19 operations as a result of increased vaccinations in the community and reduced government restrictions.

NOTE G – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2021, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosures is the date of the audit report, which is the date on which the financial statements were available to be issued.
