

**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, 2014 and 2013**

AND

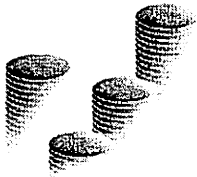
INDEPENDENT AUDITOR'S REPORT

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

HAWAII PUBLIC HEALTH INSTITUTE
fka HEALTHY COMMUNITIES HAWAII
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(A Non-Profit Organization)

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INDEPENDENT AUDITOR'S 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 audited the accompanying financial statements of Hawaii Public Health Institute (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statement 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hawaii Public Health Institute as of December 31, 2014 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.

Prior Period Financial Statements

The 2013 financial statements were reviewed by us, and our report thereon, dated November 12, 2014, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

A handwritten signature in black ink that reads "James D Jennings CPA Inc". The signature is written in a cursive, flowing style.

Honolulu, Hawaii
August 4, 2015

HAWAII PUBLIC HEALTH INSTITUTE
fka HEALTHY COMMUNITIES HAWAII
dba THE COALITION FOR A TOBACCO-FREE HAWAII, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

ASSETS		
	2014 Audit	2013 Review
Current assets		
Cash	\$ 307,127	\$ 328,753
Cash held for others	14,612	-
Receivables:		
Tobacco Prevention and Control Trust Fund	127,772	191,604
Government contracts	70,334	41,025
Contributions	-	2,500
Other receivables	20,939	-
Total receivables	219,045	235,129
Total current assets	540,784	563,882
Furniture and equipment	24,501	20,097
Less accumulated depreciation	(15,141)	(11,796)
Net furniture and equipment	9,360	8,301
Other asset		
Deposits	6,831	2,875
Total assets	\$ 556,975	\$ 575,058
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	\$ 39,887	\$ 80,698
Accrued payroll and vacation	9,343	32,258
Funds held for others	14,612	-
Deferred revenue	39,111	-
Total current liabilities	102,953	112,956
Total liabilities	102,953	112,956
NET ASSETS		
Unrestricted	379,680	352,295
Temporarily restricted	74,342	109,807
Total net assets	454,022	462,102
Total liabilities and net assets	\$ 556,975	\$ 575,058

See accompanying notes to financial statements

HAWAII PUBLIC HEALTH INSTITUTE
fka HEALTHY COMMUNITIES HAWAII
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STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2014 and 2013

	Unrestricted		Temporarily Restricted		Total	
	2014 Audit	2013 Review	2014 Audit	2013 Review	2014 Audit	2013 Review
REVENUE AND SUPPORT						
Tobacco Prevention and Control Trust Fund	\$ 500,000	\$ 750,000	\$ -	\$ -	\$ 500,000	\$ 750,000
Government contracts	7,664	304,920	275,330	115,219	282,994	420,139
Non-Government contracts	5,700	2,500	14,500	70,000	20,200	72,500
Contributions	28,284	8,550	59,219	-	87,503	8,550
Other income	803	930	-	-	803	930
Net assets released from restriction	384,514	118,038	(384,514)	(118,038)	-	-
Total revenue and support	926,965	1,184,938	(35,465)	67,181	891,500	1,252,119
EXPENSES						
Program services	737,656	1,039,677	-	-	737,656	1,039,677
Supporting services:						
Management and general	116,945	99,790	-	-	116,945	99,790
Fundraising	44,979	42,088	-	-	44,979	42,088
Total supporting services	161,924	141,878	-	-	161,924	141,878
Total expenses	899,580	1,181,555	-	-	899,580	1,181,555
Change in net assets	27,385	3,383	(35,465)	67,181	(8,080)	70,564
NET ASSETS						
Beginning of the year	352,295	348,912	109,807	42,626	462,102	391,538
End of the year	<u>\$ 379,680</u>	<u>\$ 352,295</u>	<u>\$ 74,342</u>	<u>\$ 109,807</u>	<u>\$ 454,022</u>	<u>\$ 462,102</u>

See accompanying notes to financial statements

HAWAII PUBLIC HEALTH INSTITUTE
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STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2014 and 2013

	Program Services		Supporting Services				Total Expenses			
	2014	2013	Management and General		Fundraising		Total Supporting Services			
	Audit	Review	2014	2013	2014	2013	2014	2013		
	Audit	Review	Audit	Review	Audit	Review	Audit	Review		
Operating Expenses:										
Leased employee costs	\$ 369,825	\$ 424,412	\$ 58,631	\$ 40,736	\$ 22,550	\$ 17,180	\$ 81,181	\$ 57,916	451,006	\$ 482,328
Professional and contract services	163,407	160,540	25,906	15,409	9,964	6,499	35,870	21,908	199,277	182,448
Travel and transportation	41,343	32,245	6,554	3,095	2,521	1,305	9,075	4,400	50,418	36,645
Occupancy	39,867	35,350	6,320	3,393	2,431	1,431	8,751	4,824	48,618	40,174
Training and development	35,650	6,314	5,652	606	2,174	256	7,826	862	43,476	7,176
Supplies	29,522	9,131	4,680	876	1,800	370	6,480	1,246	36,002	10,377
Telecommunication services	14,230	14,379	2,256	1,380	868	582	3,124	1,962	17,354	16,341
Meetings	11,064	87,283	1,754	8,378	675	3,533	2,429	11,911	13,493	99,194
Office expenses	10,785	11,813	1,710	1,134	657	478	2,367	1,612	13,152	13,425
Other expenses	10,600	3,545	1,681	340	646	144	2,327	484	12,927	4,029
Printing and copying	6,771	18,230	1,073	1,750	413	738	1,486	2,488	8,257	20,718
Depreciation	2,743	2,792	435	268	167	113	602	381	3,345	3,173
Insurance	2,098	2,159	333	207	128	88	461	295	2,559	2,454
Youth advocacy	(249)	231,484	(40)	22,218	(15)	9,371	(55)	31,589	(304)	263,073
Total expenses	\$ 737,656	\$ 1,039,677	\$ 116,945	\$ 99,790	\$ 44,979	\$ 42,088	\$ 161,924	\$ 141,878	\$ 899,580	\$ 1,181,555

See accompanying notes to financial statements

HAWAII PUBLIC HEALTH INSTITUTE
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STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	2014 Audit	2013 Review
Cash Flows From Operating Activities:		
Change in net assets	\$ (8,080)	\$ 70,564
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	3,345	2,454
(Increase) decrease in assets:		
Tobacco Prevention and Control Trust Fund receivable	63,832	12,774
Government contracts receivable	(29,309)	11,942
Contributions receivable	2,500	14,000
Other receivables	(20,939)	-
Security deposit	(3,956)	-
Cash held for others	(14,612)	-
Increase (decrease) in liabilities:		
Accounts payable	(40,811)	(11,995)
Accrued payroll and vacation	(22,915)	(112)
Deferred revenue	39,111	-
Funds held for others	14,612	-
Net cash provided (used) by operating activities	(17,222)	99,627
Cash Flows From Investing Activities:		
Purchase of equipment	(4,404)	(3,891)
Net cash used by investing activities	(4,404)	(3,891)
Net increase (decrease) in cash and cash equivalents	(21,626)	95,736
Cash and Cash Equivalents:		
Beginning of the year	328,753	232,298
End of the year	\$ 307,127	\$ 328,034

See accompanying notes to financial statements

HAWAII PUBLIC HEALTH INSTITUTE
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NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

Donated Services

Donated services are recognized as contributions in accordance with Accounting Standards Codification (ASC) 958-605, For-Profit Entities: Revenue Recognition, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Hawaii Public Health Institute. Other individuals volunteer time and perform a variety of tasks assisting the Organization with specific operational functions without financial statement recognition.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

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 recorded 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.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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.

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. The Organization has no capital leases.

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.

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one functional service are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Hawaii Public Health Institute.

Income Taxes

The Organization adopted the provisions of ASC 740, Income Taxes, on January 1, 2011. As required by the uncertain tax position guidance in ASC 740, the Organization would recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position after an audit. At the adoption date, the Organization applied the uncertain tax position guidance in ASC 740 to all tax positions for which the statute of limitations has remained open, including the Organization's status as a tax-exempt organization and its lack of unrelated business income. As a result of the implementation of the uncertain tax position guidance in ASC 740, the Organization has not recognized an additional liability for unrecognized tax benefits nor any interest or penalties as of December 31, 2014. Management does not anticipate that this will change significantly in the next twelve months.

The Organization files income tax returns in the U. S. federal jurisdiction and the State of Hawaii. Tax regulations within each jurisdiction are subject to interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2011.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

2. Reclassification

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

3. Contributions Receivable

At December 31, 2014 and 2013, the Organization had \$0 and \$2,500, respectively, of contributions receivable, which were received within one year.

4. Line of Credit

The Organization has a \$50,000 bank revolving line of credit available until July 2015. The line of credit is secured by all current and future accounts the Organization maintains with the bank. Interest on the line is the bank's prime rate plus 2.5%.

On December 31, 2014 and 2013, the entire line of credit was available. The line of credit was extended until July 2016 subsequent to year end.

5. Property and Equipment

Depreciation expense for the years ended December 31, 2014 and December 31, 2013 totaled \$3,345 and \$3,173, respectively.

6. 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, 2014 and 2013, net assets of \$74,342 and \$109,807, respectively, were restricted for program services.

7. Donated Services

Hawaii Public Health Institute received various donated services in connection with their program services. In 2014, Hawaii Public Health Institute received donated services totaling \$25,191.

8. 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 2014 and 2013, the Organization elected to make discretionary matching contributions of \$2,627 and \$4,310, respectively, which are included in the Statements of Functional Expenses.

9. 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; the lease is from July 1, 2014 to September 30, 2019. In addition to the base rent, the Organization is required to pay general excise tax and a pro-rata of building operating expenses. Rent and other related expenses for the years ended December 31, 2014 and 2013, was \$48,618 and \$40,174, respectively.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

9. Lease Commitments (Continued)

Future minimum lease payments are:

Year ending		
2015	\$	33,597
2016	\$	46,249
2017	\$	46,887
2018	\$	47,631
2019	\$	<u>36,202</u>
	\$	210,567

10. 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% has returned 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 Quit line 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 56% and 60% of its support and revenue from the Trust Fund in 2014 and 2013, 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.

11. 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.

12. Concentration of Risk

Contributions

Hawaii Public Health Institute receives approximately 66% 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 31% 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.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

13. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through August 4, 2015, the date the financial statements were available to be issued. Management has determined that there are no subsequent events that require recognition or disclosure as of August 4, 2015.