

**HAWAII PUBLIC HEALTH INSTITUTE  
fka HEALTHY COMMUNITIES HAWAII  
dba THE COALITION FOR A TOBACCO-FREE HAWAII,  
INC.**

**(A Non-Profit Organization)**

**FINANCIAL STATEMENTS  
December 31, 2013**

**AND**

**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

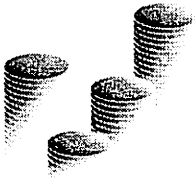
**JAMES D. JENNINGS, CPA, INC.**  
*Certified Public Accountants*  
**Honolulu, Hawaii**

**HAWAII PUBLIC HEALTH INSTITUTE  
fka HEALTHY COMMUNITIES HAWAII  
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**Jennings**  
James D. Jennings, CPA, Inc.

1600 Kapiolani Blvd., Suite 1311  
Honolulu, Hawaii 96814  
Tel: 808-942-8813  
Fax: 808-943-0572  
Website: [www.jenningscpa.com](http://www.jenningscpa.com)

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of  
Hawaii Public Health Institute  
fka Healthy Communities Hawaii  
dba The Coalition for a Tobacco-Free Hawaii, Inc.

We have reviewed the accompanying statement of financial position of Hawaii Public Health Institute fka Healthy Communities Hawaii dba The Coalition for a Tobacco-Free Hawaii, Inc. (a not-for-profit organization) as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2013 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended December 31, 2012, were audited by other auditors, and they expressed an unqualified opinion on them in their report dated September 12, 2013, but they have not performed any auditing procedures since that date.

*James D. Jennings CPA Inc*

Honolulu, Hawaii  
November 12, 2014

**HAWAII PUBLIC HEALTH INSTITUTE  
fka HEALTHY COMMUNITIES HAWAII  
dba THE COALITION FOR A TOBACCO-FREE HAWAII, INC.  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2013 and 2012**

<b>ASSETS</b>		
	<b>2013 Review</b>	<b>2012 Audit</b>
<b>Current assets</b>		
Cash	\$ 328,753	\$ 232,298
Receivables:		
Tobacco Prevention and Control Trust Fund	191,604	204,378
Government contracts	41,025	52,967
Contributions	2,500	16,500
Total receivables	235,129	273,845
Total current assets	563,882	506,143
<b>Furniture and equipment</b>		
Furniture and equipment	20,097	16,206
Less accumulated depreciation	(11,796)	(8,623)
Net furniture and equipment	8,301	7,583
<b>Other asset</b>		
Deposits	2,875	2,875
Total assets	\$ 575,058	\$ 516,601
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 80,698	\$ 92,693
Accrued payroll and vacation	32,258	32,370
Total current liabilities	112,956	125,063
Total liabilities	112,956	125,063
<b>NET ASSETS</b>		
Unrestricted	352,295	348,912
Temporarily restricted	109,807	42,626
Total net assets	462,102	391,538
Total liabilities and net assets	\$ 575,058	\$ 516,601

See accompanying notes and independent accountant's review report.

**HAWAII PUBLIC HEALTH INSTITUTE**  
**dba HEALTHY COMMUNITIES HAWAII**  
**dba THE COALITION FOR A TOBACCO-FREE HAWAII, INC.**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended December 31, 2013 and 2012**

	Unrestricted		Temporarily Restricted		Total	
	2013 Review	2012 Audit	2013 Review	2012 Audit	2013 Review	2012 Audit
<b>REVENUE AND SUPPORT</b>						
Tobacco Prevention and Control Trust Fund	\$ -	\$ -	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000
Government contracts	304,920	368,826	115,219	-	420,139	368,826
Non-Government contracts	2,500	-	70,000	-	72,500	-
Contributions	8,550	6,500	-	53,936	8,550	60,436
Other income	930	1,438	-	-	930	1,438
Special events, net of direct expenses of \$0 in 2013 and \$12,516 in 2012	-	12,319	-	-	-	12,319
Net assets released from restriction	868,038	785,186	(868,038)	(785,186)	-	-
<b>Total revenue and support</b>	<b>1,184,938</b>	<b>1,174,269</b>	<b>67,181</b>	<b>18,750</b>	<b>1,252,119</b>	<b>1,193,019</b>
<b>EXPENSES</b>						
Program services	1,039,677	1,001,176	-	-	1,039,677	1,001,176
Supporting services:						
Management and general	99,790	78,846	-	-	99,790	78,846
Fundraising	42,088	44,628	-	-	42,088	44,628
<b>Total supporting services</b>	<b>141,878</b>	<b>123,474</b>	<b>-</b>	<b>-</b>	<b>141,878</b>	<b>123,474</b>
<b>Total expenses</b>	<b>1,181,555</b>	<b>1,124,650</b>	<b>-</b>	<b>-</b>	<b>1,181,555</b>	<b>1,124,650</b>
Change in net assets	3,383	49,619	67,181	18,750	70,564	68,369
<b>NET ASSETS</b>						
Beginning of the year	348,912	299,293	42,626	23,876	391,538	323,169
End of the year	\$ 352,295	\$ 348,912	\$ 109,807	\$ 42,626	\$ 462,102	\$ 391,538

See accompanying notes and independent accountant's review report.

**HAWAII PUBLIC HEALTH INSTITUTE**  
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**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Years Ended December 31, 2013 and 2012**

	Program Services		Supporting Services				Total Expenses			
			Management and General		Fundraising		Total Supporting Services			
	2013 Review	2012 Audit	2013 Review	2012 Audit	2013 Review	2012 Audit	2013 Review	2012 Audit		
<b>Operating Expenses:</b>										
Leased employee costs	\$ 424,412	\$ 413,139	\$ 40,736	\$ 38,710	\$ 17,180	\$ 15,874	\$ 57,916	\$ 54,584	\$ 482,328	\$ 467,723
Youth advocacy	231,484	278,059	22,218	-	9,371	-	31,589	-	263,073	278,059
Professional and contract services	160,540	133,852	15,409	21,180	6,499	20,981	21,908	42,161	182,448	176,013
Meetings	87,283	18,137	8,378	1,396	3,533	102	11,911	1,498	99,194	19,635
Occupancy	35,350	29,176	3,393	6,062	1,431	2,486	4,824	8,548	40,174	37,724
Travel and transportation	32,245	30,938	3,095	6,933	1,305	227	4,400	7,160	36,645	38,098
Printing and copying	18,230	25,945	1,750	131	738	54	2,488	185	20,718	26,130
Telecommunication services	14,379	14,899	1,380	1,656	582	677	1,962	2,333	16,341	17,232
Office expenses	11,813	8,751	1,134	1,078	478	1,054	1,612	2,132	13,425	10,883
Supplies	9,131	14,451	876	-	370	-	1,246	-	10,377	14,451
Training and development	6,314	23,727	606	619	256	79	862	698	7,176	24,425
Other expenses	3,545	7,842	340	611	144	2,901	484	3,512	4,029	11,354
Depreciation	2,792	2,260	268	470	113	193	381	663	3,173	2,923
Insurance	2,159	-	207	-	88	-	295	-	2,454	-
<b>Total expenses</b>	<b>\$ 1,039,677</b>	<b>\$ 1,001,176</b>	<b>\$ 99,790</b>	<b>\$ 78,846</b>	<b>\$ 42,088</b>	<b>\$ 44,628</b>	<b>\$ 141,878</b>	<b>\$ 123,474</b>	<b>\$ 1,181,555</b>	<b>\$ 1,124,650</b>

See accompanying notes and independent accountant's review report.

**HAWAII PUBLIC HEALTH INSTITUTE**  
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**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
	<b>Review</b>	<b>Audit</b>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 70,564	\$ 68,369
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,173	2,923
(Increase) decrease in assets:		
Tobacco Prevention and Control Trust Fund receivable	12,774	92,243
Government contracts receivable	11,942	44,106
Contributions receivable	14,000	(19,000)
Security deposit	-	4,925
Increase (decrease) in liabilities:		
Accounts payable	(11,995)	(46,294)
Accrued payroll and vacation	(112)	(6,522)
Net cash provided by operating activities	<u>100,346</u>	<u>140,750</u>
<b>Cash Flows From Investing Activities:</b>		
Purchase of equipment	<u>(3,891)</u>	<u>(2,252)</u>
Net cash used for investing activities	<u>(3,891)</u>	<u>(2,252)</u>
<b>Net increase in cash and cash equivalents</b>	<b>96,455</b>	<b>138,498</b>
<b>Cash and Cash Equivalents:</b>		
Beginning of the year	<u>232,298</u>	<u>93,800</u>
End of the year	<u>\$ 328,753</u>	<u>\$ 232,298</u>

See accompanying notes and independent accountant's review report.

**HAWAII PUBLIC HEALTH INSTITUTE  
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NOTES TO FINANCIAL STATEMENTS  
Year Ended December 31, 2013**

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**1. Nature of Activities and Summary of Significant Accounting Policies**

**Nature of Activities**

The Coalition for a Tobacco-Free Hawaii (Organization) was incorporated in the State of Hawaii in October 2006 as a nonprofit organization with the sole mission to reduce tobacco use through education, community systems change and advocacy. Effective 2012, the Organization changed its name to Healthy Communities Hawaii to better reflect its mission. Effective July 2013, the Organization changed its name to Hawaii Public Health Institute to further describe its mission.

The Organization receives the majority of its support and revenue from the Tobacco Prevention and Control Trust Fund, government contracts and private contributions.

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and State income taxes. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

**Summary of Significant Accounting Policies**

**Basis of Accounting**

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

**Basis of Presentation**

The Organization reports information regarding its financial position and activities according to three classes of net assets:

*Unrestricted net assets* are not restricted by donors, or donor-imposed restrictions have expired.

*Temporarily restricted net assets* contain donor-imposed restrictions that permit the Organization to use or expend the assets as specified. The restrictions are satisfied either by passage of time or by action of the Organization.

*Permanently restricted net assets* contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Organization to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. The Organization has no permanently restricted net assets.

**Donated Services**

Donations of services requiring specific expertise that would otherwise have been required to be purchased are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated services to a specific purpose.



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NOTES TO FINANCIAL STATEMENTS  
Year Ended December 31, 2013**

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**1. Nature of Activities and Summary of Significant Accounting Policies - (Continued)**

**Recognition of Government Revenue**

Government contracts are received from State agencies. Revenues on cost reimbursement contracts are recognized when allowable and reimbursable expenses are incurred, and upon meeting the legal and contractual requirements of the funding source. Revenues from fee for service contracts are recognized when the services required by the contractual agreements are satisfactorily performed. These revenues are generally considered exchange transactions, and are thereby recorded as revenues of the unrestricted net asset class. Government contract receivables are recoded in the financial statements when allowable expenses have been incurred but have not been reimbursed.

**Furniture and Equipment**

Furniture and equipment in excess of \$1,000 are recorded at cost when purchased or at estimated fair market value at the date of donation. Depreciation is calculated using the straight-line method based on their respective estimated useful lives ranging from five to seven years.

The costs of repairs and maintenance and depreciation are charged to expense. Upon disposition, the related cost and accumulated depreciation are removed from the accounts and the resulting gains or losses are reflected in the financial statements.

**Contributions**

Contributions are recognized as support when they become unconditional promises to give, at their fair value. The Organization records contributions as temporarily restricted if they are received with donor stipulations that limit their use, either through purposes or time restrictions, and those stipulations have not expired.

When donor restrictions expire in subsequent years, that is when a purpose restriction is fulfilled or a time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the financial statements as net assets released from restrictions.

**Leases**

Leases that transfer substantially all of the risks and benefits of ownership are considered capital leases. Other leases are classified as operating leases. Capital leases are amortized using the straight-line method over the lesser of their lease term or their estimated useful lives.

**Functional Classification of Expenses**

The cost of providing various programs and supporting services has been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among program and supporting services benefited, based on the direct cost incurred and management's estimate of resources consumed by the functions.

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**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended December 31, 2013**

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**1. Nature of Activities and Summary of Significant Accounting Policies - (Continued)**

**Use of Estimates**

Preparing financial statements according to generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported, the disclosure of contingent assets and liabilities, and the revenues and expenses reported during the stated period. Actual results could differ from management's estimates.

**Income Taxes**

Management is required to ascertain the effect of uncertain tax positions to be recognized in the financial statements if they are more likely than not to fail upon regulatory examination. Management is not aware of any uncertain tax positions. Tax returns are open for examination by the taxing authorities until the statute of limitations (generally three years) expires.

**2. Contributions Receivable**

At December 31, 2013 and 2012, the Organization had \$2,500 and \$16,500, respectively, of contributions receivable, which were received within one year.

**3. Line of Credit**

The Organization has a \$50,000 bank revolving line of credit available until July 2016. The line of credit is secured by all current and future accounts the Organization maintains with the bank. Interest on the line is 4.99% through July 2011, after which time it increases to the bank's prime rate plus 2.5%.

At December 31, 2013 and 2012, the entire line of credit was available.

**4. Restrictions on Net Assets**

Temporarily restricted net assets are released from donor restrictions primarily by incurring expenses that satisfy the restricted purposes. At December 31, 2013 and 2012, net assets of \$109,807 and \$42,626, respectively, were restricted for program services.

**5. Employee Benefit Plan**

The Organization offers a 401(k) retirement plan through its employee leasing service company that covers all leased employees who have met certain age requirements. Leased employees may make contributions through payroll deductions. During 2013 and 2012, the Organization elected to make discretionary matching contributions of \$4,310 and \$5,660, respectively, which are included in the Statements of Functional Expenses.

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**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended December 31, 2013**

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**6. Lease Commitments**

The Organization leased its administrative office at 320 Ward Avenue under a noncancellable operating lease through June 2013. The lease was extended through June 2014, and became month to month through July 2014. Starting in July 2014, the Organization entered into a new noncancellable operating lease at 850 Richards Street. In addition to the base rent, the Organization is required to pay general excise tax and a prorata of building operating expenses. Rent expense for the years ended December 31, 2013 and 2012, was \$40,174 and \$37,724, respectively.

Future minimum lease payments are:

Year ending		
	2014	\$ 20,152
	2015	45,611
	2016	46,249
	2017	46,887
	2018	47,631
	<u>\$</u>	<u>206,530</u>

The Organization also leases a copier under a noncancellable operating lease through December 2013, for \$347 per month.

**7. Economic Dependency/Financial Support**

The Hawaii Tobacco Prevention and Control Trust Fund (Trust Fund) was created in 1999, as a result of the State of Hawaii's settlement reached between five major tobacco manufacturers and 46 states to recover health care costs for tobacco-related illnesses. Dedicated money for tobacco prevention, control and cessation has decreased over the years. In 2009, the flow of dollars into the Trust Fund was cut from 12.5% to 6.5%, and in 2011, the legislature diverted the stream of funding completely for two years resulting in 0% of new Tobacco Settlement dollars going towards tobacco prevention and control. The 6.5% will return to the trust fund in fiscal year 2014. Currently, all tobacco prevention and control projects (including the Organization's grant), as well as the State's Quitline are still being funded through the Trust Fund, taking the money from the corpus of the fund rather than the income stream.

The Organization received approximately 60% and 63% of its support and revenue from the Trust Fund in 2013 and 2012, respectively. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the Organization's programs and activities.

**8. Leased Employees**

The Organization contracts an employee leasing company to manage all duties and responsibilities associated with payroll and human resources of the Organization's personnel.

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NOTES TO FINANCIAL STATEMENTS  
Year Ended December 31, 2013**

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**9. Concentration of Risk**

*Contributions*

Hawaii Public Health Institute receives approximately 60% of its contribution income from one contributing agency. A significant reduction in the level of this support, if this were to occur, would have an effect on the Organization's program and services.

*Government Contracts*

Hawaii Public Health Institute receives approximately 33% of its government contract revenue from one government agency. A significant reduction in the level of this support, if this were to occur, would have an effect on the Organization's program and services.

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amount, if any, cannot be determine at this date.

**10. Subsequent Events**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 12, 2014, the date the financial statements were available to be issued.