

**HAWAIIAN MISSION
CHILDREN'S SOCIETY**

**FINANCIAL STATEMENTS
For the Year Ended December 31, 2013
With Prior Year Comparative Information
And Independent Auditor's Report**

INDEPENDENT AUDITOR'S REPORT

Hawaiian Mission Children's Society:

We have audited the accompanying financial statements of the Hawaiian Mission Children's Society (Society), a nonprofit Hawaii corporation, which comprise the statement of financial position as of December 31, 2013, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Prior Year Comparative Information

We have previously audited the Society's financial statements as of and for the year ended December 31, 2012 December 31, 2012, and our report dated July 30, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the accompanying prior year comparative information is consistent, in all material respects, with the audited financial statements from which it has been derived.

CW ASSOCIATES, CPAs

Honolulu, Hawaii
September 5, 2014

HAWAIIAN MISSION CHILDREN'S SOCIETY

STATEMENT OF FINANCIAL POSITION

**As of December 31, 2013
(With Prior Year Comparative Information)**

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash (including interest-bearing accounts)	\$ 626,678	\$ 736,688
Investments in marketable securities	3,605,591	3,076,153
Inventory for retail operations	108,729	111,850
Prepaid expenses and other assets	11,167	10,830
Total current assets	<u>4,352,165</u>	<u>3,935,521</u>
PROPERTY AND EQUIPMENT – Net	<u>1,366,268</u>	<u>1,370,999</u>
INTERESTS IN PERPETUAL TRUSTS	<u>1,533,672</u>	<u>1,457,955</u>
HISTORICAL COLLECTION (See Note A)	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$7,252,105</u>	<u>\$6,764,475</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 9,428	\$ 13,159
Accrued liabilities	33,782	30,228
Total current liabilities	<u>43,210</u>	<u>43,387</u>
NET ASSETS		
Unrestricted net assets		
Unrestricted – undesignated	399,234	366,620
Unrestricted – invested in marketable securities	3,605,591	3,076,153
Unrestricted – invested in property and equipment	<u>1,366,268</u>	<u>1,370,999</u>
Total unrestricted net assets	5,371,093	4,813,772
Temporarily restricted net assets	304,130	449,361
Permanently restricted for interests in perpetual trusts	<u>1,533,672</u>	<u>1,457,955</u>
Total net assets	<u>7,208,895</u>	<u>6,721,088</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$7,252,105</u>	<u>\$6,764,475</u>

See accompanying notes to the financial statements.

HAWAIIAN MISSION CHILDREN'S SOCIETY

STATEMENT OF ACTIVITIES

**For the Year Ended December 31, 2013
(With Prior Year Comparative Information)**

	<u>2013</u>	<u>2012</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Revenue and support		
Investment income	\$ 769,108	\$ 480,134
Unrestricted contributions	428,070	269,478
Net assets released from program restrictions	313,341	182,163
Special events – net	81,696	86,401
Revenue from retail operations	74,458	91,597
Distributions from perpetual trusts	66,910	62,080
Program income	43,524	39,176
Admissions and membership	38,389	40,780
Facilities fees	47,734	40,219
Total revenue and support	<u>1,863,230</u>	<u>1,292,028</u>
Expenses		
Program services	962,398	799,067
Retail operations	134,270	142,994
Management and general	103,712	74,513
Fundraising	105,529	101,925
Total expenses	<u>1,305,909</u>	<u>1,118,499</u>
Increase in unrestricted net assets	<u>557,321</u>	<u>173,529</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Temporarily restricted contributions	168,110	137,000
Net assets released from temporary restrictions	<u>(313,341)</u>	<u>(182,163)</u>
Decrease in temporarily restricted net assets	<u>(145,231)</u>	<u>(45,163)</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Increase in interests in perpetual trusts	142,627	140,411
Distributions from perpetual trusts	<u>(66,910)</u>	<u>(62,080)</u>
Increase in permanently restricted net assets	<u>75,717</u>	<u>78,331</u>
INCREASE IN NET ASSETS	487,807	206,697
NET ASSETS – Beginning of year	<u>6,721,088</u>	<u>6,514,391</u>
NET ASSETS – End of year	<u>\$ 7,208,895</u>	<u>\$ 6,721,088</u>

See accompanying notes to the financial statements.

HAWAIIAN MISSION CHILDREN'S SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES

**For the Year Ended December 31, 2013
(With Prior Year Comparative Information)**

	<u>Program Services</u>	<u>Retail Operations</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>2013 Total</u>	<u>2012 Total</u>
Salaries	\$ 368,369	\$ 48,535	\$ 21,550	\$ 63,322	\$ 501,776	\$ 480,716
Repairs and maintenance	86,926	-	43,217	-	130,143	57,474
Program	122,206	-	-	-	122,206	76,340
Office and administrative	61,665	14,729	13,059	20,973	110,426	105,055
Utilities	89,672	3,708	8,082	2,358	103,820	74,438
Professional services	62,469	2,579	5,621	1,640	72,309	60,975
Employee benefits	50,145	8,508	2,793	8,448	69,894	64,073
Depreciation	52,600	2,175	4,741	1,383	60,899	54,909
Payroll taxes	36,302	5,070	2,019	6,192	49,583	47,659
Cost of sales	-	47,029	-	-	47,029	61,880
Insurance	16,160	839	1,371	739	19,109	14,179
Supplies	<u>15,884</u>	<u>1,098</u>	<u>1,259</u>	<u>474</u>	<u>18,715</u>	<u>20,801</u>
 Total expenses	 <u>\$962,398</u>	 <u>\$134,270</u>	 <u>\$103,712</u>	 <u>\$105,529</u>	 <u>\$1,305,909</u>	 <u>\$1,118,499</u>

See accompanying notes to the financial statements.

HAWAIIAN MISSION CHILDREN'S SOCIETY

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2013
(With Prior Year Comparative Information)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 487,807	\$ 206,697
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Depreciation	60,899	54,909
Gain on investments in marketable securities	(689,915)	(391,125)
Gain on sale of property and equipment	-	(5,000)
Increase in interests in perpetual trusts – net of distributions	(75,717)	(78,331)
(Increase) decrease in:		
Inventory for retail operations	3,121	(10,076)
Prepaid expenses and other assets	(337)	(2,453)
Increase (decrease) in:		
Accounts payable	(3,731)	794
Accrued liabilities	3,554	5,436
Net cash used by operating activities	<u>(214,319)</u>	<u>(219,149)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of marketable securities	160,477	932,703
Purchases of marketable securities	-	(596,704)
Proceeds from sale of property and equipment	-	5,000
Additions to property and equipment	<u>(56,168)</u>	<u>(56,343)</u>
Net cash provided by investing activities	<u>104,309</u>	<u>284,656</u>
NET INCREASE (DECREASE) IN CASH	(110,010)	65,507
CASH – Beginning of year	<u>736,688</u>	<u>671,181</u>
CASH – End of year	<u>\$ 626,678</u>	<u>\$ 736,688</u>

See accompanying notes to the financial statements.

HAWAIIAN MISSION CHILDREN'S SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

**For the Year Ended December 31, 2013
(With Prior Year Comparative Information)**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activity

Hawaiian Mission Children's Society (Society) is a nonprofit educational institution and genealogical society. The Society was founded in 1852 and incorporated in Hawaii in December 1907. It operates the *Hawaiian Mission House Historic Site and Archives* (previously known as the *Mission Houses Museum*), consisting of historic structures that serve as a museum. It also operates a research library that compiles genealogical records of the American Protestant missionaries in Hawaii and interprets the historic site. The collections of the Society reflect the social history of Hawaii from a variety of viewpoints. Go to www.missionhouses.org for additional information.

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

Basis of Accounting

The Society reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Support is recognized when pledged and is considered to be available for unrestricted use unless restricted by the donor. Donor restricted support is recognized when pledged as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a temporary restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets. Expenses are recognized when the related liability is incurred. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service using natural expense classifications. Other expenses that are common to several functions are allocated by various bases based on estimates by management.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills that are performed by people with those skills and that would otherwise be purchased by the Society. A substantial number of unpaid volunteers have made significant contributions of their time to the Society. The value of their time is not reflected in these financial statements because it does not meet the criteria for recognition.

Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in accordance with such generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, and it is reasonably possible that such estimates may change within the near term.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

Financial instruments that potentially subject the Society to credit risk include cash and investments in marketable securities. Cash on deposit with financial institutions exceeded the related federal deposit insurance by approximately \$79,100 and \$105,800 at December 31, 2013 and 2012, respectively. Investments in marketable securities are insured by federal and private insurance, as represented by the custodians. Future changes in market prices may make such investments less valuable.

Investments in Marketable Securities

Investments in marketable securities are stated at fair value. Net realized and unrealized gains and losses, determined using the specific identification method, are included in investment income.

Inventory for Retail Operations

Inventory consists of books, artifacts, and other items related to the historical significance of the Society and its facilities, as well as merchandise inventory for its retail operations. The inventory is valued at the lower of cost or market value. Cost is determined on the first-in, first-out (FIFO) basis.

Property and Equipment

Property and equipment is stated at cost or, if donated, at estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives of five to fifty years for buildings and improvements, and three to fifteen years for office furniture and equipment. 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. Repairs and maintenance are expensed. Major improvements and expenditures for property and equipment are capitalized.

Interests in Perpetual Trusts

The interests in perpetual trusts consist of a one-fourth interest in the Dorothea Sloggett Cooke Trust and a one-eighth interest in the Harrison and Dorothea Sloggett Cooke Trust. The assets of the Trusts, consisting primarily of investments stated at fair value, are held by Bank of Hawaii and are restricted in perpetuity to continue the programs of the Society and other nonprofit organizations. Increases and decreases in the fair value of the Trusts are included in the changes in permanently restricted net assets. Approved distributions from the Trusts are unrestricted as to use.

Historical Collection

The historical collection consists of documents and artifacts held for educational, research, and curatorial purposes. The collection is continuously cataloged, preserved, and cared for. The items in the collection, which were acquired through purchases and contributions since the Society's inception, are not recognized in the accompanying financial statements because they have no alternative uses. Purchases of collection items are recorded as decreases in unrestricted net assets in the period in which the items are acquired or as temporarily or permanently restricted net assets if they are purchased with donor-restricted funds. Contributed collection items are not reflected on the financial statements. Proceeds, if any, from the disposition of collection items are reflected as increases in the appropriate net asset classes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Plan

The Society sponsors a defined contribution retirement plan covering substantially all of its employees, to which it contributes a percentage of their compensation, up to the maximum allowed under Internal Revenue Code section 403(b). Its employees also contribute to the plan. Retirement plan expense amounted to \$12,162 and \$5,489 for the years ended December 31, 2013 and 2012, respectively.

Hawaii General Excise Tax

The State of Hawaii imposes a general excise tax of 4% on the gross receipts of the Society from special events, rentals, and gift shop sales within Hawaii, plus an additional 0.5% on such gross receipts within the City and County of Honolulu. Hawaii general excise tax amounted to \$8,416 and \$9,363 for the years ended December 31, 2013 and 2012, respectively.

Income Taxes

Accounting principles generally accepted in the United States of America require uncertain tax positions to be recognized in the financial statements if they are more likely than not to fail upon regulatory examination. Management has evaluated the Society's tax positions as of December 31, 2013 and 2012 and for the years then ended by reviewing its income tax returns and conferring with its tax advisors, and determined that the Society had no uncertain tax positions required to be reported in accordance with such generally accepted accounting principles. With few exceptions, the Society is no longer subject to examination by taxing authorities for years ending before December 31, 2010.

NOTE B – INVESTMENTS IN MARKETABLE SECURITIES

At December 31, 2013 and 2012, investments in marketable securities consisted of the following:

	2013		2012	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity securities	\$ 1,982,439	\$ 3,288,396	\$ 2,063,039	\$ 2,741,059
U.S. Treasury Notes	<u>295,669</u>	<u>317,195</u>	<u>292,826</u>	<u>335,094</u>
Total investment in marketable securities	<u>\$ 2,278,108</u>	<u>\$ 3,605,591</u>	<u>\$ 2,355,865</u>	<u>\$ 3,076,153</u>

Investment income for the years ended December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 79,193	\$ 89,009
Realized gains from sales of marketable securities	82,720	284,309
Unrealized gains from holding marketable securities	<u>607,195</u>	<u>106,816</u>
Total investment income	<u>\$ 769,108</u>	<u>\$ 480,134</u>

NOTE C – FAIR VALUE MEASUREMENTS

The established framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation methodologies used to measure fair value. 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). There are three levels of the fair value hierarchy. Level 1 inputs to the valuation methodologies consist of unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs are unobservable and significant to the fair value measurement. The fair value measurement level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation methodologies used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

At December 31, 2013 and 2012, the fair value measurements reportable by the Society included investments in marketable securities held by the Society (see Note B) consisting of investments in equity securities valued at quoted market prices (a Level 1 measurement) and investments in U.S. Treasury Notes valued by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer (a Level 2 measurement). There were no investments held by the Society for which Level 3 valuation inputs were required.

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The 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.

The following sets forth by level, within the fair value hierarchy, the Society's investments at fair value as of December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities:				
Industrials	\$ 583,428	\$ -	\$ -	\$ 583,428
Consumer discretionary	598,077	-	-	598,077
Consumer staples	243,167	-	-	243,167
Information technology	397,494	-	-	397,494
Energy	318,697	-	-	318,697
Health care	287,334	-	-	287,334
Financials	246,363	-	-	246,363
Telecommunication services	88,116	-	-	88,116
Other equity securities	<u>525,720</u>	<u>-</u>	<u>-</u>	<u>525,720</u>
Total equity securities	3,288,396	-	-	3,288,396
U.S. Treasury Notes	<u>-</u>	<u>317,195</u>	<u>-</u>	<u>317,195</u>
 Total investments at fair value	 <u>\$3,288,396</u>	 <u>\$317,195</u>	 <u>\$ -</u>	 <u>\$3,605,591</u>

NOTE C – FAIR VALUE MEASUREMENTS (Continued)

The following sets forth by level, within the fair value hierarchy, the Society’s investments at fair value as of December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities:				
Industrials	\$ 520,324	\$ -	\$ -	\$ 520,324
Consumer discretionary	414,587	-	-	414,587
Information technology	341,198	-	-	341,198
Consumer staples	295,748	-	-	295,748
Energy	276,831	-	-	276,831
Health care	219,125	-	-	219,125
Financials	169,752	-	-	169,752
Telecommunication services	86,592	-	-	86,592
Other equity securities	416,902	-	-	416,902
Total equity securities	<u>2,741,059</u>	<u>-</u>	<u>-</u>	<u>2,741,059</u>
U.S. Treasury Notes	<u>-</u>	<u>335,094</u>	<u>-</u>	<u>335,094</u>
 Total investments at fair value	 <u>\$2,741,059</u>	 <u>\$335,094</u>	 <u>\$ -</u>	 <u>\$3,076,153</u>

NOTE D – PROPERTY AND EQUIPMENT

At December 31, 2013 and 2012, property and equipment consisted of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 5	\$ 5
Chamberlain House Restoration	1,259,579	1,259,579
Administration building and improvements	825,775	797,191
Library building and improvements	174,931	174,931
Furniture and equipment	403,136	375,552
Total	<u>2,663,426</u>	<u>2,607,258</u>
Accumulated depreciation	<u>(1,297,158)</u>	<u>(1,236,259)</u>
 Property and equipment – net	 <u>\$1,366,268</u>	 <u>\$1,370,999</u>

Land consists of 49,242 square feet underlying the Society’s museum, library, and administration facilities stated at its estimated fair market value at the date of donation. Property and equipment includes the costs of an on-going project to restore and renovate the house museum and related facilities. The Society leases cemetery property from Kawaihao Church in Honolulu, Hawaii, under an agreement that permits the Society to use and maintain the cemetery property for an indefinite period at no cost. The cemetery property is not recognized in the accompanying financial statements because it has no alternative use.

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2013 and 2012, temporarily restricted net assets consisted of the following:

	<u>2013</u>	<u>2012</u>
Temporarily restricted for		
Capital campaign	\$276,216	\$320,402
Library Digitalization Project	20,414	-
Education, Public, and Curatorial Programs	5,000	128,959
Other	<u>2,500</u>	<u>-</u>
 Total temporarily restricted net assets	 <u>\$304,130</u>	 <u>\$449,361</u>

The Society has an ongoing capital campaign to attract contributions for the restoration and renovation of its house museum and related facilities. Capital campaign contributions are temporarily restricted until they are used for their intended purpose.

NOTE F – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets, amounting to \$1,533,672 and \$1,457,955 at December 31, 2013 and 2012, respectively, consisted of interests in perpetual trusts. Accounting principles generally accepted in the United States of America provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA was enacted in the State of Hawaii on July 1, 2009. It is the policy of the Society to preserve the original gift of donor-restricted endowment funds as permanently restricted net assets, absent explicit donor stipulations to the contrary. Unless otherwise stated, other donor-restricted gifts are classified as temporarily restricted net assets. As stipulated by the donors, the assets of the Trusts, consisting primarily of investments stated at fair value, are held at and invested by Bank of Hawaii and are restricted in perpetuity to continue the programs of the Society. Increases and decreases in the fair value of the Trusts are included in the changes in permanently restricted net assets. Approved distributions from the Trusts are unrestricted as to use. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Society to retain as a fund of perpetual duration. However, with regard to the Trusts, such information is not available.

At December 31, 2013 and 2012, the fair value measurements reportable by the Society included investments in perpetual trusts held at and invested by Bank of Hawaii (see above) consisting of investments in mutual funds and investments in equity securities valued at quoted market prices (a Level 1 measurement), and investments in cash valued at stated value (a Level 1 measurement). There were no investments held at and invested by Bank of Hawaii for which Level 2 or Level 3 valuation inputs were required.

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The 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.

NOTE F – PERMANENTLY RESTRICTED NET ASSETS (Continued)

The following sets forth by level, within the fair value hierarchy, the Society’s interests in perpetual trusts at fair value as of December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Equity	\$ 690,780	\$ -	\$ -	\$ 690,780
Fixed income	335,327	-	-	335,327
Total mutual funds	<u>1,026,107</u>	<u>-</u>	<u>-</u>	<u>1,026,107</u>
Equity securities:				
Healthcare	96,041	-	-	96,041
Consumer Goods	86,716	-	-	86,716
Utilities	62,478	-	-	62,478
Technology	61,163	-	-	61,163
Basic Materials	48,797	-	-	48,797
Financials	33,268	-	-	33,268
Services	24,782	-	-	24,782
Industrial Goods	20,054	-	-	20,054
Other	31,827	-	-	31,827
Total equity securities	<u>465,126</u>	<u>-</u>	<u>-</u>	<u>465,126</u>
Cash	<u>42,439</u>	<u>-</u>	<u>-</u>	<u>42,439</u>
Total investments at fair value	<u>\$1,533,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,533,672</u>

The following sets forth by level, within the fair value hierarchy, the Society’s interests in perpetual trusts at fair value as of December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Fixed income	\$ 661,450	\$ -	\$ -	\$ 661,450
Equity	335,971	-	-	335,971
Total mutual funds	<u>997,421</u>	<u>-</u>	<u>-</u>	<u>997,421</u>
Equity securities:				
Healthcare	87,426	-	-	87,426
Consumer Goods	73,388	-	-	73,388
Technology	71,099	-	-	71,099
Utilities	48,545	-	-	48,545
Basic Materials	43,493	-	-	43,493
Services	27,890	-	-	27,890
Financials	20,448	-	-	20,448
Industrial Goods	18,299	-	-	18,299
Other	27,416	-	-	27,416
Total equity securities	<u>418,004</u>	<u>-</u>	<u>-</u>	<u>418,004</u>
Cash	<u>42,530</u>	<u>-</u>	<u>-</u>	<u>42,530</u>
Total investments at fair value	<u>\$1,457,955</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,457,955</u>

NOTE G – LEASES

The Society leases a portion of its facilities to the Hawaiian Historical Society under an operating lease agreement expiring in March 2016. It also leased a portion of its facilities to a third-party providing limited food service under a month-to-month agreement. Lease rent income for the years ended December 31, 2013 and 2012 amounted to \$43,886 and \$37,423, respectively, including common area maintenance costs and Hawaii general excise tax. At December 31, 2013, future minimum lease rent income was expected to approximate \$28,200 in 2014, \$28,900 in 2015, and \$7,300 in 2016.

NOTE H – SPECIAL EVENTS

Revenue and direct expenses from special events for the years ended December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Revenue from special events		
Huakai revenue	\$ 97,425	\$102,853
Revenue from other events	8,745	8,430
Total revenue from special events	<u>106,170</u>	<u>111,283</u>
Direct expenses of special events		
Huakai direct expenses	<u>24,474</u>	<u>24,882</u>
Total direct expenses of special events	<u>24,474</u>	<u>24,882</u>
Special events – net	<u>\$ 81,696</u>	<u>\$ 86,401</u>

NOTE I – FINANCIAL STATEMENT PRESENTATION

The financial statements include prior year comparative information that is not sufficient detail to constitute a complete presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Society's financial statements as of and for the year ended December 31, 2012, from which the information was derived. Certain amounts in the prior year comparative information have been reclassified to conform to the current year presentation.

NOTE J – CONTINGENCIES

The Society operates in the State of 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 Society from such changes in economic conditions are not presently determinable.

NOTE K – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.