

Hawaiian Islands Land Trust
d.b.a. Hawai‘i Land Trust

Financial Statements

December 31, 2022 and 2021



AKAMINE, OYADOMARI & KOSAKI
CPA'S, INC.

Hawaiian Islands Land Trust, d.b.a. Hawai‘i Land Trust
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Independent Auditor's Report

To the Board of Directors
Hawaiian Islands Land Trust, d.b.a. Hawai'i Land Trust

Opinion

We have audited the accompanying financial statements of the Hawaiian Islands Land Trust, d.b.a. Hawai'i Land Trust (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hawaiian Islands Land Trust, d.b.a. Hawai'i Land Trust as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hawaiian Islands Land Trust, d.b.a. Hawai'i Land Trust and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hawaiian Islands Land Trust, d.b.a. Hawai'i Land Trust's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hawaiian Islands Land Trust, d.b.a. Hawai'i Land Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hawaiian Islands Land Trust, d.b.a. Hawai'i Land Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Honolulu, Hawai'i
May 4, 2023



Hawaiian Islands Land Trust, d.b.a Hawai'i Land Trust

Statements of Financial Position as of December 31, 2022 and 2021

| | Assets | |
|---------------------------------------------|----------------------------|---------------|
| | 2022 | 2021 |
| Current assets: | | |
| Cash and cash equivalents | \$ 4,598,838 | \$ 6,529,423 |
| Investments (Note D) | 4,226,231 | 10,093 |
| Contributions receivable (Note E) | 80,743 | 59,743 |
| Government grants receivable | 48,622 | 20,503 |
| Silent auction inventory | 40,106 | 34,456 |
| Prepaid expenses and other (Note M) | 25,000 | 7,028 |
| Total current assets | 9,019,540 | 6,661,246 |
| Other assets: | | |
| Restricted cash (Note C) | 10,300 | - |
| Contributions receivable (Note E) | 57,000 | 10,000 |
| Deposits | 1,402 | 26,402 |
| Property and equipment - | | |
| Land held for conservation | 12,043,787 | 12,043,787 |
| Furniture and equipment | 317,949 | 159,375 |
| Total property and equipment | 12,361,736 | 12,203,162 |
| Less: accumulated depreciation | (125,817) | (103,293) |
| Net property and equipment | 12,235,919 | 12,099,869 |
| Total other assets | 12,304,621 | 12,136,271 |
| Total assets | \$ 21,324,161 | \$ 18,797,517 |
| | Liabilities and Net Assets | |
| | 2022 | 2021 |
| Current liabilities: | | |
| Accrued liabilities | \$ 194,660 | \$ 64,014 |
| Accrued paid leave | 45,853 | 22,508 |
| Deferred revenue | 102,517 | 101,768 |
| Total current liabilities | 343,030 | 188,290 |
| Total liabilities | 343,030 | 188,290 |
| Net assets: | | |
| Net assets without donor restrictions - | | |
| Unrestricted | 2,005,771 | 2,117,789 |
| Board designated (Note F) | 89,775 | 85,539 |
| Total net assets without donor restrictions | 2,095,546 | 2,203,328 |
| Net assets with donor restrictions - | | |
| Purpose or time (Note G) | 6,844,484 | 4,364,798 |
| Perpetual (Note H) | 12,041,101 | 12,041,101 |
| Total net assets with donor restrictions | 18,885,585 | 16,405,899 |
| Total net assets | 20,981,131 | 18,609,227 |
| Total liabilities and net assets | \$ 21,324,161 | \$ 18,797,517 |

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



Hawaiian Islands Land Trust, d.b.a. Hawai'i Land Trust

Statements of Activities

for the years ended December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|----------------------------------------------------------|----------------------|----------------------|
| Change in net assets without donor restrictions: | | |
| Revenue and other support - | | |
| Contributions of cash and other financial assets | \$ 962,346 | \$ 1,294,847 |
| Special events, net of \$115,261 direct expenses in 2022 | 92,173 | - |
| Contributions of nonfinancial assets (Note I) | 84,000 | 16,592 |
| Rental income | 10,500 | 12,600 |
| Investment income (loss) (Note D) | (156,030) | 1,228 |
| Gain on forgiveness of note payable (Note J) | - | 195,955 |
| Gain on sales of land (Note K) | - | 147,803 |
| Net assets released from restrictions (Note G) - | | |
| Satisfaction of donor restrictions | 1,568,179 | 651,132 |
| Total revenue and other support | <u>2,561,168</u> | <u>2,320,157</u> |
| Expenses - | | |
| Program services | 2,228,273 | 1,116,598 |
| Management and general | 104,986 | 71,527 |
| Fundraising | 335,691 | 238,219 |
| Total expenses | <u>2,668,950</u> | <u>1,426,344</u> |
| Change in net assets without donor restrictions | <u>(107,782)</u> | <u>893,813</u> |
| Change in net assets with donor restrictions: | | |
| Contributions of cash and other financial assets | 4,007,759 | 2,470,017 |
| Contributions of nonfinancial assets (Note I) | 40,106 | 34,456 |
| Net assets released from restrictions | <u>(1,568,179)</u> | <u>(651,132)</u> |
| Change in net assets with donor restrictions | <u>2,479,686</u> | <u>1,853,341</u> |
| Change in net assets | 2,371,904 | 2,747,154 |
| Net assets at beginning of year | <u>18,609,227</u> | <u>15,862,073</u> |
| Net assets at end of year | <u>\$ 20,981,131</u> | <u>\$ 18,609,227</u> |

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



Hawaiian Islands Land Trust, d.b.a. Hawai'i Land Trust

Statement of Functional Expenses
for the year ended December 31, 2022

| | Program Services | Supporting Activities | | Total |
|----------------------------------------|---------------------|------------------------------|-------------------|---------------------|
| | | Management and General | Fundraising | |
| Salaries and related expenses: | | | | |
| Salaries | \$ 768,671 | \$ 63,097 | \$ 149,853 | \$ 981,621 |
| Payroll taxes | 79,855 | 8,751 | 20,784 | 109,390 |
| Benefits and insurance | 65,069 | 7,130 | 16,936 | 89,135 |
| Total salaries and related expenses | <u>913,595</u> | <u>78,978</u> | <u>187,573</u> | <u>1,180,146</u> |
| Other expenses: | | | | |
| Easement acquisition | 661,414 | - | - | 661,414 |
| Land maintenance | 361,368 | - | - | 361,368 |
| Professional fees | 64,137 | 4,280 | 38,969 | 107,386 |
| Travel and meetings | 49,790 | 5,458 | 12,959 | 68,207 |
| Rent and utilities | 33,087 | 3,625 | 8,612 | 45,324 |
| Publicity and advertising | 26,143 | 2,866 | 6,804 | 35,813 |
| Supplies and software | 24,319 | 2,665 | 6,330 | 33,314 |
| Printing and duplication | 4 | - | 30,297 | 30,301 |
| Construction and field materials | 29,469 | - | - | 29,469 |
| Consultants and contractors | 18,983 | 2,080 | 4,941 | 26,004 |
| Depreciation | 16,443 | 1,801 | 4,280 | 22,524 |
| Donor and member expenses | - | - | 17,067 | 17,067 |
| Communications | 7,650 | 839 | 1,991 | 10,480 |
| Insurance | 7,525 | 824 | 1,959 | 10,308 |
| Bank, credit, and finance fees | - | - | 10,174 | 10,174 |
| Postage and shipping | 7,026 | 770 | 1,829 | 9,625 |
| Other | 7,320 | 800 | 1,906 | 10,026 |
| Total other expenses | <u>1,314,678</u> | <u>26,008</u> | <u>148,118</u> | <u>1,488,804</u> |
| Total expenses | <u>\$ 2,228,273</u> | <u>\$ 104,986</u> | <u>\$ 335,691</u> | <u>\$ 2,668,950</u> |

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



Hawaiian Islands Land Trust, d.b.a. Hawai'i Land Trust

Statement of Functional Expenses
for the year ended December 31, 2021

| | Program Services | Supporting Activities | | Total |
|----------------------------------------|---------------------|------------------------------|-------------------|---------------------|
| | | Management and General | Fundraising | |
| Salaries and related expenses: | | | | |
| Salaries | \$ 477,935 | \$ 40,451 | \$ 96,071 | \$ 614,457 |
| Payroll taxes | 64,898 | 7,112 | 16,891 | 88,901 |
| Benefits and insurance | 46,785 | 5,127 | 12,177 | 64,089 |
| Total salaries and related expenses | <u>589,618</u> | <u>52,690</u> | <u>125,139</u> | <u>767,447</u> |
| Other expenses: | | | | |
| Easement acquisition | - | - | - | - |
| Land maintenance | 327,438 | - | - | 327,438 |
| Professional fees | 42,363 | 4,156 | 22,472 | 68,991 |
| Travel and meetings | 18,146 | 1,990 | 4,722 | 24,858 |
| Rent and utilities | 30,623 | 3,356 | 7,970 | 41,949 |
| Publicity and advertising | 22,218 | 2,435 | 5,783 | 30,436 |
| Supplies and software | 7,216 | 791 | 1,878 | 9,885 |
| Printing and duplication | 2,519 | 276 | 40,659 | 43,454 |
| Construction and field materials | 23,239 | - | - | 23,239 |
| Consultants and contractors | 12,927 | 1,416 | 3,365 | 17,708 |
| Depreciation | 10,349 | 1,134 | 2,694 | 14,177 |
| Donor and member expenses | - | - | 6,286 | 6,286 |
| Communications | 5,522 | 606 | 1,437 | 7,565 |
| Insurance | 8,266 | 906 | 2,151 | 11,323 |
| Bank, credit, and finance fees | - | - | 8,501 | 8,501 |
| Postage and shipping | 7,090 | 777 | 1,845 | 9,712 |
| Other | 9,064 | 994 | 3,317 | 13,375 |
| Total other expenses | <u>526,980</u> | <u>18,837</u> | <u>113,080</u> | <u>658,897</u> |
| Total expenses | <u>\$ 1,116,598</u> | <u>\$ 71,527</u> | <u>\$ 238,219</u> | <u>\$ 1,426,344</u> |

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



Hawaiian Islands Land Trust, d.b.a. Hawai'i Land Trust

Statements of Cash Flows for the years ended December 31, 2022 and 2021

| | 2022 | 2021 |
|--------------------------------------------------------------------------------------------------|--------------|--------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ 2,371,904 | \$ 2,747,154 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities - | | |
| Depreciation | 22,524 | 14,177 |
| Loss on investments | 212,680 | 10,160 |
| Contributed securities retained as investments | (3,718) | (10,097) |
| Gain on forgiveness of notes payable | - | (195,955) |
| Gain on sales of land | - | (147,803) |
| Decrease (increase) in - | | |
| Government grants receivable | (28,119) | (3,903) |
| Contributions receivable | (68,000) | 80,000 |
| Silent auction inventory | (5,650) | (34,456) |
| Prepaid expenses and other | 7,028 | (7,028) |
| Increase (decrease) in - | | |
| Accrued expenses | 153,991 | 7,333 |
| Deferred revenues | 749 | 101,768 |
| Net cash provided by operating activities | 2,663,389 | 2,561,350 |
| Cash flows from investing activities: | | |
| Purchases of furniture and equipment | (158,574) | (26,446) |
| Purchases of investments | (4,704,307) | - |
| Sales of investments | 279,207 | - |
| Proceeds from sales of land | - | 737,803 |
| Payments for purchases of land | - | (25,000) |
| Net cash provided by (used in) investing activities | (4,583,674) | 686,357 |
| Cash flows from financing activities: | | |
| Proceeds from note payable | - | 103,155 |
| Net cash provided by financing activities | - | 103,155 |
| Net change in cash, cash equivalents, and restricted cash | (1,920,285) | 3,350,862 |
| Cash, cash equivalents, and restricted cash at beginning of year | 6,529,423 | 3,178,561 |
| Cash, cash equivalents, and restricted cash at end of year | \$ 4,609,138 | \$ 6,529,423 |
| Supplemental disclosure of cash flow information: | | |
| Contributed securities received | \$ 21,406 | \$ 504,928 |

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



Hawaiian Islands Land Trust, d.b.a. Hawai‘i Land Trust

Notes to the Financial Statements

NOTE A - NATURE OF ACTIVITIES

Hawai‘i Land Trust (The Organization) works in three ways: the Organization protects land, stewards land, and connects people to the land. Through purchases and conservation easements, the Organization protects coastlines, wahi kupuna (Hawaiian cultural landscapes), and lands that grow food for Hawai‘i’s people. The Organization stewards those protected lands in partnership with the surrounding local communities, often restoring native ecosystems, and places of thriving cultural practice. Last but not least, Hawai‘i Land Trust connects people to those lands by welcoming schools, community groups, Hawaiian cultural practitioners, lineal descendants, and visitors to deepen their connection to ‘aina (the lands that sustain us).

As of December 31, 2022, the Organization held 50 conservation easements in addition to properties held in fee. These lands comprise 63 places on approximately 21,903 acres of land that sustain current and future generations, from the fertile soils of local farms and ranches, to native forests creating drinking water, to coastlines rejuvenating us and providing fish, to historical landscapes where we pass on the traditions and cultural practices of these islands.

The Organization started out as four smaller island-specific land trusts on Maui Nui, Kaua‘i, O‘ahu and Hawai‘i island. The dedicated people who started each land trust attracted others who also cared deeply for Hawai‘i’s lands and waters, and each land trust grew and protected more lands through purchases and conservation easements. In February 2001, Maui Coastal Land Trust, Inc. was incorporated under the laws of the State of Hawai‘i as a nonprofit corporation. On January 1, 2011, to work more efficiently and have greater positive impact throughout Hawai‘i, O‘ahu Land Trust, Kaua‘i Public Land Trust, and Hawai‘i Island Land Trust merged with Maui Coastal Land Trust, Inc. Subsequently, Maui Coastal Land Trust, Inc. changed its name to Hawaiian Islands Land Trust. In 2021, the Organization began operating under the name Hawai‘i Land Trust.

The Organization receives contributions from individuals, businesses, private foundations, and government agencies. These funds are used to further the Organization’s mission to protect and steward the lands that sustain Hawai‘i, and teach future generations to do the same.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization are prepared in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.



Hawaiian Islands Land Trust, d.b.a. Hawai'i Land Trust

Notes to the Financial Statements

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are carried at fair value on the statements of financial position. Gains or losses are included in the statement of activities.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market risk. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the value of investment securities may occur in the near term and that such changes could materially differ from the amounts reported in the financial statements.

Contributions Receivable

When a donor has unconditionally promised to contribute funds in future periods, the Organization recognizes the fair value of the contribution receivable. Contributions expected to be collected within one year are recorded as a donation and a receivable at net realizable value, which approximates fair value. Contributions expected to be collected in future years are recorded as a donation and a receivable at the present value of the expected future cash flows.

Accounts and contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through valuation allowances based on its assessment of the current status of individual receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The Organization capitalizes property and equipment purchases in excess of \$2,500. Lesser amounts are expensed. Depreciation is computed using the straight-line method over five to 40 years. No depreciation is recorded on conservation property. Land held in fee by the Organization for conservation is presented as land held for conservation on the statements of financial position.

In accordance with the Organization's mission to protect land in perpetuity, the Organization applies deed restrictions or grants conservation easements to acquired land to limit the potential for future development. As a result, the recorded value of the land held by the Organization has been adjusted to reflect the impact of these limitations.

Conservation Easements

The Organization has acquired a number of conservation easements, which are perpetual legal restrictions on land owned by another person or entity, but representing the Organization's right to use, control, and/or protect the land for conservation purposes. Due to the unique nature of these interests, the impracticability of obtaining consistent and reliable estimates of the values ascribed to these interests, and consistent with the practices followed by many environmental land trusts, the



Hawaiian Islands Land Trust, d.b.a. Hawai'i Land Trust

Notes to the Financial Statements

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Conservation Easements (continued)

accompanying financial statements do not include any amounts for these conservation easements on the statement of financial position. However, costs related to maintaining and monitoring those non-recorded assets are recorded under the Organization's program expenses on the statement of activities and statement of functional expenses.

Deferred Revenue

Deferred revenue consists of payments received for the lū'au benefit fundraiser from event attendees and sponsors for a fundraiser to be held in the following year. Such amounts are recorded as revenues when the related services are performed or obligations are satisfied.

Accrued Paid Leave

Employees earn paid leave based on hours worked at a rate equal to 120 hours of leave for full-time employees. An additional eight hours of leave is earned for every additional year of service, up to a maximum of 200 hours per year. Employees may carryover up to 200 hours of paid leave at the end of their work anniversary unless written permission is granted by both the Executive Director and the President of the Board to carryover more hours. Compensation is not granted in lieu of leave, and employees are not compensated for unused leave upon termination of employment.

Net Assets without Donor Restrictions

Net assets without donor restrictions represent the part of net assets that is not restricted by donors. These revenues are used for the general operating expenditures of the Organization or for such other purposes as determined by the Board of Directors. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When support is expended within the terms of the donor restrictions, the Organization reports net assets released from restrictions.

Net Assets with Time or Purpose Donor Restrictions

Net assets with donor restrictions represent the part of net assets that is subject to donor-imposed restrictions. The Organization classifies as purpose or time restricted the part of net assets that expire upon the passage of a prescribed period or upon the occurrence of a stated event, as specified by the donor.

Net Assets with Perpetual Donor Restrictions

The Organization classifies as perpetual the part of net assets whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization's actions.



Hawaiian Islands Land Trust, d.b.a. Hawai‘i Land Trust

Notes to the Financial Statements

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Contributions restricted for long-term stewardship of conservation properties are generally not property specific and are recognized as income at the time stewardship expenses are incurred. Service revenues are recognized at the time services are provided and the performance obligations are satisfied.

Donated services and non-cash assets are recognized as contributions at fair value in accordance with Accounting Standards Codification (ASC) 958-605-25-16. Donated professional services are reflected in the statement of activities at their fair value at the date of the donation. The contribution of services are recognized 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 the Organization.

Many individuals volunteer their time and perform a variety of tasks that benefit the Organization with specific assistance programs, solicitations, and various committee assignments that are not recognized as contributions in the financial statements, because the recognition criteria under ASC 958-605-25-16 were not met.

Income Tax

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. For federal income tax purposes, the Organization believes tax years 2019 through 2022 remain open for possible examination by the Internal Revenue Service.

Functional Expenses

The cost of providing various programs and other activities have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Functional expenses have been allocated between program services and support services based on management estimates of time and effort attributable to each function.

Estimates

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management's estimates and judgments.



Hawaiian Islands Land Trust, d.b.a. Hawai'i Land Trust

Notes to the Financial Statements

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stewardship Commitment and Endowment

Protecting and enhancing the conservation values of the lands acquired by the Organization, and doing so in perpetuity, is an important aspect of the Organization's work. The Organization evaluates each property it holds for its conservation value, as well as the threats to these properties, and develops and implements a stewardship plan based on this analysis which includes detailed monitoring on an annual basis.

The costs of future obligations represent a commitment of the Organization and will be recorded as they are incurred.

Reclassifications

Certain balances in the 2021 financial statements have been reclassified to conform with the 2022 presentation. These reclassifications had no effect on net assets or the change in net assets as previously reported.

NOTE C - CASH AND CASH EQUIVALENTS

The Organization's cash and cash equivalents are insured up to \$250,000 per depositor, per financial institution by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2022, the Organization maintained cash balances at an FDIC-insured financial institution located in Hawai'i and a national brokerage firm, and the uninsured amount was approximately \$3,865,000. The Organization also maintained cash balances with two online payment systems. As of December 31, 2022, approximately \$9,000 of the cash balances maintained at the online payment systems were uninsured by the FDIC.

Management has designated cash and cash equivalents held in certain accounts for land acquisition, stewardship, or legal defense. The fair value of the cash, cash equivalents, and investments in these accounts amounted to \$6,387,641 and \$5,029,985 at December 31, 2022 and 2021, respectively. These accounts are included in current assets on the statements of financial position.

Restricted cash of \$10,035 at December 31, 2022 was held at an online payment processing company as protection against chargebacks. These funds become available for withdrawal approximately six months after the Organization reduces its processing limits or closes its account.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows:

| | 2022 | 2021 |
|---------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 4,598,838 | \$ 6,529,423 |
| Restricted cash | 10,300 | - |
| Total | <u>\$ 4,609,138</u> | <u>\$ 6,529,423</u> |



Hawaiian Islands Land Trust, d.b.a. Hawai'i Land Trust

Notes to the Financial Statements

NOTE D - INVESTMENTS

Investments at December 31, 2022 and 2021 were comprised of the following:

| | 2022 | 2021 |
|-------------------|---------------------|------------------|
| U.S. Treasuries | \$ 3,432,488 | \$ - |
| Equity securities | 793,743 | 10,093 |
| Total | <u>\$ 4,226,231</u> | <u>\$ 10,093</u> |

At December 31, 2022 and 2021, the unrealized holding loss on investments was \$156,637 and \$4, respectively. Management has designated the investment accounts for land acquisition and stewardship.

Investment income (loss) for the years ended December 31, 2022 and 2021 were comprised of the following:

| | 2022 | 2021 |
|---------------------------|---------------------|-----------------|
| Dividends and interest | \$ 63,864 | \$ 5,046 |
| Realized gains (losses) | (53,323) | 5,821 |
| Unrealized gains (losses) | (156,637) | (9,604) |
| Investment expenses | (9,934) | (35) |
| Total | <u>\$ (156,030)</u> | <u>\$ 1,228</u> |

Fair Value Measurement

ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10 are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology 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;
- 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 to the valuation methodology are unobservable and significant to the fair value measurement.



Hawaiian Islands Land Trust, d.b.a. Hawai'i Land Trust

Notes to the Financial Statements

NOTE D - INVESTMENTS (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Various valuation methodologies are used to value assets measured at fair value. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The inputs used for valuing securities are not an indication of the risk associated with investing in those securities.

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At December 31, 2022 and 2021, investments were valued based on Level 1 measurements.

NOTE E - CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31, 2021 and 2020 consisted of contributions expected to be collected as follows:

| | 2022 | 2021 |
|-----------------------------------------------|-------------------|------------------|
| Within one year | \$ 80,743 | \$ 59,743 |
| One to five years | 57,000 | 10,000 |
| Total contributions receivable | <u>137,743</u> | <u>69,743</u> |
| Less: reserve for uncollectible contributions | - | - |
| Net contributions receivable | <u>\$ 137,743</u> | <u>\$ 69,743</u> |

At December 31, 2022 and 2021, there were unrecognized promises to give amounting to \$2,379,000 and \$115,000, respectively. These intentions to give have not been recognized on the financial statements because the contributions are conditioned upon events which have not yet occurred, or the individual or entity retains the ability to redirect the intended contribution to another recipient.

NOTE F - BOARD DESIGNATED NET ASSETS

At December 31, 2022 and 2021, the Organization's Board of Directors designated \$89,775 and \$85,539, respectively, of net assets without donor restrictions for legal defense. The Legal Defense Fund is a best practice of land trusts, and it is a requirement of land trusts accredited by the Land Trust Alliance such as the Organization. The Legal Defense Fund provides a reserve for a land trust to take legal action to correct violations of a conservation easement held by the land trust, and to take legal action to protect and steward lands owned by the land trust.



Hawaiian Islands Land Trust, d.b.a. Hawai‘i Land Trust

Notes to the Financial Statements

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS – PURPOSE OR TIME

As of December 31, 2022 and 2021, net assets with purpose or time donor restrictions consisted of the following:

| Restricted for the following purposes: | 2022 | 2021 |
|--------------------------------------------------------------------------|--------------|--------------|
| Stewardship - general | 2,343,843 | 1,843,843 |
| Easement and fee acquisitions | 1,383,448 | 1,444,862 |
| Legal defense | 291,877 | 41,877 |
| Talk story app | 15,527 | 15,527 |
| <i>Maui</i> | | |
| Waihe‘e | 159,640 | 8,812 |
| ‘Āina-based education | 151,343 | 133,731 |
| Nisei Veterans Park | 129,681 | 143,895 |
| Maka‘alaie, Waikapū, and Hāloa ‘Āina | 92,000 | 107,000 |
| Kiheie wetlands | 91,746 | - |
| Maui fundraiser | 40,106 | 34,456 |
| Hana, Ke‘anae | 5,000 | - |
| Nu‘u Refuge | - | 9,500 |
| <i>O‘ahu</i> | | |
| O‘ahu stewardship | 100,000 | 100,000 |
| Waikalua Loko I‘a | 68,922 | 64,142 |
| Agricultural initiative | 43,000 | 48,000 |
| Windward O‘ahu protection | - | 92,824 |
| Kahumana Farms | - | 46,335 |
| Maunawila | - | 19,952 |
| <i>Kaua‘i</i> | | |
| Kāhili preserve | 43,844 | 6,157 |
| Kaua‘i farmland purchase | 40,000 | 30,000 |
| <i>Hawai‘i Island</i> | | |
| Māhukona stewardship | 1,666,363 | 104,142 |
| Māhukona operations | 40,401 | - |
| Subtotal - restricted for purpose | 6,706,741 | 4,295,055 |
| Implicit time restrictions: | | |
| Contributions receivable | 137,743 | 69,743 |
| Subtotal - implicit time restrictions | 137,743 | 69,743 |
| Total net assets with donor restrictions - purpose or time restricted | \$ 6,844,484 | \$ 4,364,798 |



Hawaiian Islands Land Trust, d.b.a. Hawai‘i Land Trust

Notes to the Financial Statements

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS – PURPOSE OR TIME (continued)

Net assets were released from purpose or time restrictions by incurring expenses or through the receipt of funds satisfying the purpose or time restrictions as follows:

| | 2022 | 2021 |
|--------------------------------------------|--------------|------------|
| Easement acquisition | \$ 661,414 | \$ - |
| Legal defense | - | 5,123 |
| Talk story app | - | 3,885 |
| Other | - | 6,009 |
| <i>Maui</i> | | |
| Waihe‘e | 144,911 | 34,687 |
| Kihei wetlands | 46,457 | 50,000 |
| Maui projects | 44,030 | - |
| ‘Āina-based education | 42,388 | 21,269 |
| Maui fundraiser | 34,456 | - |
| Maka‘alae, Waikapū, and Hāloa ‘Āina | 15,000 | 35,000 |
| Nisei Veterans Park | 14,214 | 12,060 |
| Nu‘u Refuge | 9,500 | 500 |
| Hana, Ke‘anae | 5,000 | - |
| ‘Ulupalakua Ranch | - | 32,600 |
| <i>O‘ahu</i> | | |
| Maunawila | 206,039 | 127,760 |
| Windward O‘ahu protection | 142,824 | - |
| Kahumana Farms | 52,618 | 3,665 |
| Agricultural initiative | 5,000 | - |
| O‘ahu stewardship | - | 20,000 |
| Waikalua Loko I‘a | - | 20,000 |
| Hakipu‘u lo‘i kalo | - | 19,946 |
| <i>Kaua‘i</i> | | |
| Kāhili preserve | 28,353 | 117,819 |
| Kaua‘i projects | 3,600 | - |
| <i>Hawai‘i Island</i> | | |
| Māhukona | 11,375 | 60,809 |
| Total purpose restrictions satisfied | 1,467,179 | 571,132 |
| Contributions receivable | 101,000 | 80,000 |
| Total implicit time restrictions satisfied | 101,000 | 80,000 |
| Total restrictions released | \$ 1,568,179 | \$ 651,132 |



Hawaiian Islands Land Trust, d.b.a. Hawai'i Land Trust

Notes to the Financial Statements

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS – PERPETUAL

At December 31, 2022 and 2021, net assets with perpetual donor restrictions consisted of the following:

| | 2022 | 2021 |
|----------------------------------------------------|---------------|---------------|
| Waihe'e Coastal Dunes and Wetlands Refuge | \$ 4,818,901 | \$ 4,818,901 |
| Kāhili Beach Preserve | 2,693,000 | 2,693,000 |
| Kūkūau 1st, Hilo | 2,900,000 | 2,900,000 |
| Nu'u Refuge | 1,522,400 | 1,522,400 |
| Veterans Peace Park | 93,000 | 93,000 |
| Maunawila Heiau | 13,600 | 13,600 |
| Wainiha Parcel | 200 | 200 |
| Total net assets with perpetual donor restrictions | \$ 12,041,101 | \$ 12,041,101 |

Net assets with perpetual donor restrictions consisted of properties held in fee by the Organization. The Organization acquired the properties through funds provided by grant agreements and contributions and are intended to be held by the Organization indefinitely for certain conservation values.

The Organization has granted perpetual conservation easements to various entities, including government agencies, for the protection of the Waihe'e, Maunawila, and Wainiha properties. Deed restrictions also protect the conservation values for the Kāhili Beach Preserve, Nu'u Refuge, and Maunawila Heiau.

In the event the Organization is unable to perform its conservation duties, grant agreements further require the Waihe'e and Maunawila properties to be transferred to certain successor organizations.

NOTE I - CONTRIBUTED NONFINANCIAL ASSETS

During the years ended December 31, 2022 and 2021, the Organization received the following contributions of nonfinancial assets that were recognized on the statements of activities:

| | 2022 | 2021 |
|--------------------------------------------------------------|------------|-----------|
| Dinner, facilities, and entertainment for Maui fundraiser | \$ 75,000 | \$ - |
| Silent auction donations | 40,106 | 34,456 |
| Office space | 9,000 | 9,000 |
| Social media advertising | - | 4,532 |
| Other | - | 3,060 |
| Total | \$ 124,106 | \$ 51,048 |

Donations for the silent auctions were sold at fundraising events. Contributed goods and services for fundraisers were valued based on estimates of wholesale values that would be received for selling similar products in the United States.



Hawaiian Islands Land Trust, d.b.a. Hawai‘i Land Trust

Notes to the Financial Statements

NOTE I - CONTRIBUTED NONFINANCIAL ASSETS (continued)

Contributed office space in Honolulu is used for general and administrative activities. The Organization estimated the fair value of the office space based on comparable rental rates in Honolulu.

In addition to the contributions above, during 2022 two donors promised to give HILT approximately 1,100 pieces of original mixed media art prints by a Maui artist. The terms of the promises require the artist to retain possession and control of the prints for three years, after which HILT obtains unrestricted rights to the prints. The Organization intends to sell a portion of the contributed artwork and will recognize the proceeds as income when sold.

NOTE J - CARES ACT FUNDING

The Organization received \$195,955 in exchange for notes payable to a financial institution under the Paycheck Protection Program of the Coronavirus Aid, Relief, and Economic Security Act, P.L. 116-136 (CARES Act), as amended by subsequent legislation. Both notes were forgiven in 2021 in accordance with the requirements of the CARES Act, as amended, and the amount is recognized as a gain on the 2021 statement of activities.

NOTE K - SALES OF LAND

During 2021, the Organization sold three parcels of agricultural-residential land on Hawai‘i island. The net gain on sale was comprised of the following:

| | |
|----------------------------|-------------------|
| | 2021 |
| Sale price | \$ 770,000 |
| Less: Book value | (590,000) |
| Less: Commissions and fees | (32,197) |
| Net gain on sales of land | <u>\$ 147,803</u> |

\$8,063 of the commissions were paid to a real estate agency related through a Director of the Organization.

NOTE L - RELATED-PARTY TRANSACTIONS

The Organization receives contributions from certain board members, their immediate families, and through organizations related to certain board members or their immediate families. Contributions recognized from these related parties amounted to approximately \$54,000 and \$31,000 in 2022 and 2021, respectively. Contributions receivable from related parties amounted to \$3,000 and \$20,000 at December 31, 2022 and 2021, respectively.



Hawaiian Islands Land Trust, d.b.a. Hawai‘i Land Trust

Notes to the Financial Statements

NOTE M - LEASES AND COMMITMENTS

Leases

The Organization leases office space in Wailuku and Honolulu, both on a month-to-month basis. The Wailuku lease agreement provides for the Organization to pay monthly rent of \$1,050. The Honolulu lease agreement commenced in December 2016 and provides for rent at no charge and monthly payments for building operating expenses.

The Organization subleases a portion of the Wailuku office on a month-to-month basis. The sublease agreement provides for the Organization to receive monthly rent of \$1,050 plus utilities.

Waihe‘e

In 2008, the Organization entered into an exclusive 15-year license agreement with HawaiiScapes, LLC for stewardship services for the Waihe‘e Coastal Dunes and Wetlands Refuge. These services include land management, fence maintenance, and pasture improvements. All services provided must comply with National Resources Conservation Services’ Environmental Quality Incentive Program’s grant requirements.

Māhukona

In connection with the Organization’s initiative to protect the Māhukona Navigation & Cultural Complex on Hawai‘i island, the Organization agreed to assume primary responsibility for maintenance and preservation of the land. The current landowner reimburses the Organization for up to \$7,500 per quarter in direct costs in 2021 and up to \$12,500 per quarter beginning in 2022. The Organization also entered into a purchase option agreement with the current landowner for a \$25,000 deposit. The non-refundable deposit will be applied to the final purchase price of the land. These agreements expire concurrently in December 2023.

Payroll

Employees of the Organization are co-employees of the Organization and ALTRES, a professional employer organization. The Organization maintains direction and control of the employees. ALTRES handles all matters pertaining to the payroll, health insurance administration, employer taxes, temporary disability insurance, HR administration, worker’s compensation, and other administrative aspects of employment. ALTRES offers a 401(k) retirement plan for employees. The Organization may make discretionary matching contributions, which amounted to approximately \$10,000 and \$7,000 for 2022 and 2021, respectively.



Hawaiian Islands Land Trust, d.b.a. Hawai‘i Land Trust

Notes to the Financial Statements

NOTE N - CONTINGENCIES

The Organization receives a portion of its revenue from government grants and contracts, all of which are subject to audit by the applicable governing bodies. Generally, the determination of amounts received under these programs is based on the allowable costs provided in the contracts. These contracts may be audited by the appropriate agencies. Until such audits have been completed, there exists a contingency to refund any amount received in excess of allowable costs. Such contingencies diminish with the passage of time. Management has determined that no provision for these contingencies was necessary at December 31, 2022 and 2021.

NOTE O - LIQUIDITY

The Organization has approximately \$2,248,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash and cash equivalents and receivables. Cash, cash equivalents, and investments of approximately \$8,825,000 are reduced by donor-imposed purpose restrictions on net assets of \$6,707,000. Contributions and grants receivable amount to \$186,000, of which \$130,000 is expected to be collected within one year of the balance sheet date. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE P - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events for potential required disclosures through May 4, 2023, the date the financial statements were available to be issued.

