

House District 1
Senate District 1

THE TWENTY-EIGHTH LEGISLATURE
APPLICATION FOR GRANTS
CHAPTER 42F, HAWAII REVISED STATUTES

Log No:

For Legislature's Use Only

Type of Grant Request:

GRANT REQUEST – OPERATING

GRANT REQUEST – CAPITAL

"Grant" means an award of state funds by the legislature, by an appropriation to a specified recipient, to support the activities of the recipient and permit the community to benefit from those activities.

"Recipient" means any organization or person receiving a grant.

STATE DEPARTMENT OR AGENCY RELATED TO THIS REQUEST (LEAVE BLANK IF UNKNOWN):

STATE PROGRAM I.D. NO. (LEAVE BLANK IF UNKNOWN):

1. APPLICANT INFORMATION:

Legal Name of Requesting Organization or Individual:
Friends of the Palace Theater

Dba: Friends of the Palace Theater

Street Address: 38 Haili Street, Hilo, Hawaii 96720

Mailing Address: 38 Haili Street, Hilo, Hawaii, 96720

2. CONTACT PERSON FOR MATTERS INVOLVING THIS APPLICATION:

Name MORGEN BAHURINSKY

Title Executive Director

Phone # 808-934-7010

Fax # n/a

E-mail morgen.bahurinsky@hilopalace.com

3. TYPE OF BUSINESS ENTITY:

- NON PROFIT CORPORATION INCORPORATED IN HAWAII
 FOR PROFIT CORPORATION INCORPORATED IN HAWAII
 LIMITED LIABILITY COMPANY
 SOLE PROPRIETORSHIP/INDIVIDUAL
 OTHER

6. DESCRIPTIVE TITLE OF APPLICANT'S REQUEST:

THEATER COMFORT CAMPAIGN – AIR CONDITIONING

THE THEATER COMFORT CAMPAIGN INCLUDES THE INSTALLATION OF BOTH A SOLAR ENERGY SYSTEM (PHOTO VOLTAIC PANELS) AND AN AIR CONDITIONING SYSTEM FOR THE 90 YEAR OLD PALACE THEATER IN HILO.

THE FIRST CAMPAIGN PRIORITY WAS THE INSTALLATION OF PHOTOVOLTAIC PANELS TO REDUCE ENERGY EXPENDITURES. TO DATE, SUFFICIENT FUNDS HAVE BEEN RAISED THROUGH A CAPITAL CAMPAIGN FOR A SPRING, 2016 INSTALLATION OF THESE PANELS.

THE NEXT STEP TOWARDS THE GOAL OF ENERGY EFFICIENTCY AND IMPROVING AIRFLOW, TEMERATURE, AND HUMITIDY IN THE THEATER IS THE INSTALLATIN OF A DONATED AIR CONDITIONING UNIT.

THIS REQUEST IS FOR GIA FUNDS TO ASSIST WITH THE INSTALLATION OF THE DONATED AIR CONDITIONING UNIT.

7. AMOUNT OF STATE FUNDS REQUESTED:

FISCAL YEAR 2017: \$ \$46,000

4. FEDERAL TAX ID #:

5. STATE TAX ID #:

8. STATUS OF SERVICE DESCRIBED IN THIS REQUEST:

- NEW SERVICE (PRESENTLY DOES NOT EXIST)
 EXISTING SERVICE (PRESENTLY IN OPERATION)

SPECIFY THE AMOUNT BY SOURCES OF FUNDS AVAILABLE AT THE TIME OF THIS REQUEST:

STATE \$ 0
FEDERAL \$ 0
COUNTY \$ 0
PRIVATE/OTHER \$81,000

TYPE NAME & TITLE OF AUTHORIZED REPRESENTATIVE:

MORGEN BAHURINSKY, EXECUTIVE DIRECTOR

JANUARY 18, 2016



RECEIVED

1/21/16

Application for Grants

If any item is not applicable to the request, the applicant should enter "not applicable".

I. Background and Summary

This section shall clearly and concisely summarize and highlight the contents of the request in such a way as to provide the State Legislature with a broad understanding of the request. Please include the following:

1. A brief description of the applicant's background;

The Friends of the Palace Theater is a community-based non-profit organization established in 2002. Its mission is "to revitalize, restore, and sustain Hilo's historic theater as a venue that will educate, entertain, and inspire our diverse community." The Palace Theater is the largest downtown venue in Hilo. It has served many generations as a cultural gathering place, and as a popular fundraising space for other community non-profits. It is a showcase for Hawaii's performing artists, local and international filmmakers, and for community-based, multi-cultural events. In 1992, the building was placed on both the State and National Historic Registers.

2. The goals and objectives related to the request;

The Palace Theater celebrated its 90th anniversary in 2015. As with all older buildings, it does not conform to the modern day definition of a comfortable and efficient venue.

The current Strategic Plan incorporates a number of prioritized goals and strategies to reduce energy expenditures and to improve ventilation. The first and highest priority has been given to the installation of photovoltaic (PV) panels. A public "Theater Comfort Campaign" has raised donations and pledges that will allow for a spring/summer, 2016 installation of these panels.

Installation of the photo-voltaic system will be the first step towards the goal of improving airflow, temperature and humidity in the theater while maximizing electricity production and significantly reducing energy expenditures. It will also allow the Palace Theater to accept the donation of a Carrier Air Conditioning unit that will help to alleviate the ventilation problems in the 90-year old building.

Air conditioning is the next step towards the goal of energy efficiency and improving airflow, temperature, and humidity in the theater, thereby maximizing audience and performer attendance.

The ability to pre-cool the theater, and maintain cooler temperatures during performances will make the Palace a more desirable venue for performers and audiences alike. It contributes to the Palace's marketability and desirability, and increased patronage strengthens the vibrancy of downtown Hilo.

Long-term, it will help the Palace Theater to achieve sustainability. The photovoltaic system should lower electrical costs to nearly zero, and the cost of running the air conditioning should be minimal, thus making the whole system affordable.

This request is for a Grant – in – Aid in the amount of \$46,000 towards the installation of an air conditioning unit.

3. The public purpose and need to be served;

Today, the public is looking for places to meet and gather that are as welcoming and comfortable as possible. A vital part of any theater production is the wellbeing of the people in the seats. The audience expects to watch a film, musical, or concert in optimal conditions, to fully enjoy the emotion of this collective ritual, and to want to relive it.

The quality of a show is determined to be the result of an integral well-being that comes from a comfortable setting where the right temperature, the correct degree of humidity, and calibrated filtering and recirculation of air make the spectator completely comfortable.

The Palace Theater was one of the first venues of its type to offer air conditioning. The original system stopped working many years ago, and is not repairable. The loss of air conditioning has wreaked havoc upon the humidity level, attributing to uncomfortable audiences, performer discomfort and diminished output.

4. Describe the target population to be served; and

Palace Theater programs are developed to engage a diverse audience of 45,000 from local community members to visitors from other locales. With year-round programming, the theater is active nearly every night with people of all ages, cultures, and walks of life coming to offerings. Since many of the events at the Theater are presented in collaboration with other local groups, there is a high degree of community integration in each season's programs.

3. Describe the geographic coverage.

The Palace Theater is the largest venue of its type on the east side of Hawaii Island. However, due to its attention to the emerging needs of visitors to the island, its geographic service area now extends to the mainland, as well as parts of Asia and Europe, as visitors come to experience authentic Hawaiian offerings.

II. Service Summary and Outcomes

The Service Summary shall include a detailed discussion of the applicant's approach to the request. The applicant shall clearly and concisely specify the results, outcomes, and measures of effectiveness from this request. The applicant shall:

1. Describe the scope of work, tasks and responsibilities;

Board members, two of whom are architects and one of whom is a contractor, have worked with local vendors to assess the energy needs of the theatre, as well as the requirements for improved cooling and ventilation. They then determined specific requirements and system options, and developed a funding plan.

To meet current and future energy needs, the selected photovoltaic system is 26.487 KW in size, and will produce approximately 95 kWh per day, or 34,800 kWh per year. In addition, a high -grade panel with a 25 -year warranty was chosen, because it degrades substantially slower than any other brand investigated. Finally, the system chosen has street level inverters, which are preferred because the height and slope of the theater roof makes the roof- mounted inverters difficult to access and service.

The Board then approached several engineering firms to assess the requirements and costs of installing the air conditioning system once the photovoltaic panels were installed. Based on the options considered, it was determined that the building would need significant electrical and ductwork, and would require an engineering firm knowledgeable about this type of work in older buildings. The firm Engineering Partners – Progressive Solutions a firm well –known in the industry for the quality of their work, has been selected, and will begin once all the funding is in place.

The approach of consulting and engaging professional firms was employed to ensure quality and sustainability of the work.

2. Provide a projected annual timeline for accomplishing the results or outcomes of the service;

The installation of the air conditioning unit will take place during the first two quarters of FY 2017. As there is considerable ductwork and electrical work, a three month time frame is anticipated. The anticipated results will be accomplished as soon as installation is complete.

3. Describe its quality assurance and evaluation plans for the request. Specify how the applicant plans to monitor, evaluate, and improve their results; and

In terms of energy efficiency and cost savings, the US Department of Energy's research shows that the economic benefits (using Life Cycle Costs) of air conditioning units to consumers are significant. Switching to high-efficiency air conditioners and taking other actions to keep a public venue cool could reduce energy use for air conditioning by 20% to 50%. The photovoltaic system should lower electrical costs to nearly zero, and the cost of running the air conditioning should be minimal, thus making the whole system affordable.

Increased comfort, especially because of the air conditioning, should bring a considerable boost in attendance. We are hopeful to see this year's total attendance approach 60,000 (a 30% increase). We also anticipate maintaining our current pool of performers and increasing that number by 10% due to reduced heat and humidity during performances. The high heat level is the subject of nearly every performance as artists try to cope with excessive amounts of sweat and discomfort while on stage.

More subtle measurements, in addition to cost savings, include customer satisfaction and return visits. The Board of Directors has an ongoing practice of engaging patrons in discussion. Data is collected at each performance to determine how patrons respond to the changes in the theater, and is reviewed monthly at Board meetings.

Facebook and Twitter accounts and webmail are monitored noting both the comments and the increases in followers.

We also specifically measure the increases in attendance, volunteers and donors, as an indication that theater comfort and programming is on track with consumer tastes, and that we are attracting new patrons .

4. List the measure(s) of effectiveness that will be reported to the State agency through which grant funds are appropriated (the expending agency). The measure(s) will provide a standard and objective way for the State to assess the program's achievement or accomplishment. Please note that if the level of appropriation differs from the amount included in this application that the measure(s) of effectiveness will need to be updated and transmitted to the expending agency.

The measures of effectiveness that will be reported specifically include:

- *The amount of reduction in energy costs due to the PV system;*
- *The increase in audience attendance due to increased theater comfort*
- *The increase in the number of performers who chose and return to perform at the theater due to increased theater comfort*
- *The increase in the number of other organizations choosing to rent the theater for their activities*
- *The increases in Facebook and Twitter followers*
- *The increase in donors and volunteers who support the theater as an indication that theater comfort is on track, and that new patrons are being attracted*

III. Financial

Budget

1. The applicant shall submit a budget utilizing the enclosed budget forms as applicable, to detail the cost of the request.
See attached budget – page 5.

Detailed Budget Breakdown: Capital Request

Air Conditioning Installation (\$172,000)

Costs:

40 ton Carrier AC unit	\$ 50,000
Engineering fee	\$ 12,000
Ductwork	\$ 35,000
Controls	\$ 5,000
Placing/Connecting Unit	\$ 10,000
Concrete Pad	\$ 5,000
Electrical Work	\$ 40,000
Miscellaneous Architectural patching	<u>\$ 15,000</u>
Total	\$172,000

Revenue: (Confirmed and *Anticipated)

Donated 40 ton Carrier AC Unit	\$ 50,000
Pledged from major donor	\$ 10,000
Palace Theater operating reserves	\$ 15,000
In-kind Engineering fee	\$ 6,000
*State Grant in Aid	\$ 46,000
*Grant solicitation (County, foundations)	<u>\$ 45,000</u>
Total	\$172,000

2. The applicant shall provide its anticipated quarterly funding requests for the fiscal year 2017.

Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total Grant
\$40,000	\$6,000			\$46,000

3. The applicant shall provide a listing of all other sources of funding that they are seeking for fiscal year 2017.

The Friends of the Palace Theater seeks to improve its outreach and capacity through fundraising efforts on a continual basis. As the highest priority in the Strategic plan, the public "Theater Comfort Campaign" will be ongoing until sufficient funds are

raised to install the air conditioning unit. In FY 2017, grant requests will be made to the County as well as to several foundations, including Atherton Family Foundation, Cooke Foundation, and GN Wilcox Foundation. New individual major donors are also solicited and cultivated by Board members on an ongoing basis.

4. The applicant shall provide a listing of all state and federal tax credits it has been granted within the prior three years. Additionally, the applicant shall provide a listing of all state and federal tax credits they have applied for or anticipate applying for pertaining to any capital project, if applicable.

NOT APPLICABLE

5. The applicant shall provide a listing of all federal, state, and county government contracts and grants it has been and will be receiving for program funding.

An application has been submitted to the County Non-Profit Grants Program- Request = \$40,000

6. The applicant shall provide the balance of its unrestricted current assets as of December 31, 2015.

See attached Balance Sheet and P & L. The fiscal year for the Friend of the Palace Theater runs from January 1 to December 31; therefore a Balance Sheet and P & L for the final month of December has not been produced. November 2015 Financials are included, as is the most recent audited financial statements.

IV. Experience and Capability

A. Necessary Skills and Experience

The applicant shall demonstrate that it has the necessary skills, abilities, knowledge of, and experience relating to the request. State your experience and appropriateness for providing the service proposed in this application. The applicant shall also provide a listing of verifiable experience of related projects or contracts for the most recent three years that are pertinent to the request.

The Friends of the Palace Theater Board of Directors has demonstrated a decade of stewardship of the 90 year old building, raising and investing over \$800,000 on various physical upgrades to meet ADA requirements, retrofit the building to withstand seismic threats, add a new metal roof, rebuild the performance stage and convert stage lighting to LED for energy conservation. The theater projection system is also fully digital to meet the latest requirements in movie screening. This has improved the theater both internally and externally, while at the same time creating employment within the community and enhancing audience safety and enjoyment.

There are two architects and two construction experts on the Board of Directors, and they will work closely with the engineering firm chosen (Engineering Partners –

Progressive Solutions) for the installation to ensure a high quality of work and ongoing sustainability.

B. Facilities

The applicant shall provide a description of its facilities and demonstrate its adequacy in relation to the request. If facilities are not presently available, describe plans to secure facilities.

The Palace Theater is a 90- year old building in downtown Hilo. Although it was left empty for many years, the stewardship of the Friends of the Palace Theater Board of Directors over the last 10 years has ensured its structural soundness, and the restoration projects described above have renewed its vibrancy as a viable and sustainable venue for performing arts.

V. Personnel: Project Organization and Staffing

A. Proposed Staffing, Staff Qualifications, Supervision and Training

The applicant shall describe the proposed staffing pattern and proposed service capacity appropriate for the viability of the request. The applicant shall provide the qualifications and experience of personnel for the request and shall describe its ability to supervise, train and provide administrative direction relative to the request.

This project will be overseen by the Board of Directors, and executed by Engineering Partners – Progressive Solutions.

The Friends of the Palace Theater Board of Directors has demonstrated a decade of stewardship of the 90 year old building, raising and investing over \$800,000 on various physical upgrades to meet ADA requirements, retrofit the building to withstand seismic threats, add a new metal roof, rebuild the performance stage and convert stage lighting to LED for energy conservation. The theater projection system is also fully digital to meet the latest requirements in movie screening. This has improved the theater both internally and externally, while at the same time creating employment within the community and enhancing audience safety and enjoyment.

There are two architects and two construction experts on the Board of Directors, and they will work closely with the engineering firm chosen for the installation to ensure a high quality of work and ongoing sustainability.

B. Organization Chart

The applicant shall illustrate the position of each staff and line of responsibility/supervision. If the request is part of a large, multi-purpose organization, include an organization chart that illustrates the placement of this request.

Not applicable. The project will be overseen by the Board of Directors in conjunction with Engineering Partners – Progressive Solutions.

Currently, staff consists of one full-time Executive Director, one part-time office manager, and one part-time administrative assistant. Support for the technical functions of running the theater comes from part-time, on-call specialists, such as projectionists and lighting experts.

C. Compensation

The applicant shall provide the annual salaries paid by the applicant to the three highest paid officers, directors, or employees of the organization by position..

There is only one full time position – Executive Director, - who earns \$33,000 per annum.

VI. Other

A. Litigation

The applicant shall disclose any pending litigation to which they are a party, including the disclosure of any outstanding judgement. If applicable, please explain.

The Friend of the Palace Theater is not party to any litigation.

B. Licensure or Accreditation

The applicant shall specify any special qualifications, including but not limited to licensure or accreditation that the applicant possesses relevant to this request.

Non- applicable

C. Private Educational Institutions

The applicant shall specify whether the grant will be used to support or benefit a sectarian or non-sectarian private educational institution. Please see Article X, Section 1, of the State Constitution for the relevance of this question.

Not applicable

D. Future Sustainability Plan

The applicant shall provide a plan for sustaining after fiscal year 2016-17 the activity funded by the grant if the grant of this application is:

- (1) Received by the applicant for fiscal year 2016-17, but
- (2) Not received by the applicant thereafter.

Applicant : **Friends of the Palace Theater**

The installation of an air conditioning system is a one-time only project. Once the system is installed, it will be maintained as part of the contract awarded to the engineering firm chosen to install it. The cost savings in terms of lowered energy costs, plus the increase in box office proceeds due to an expanded audience will make the system self sustaining. No further funding is required.

E. Certificate of Good Standing (If the Applicant is an Organization)

If the applicant is an organization, the applicant shall submit one (1) copy of a certificate of good standing from the Director of Commerce and Consumer Affairs that is dated no earlier than December 1, 2015.

See attached certificate of Good Standing from DCCA.

BUDGET REQUEST BY SOURCE OF FUNDS

Period: July 1, 2016 to June 30, 2017

App: Friends of the Palace Theater

BUDGET CATEGORIES	Total State Funds Requested (a)	Total Federal Funds Requested (b)	Total County Funds Requested (c)	Total Private/Other Funds Requested (d)
A. PERSONNEL COST				
1. Salaries				
2. Payroll Taxes & Assessments				
3. Fringe Benefits				
TOTAL PERSONNEL COST				
B. OTHER CURRENT EXPENSES				
1. Airfare, Inter-Island				
2. Insurance				
3. Lease/Rental of Equipment				
4. Lease/Rental of Space				
5. Staff Training				
6. Supplies				
7. Telecommunication				
8. Utilities				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
TOTAL OTHER CURRENT EXPENSES				
C. EQUIPMENT PURCHASES				
D. MOTOR VEHICLE PURCHASES				
E. CAPITAL	46,000	0	40,000	86,000
TOTAL (A+B+C+D+E)				
SOURCES OF FUNDING		Budget Prepared By:		
(a) Total State Funds Requested	46,000	Isobel Donovan 808-938-1328		
(b) Total Federal Funds Requested		Name (Please type or print) Phone		
(c) Total County Funds Requested	40,000	[REDACTED]		
(d) Total Private/Other Funds Requested	86,000			
		Date		
TOTAL BUDGET	172,000	Morgen Bahurinsky Name and Title (Please type or print)		

BUDGET JUSTIFICATION - PERSONNEL SALARIES AND WAGES

Period: July 1, 2016 to June 30, 2017

Friends of the Palace Theater

Not applicable

POSITION TITLE	FULL TIME EQUIVALENT	ANNUAL SALARY A	% OF TIME ALLOCATED TO GRANT REQUEST B	TOTAL STATE FUNDS REQUESTED (A x B)
Not Applicable				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
TOTAL:				\$ -

JUSTIFICATION/COMMENTS:

BUDGET JUSTIFICATION - EQUIPMENT AND MOTOR VEHICLES

Friends of the Palace Theater

Period: July 1, 2016 to June 30, 2017
Not applicable

DESCRIPTION EQUIPMENT	NO. OF ITEMS	COST PER ITEM	TOTAL COST
			\$ -
			\$ -
			\$ -
			\$ -
			\$ -
			\$ -
			\$ -
TOTAL:			\$ -

JUSTIFICATION/COMMENTS:

DESCRIPTION OF MOTOR VEHICLE	NO. OF VEHICLES	COST PER VEHICLE	TOTAL COST
			\$ -
			\$ -
			\$ -
			\$ -
			\$ -
			\$ -
			\$ -
TOTAL:			\$ -

JUSTIFICATION/COMMENTS:

BUDGET JUSTIFICATION - CAPITAL PROJECT DETAILS

Period: July 1, 2016 to June 30, 2017

Friends of the Palace Theater

TOTAL PROJECT COST	ALL SOURCES OF FUNDS RECEIVED IN PRIOR YEARS		STATE FUNDS REQUESTED	OTHER SOURCES OF FUNDS REQUESTED	FUNDING REQUIRED IN SUCCEEDING YEARS			
	FY: 2014-2015	FY: 2015-2016			FY:2016-2017	FY:2016-2017	FY:2017-2018	FY:2018-2019
PLANS	0	0	0	0	0	0		
LAND ACQUISITION	0	0	0	0	0	0		
DESIGN	0	0	6000	6000	0	0		
CONSTRUCTION - INSTALLATION	0	0	40000	70000	0	0		
EQUIPMENT	0	50000	0	0	0	0		
TOTAL:		50000	46,000	76,000	0	0		

JUSTIFICATION/COMMENTS PLEASE SEE DETAILED BUDGET - SECTION 3 - PAGE 3

GOVERNMENT CONTRACTS AND / OR GRANTS

Applicant: _____

Not Applicable

Contracts Total: _____

	CONTRACT DESCRIPTION	EFFECTIVE DATES	AGENCY	GOVERNMENT ENTITY (U.S. / State / Haw / Hon / Kau / Mau)
1				
2				
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28				

**DECLARATION STATEMENT OF
APPLICANTS FOR GRANTS PURSUANT TO
CHAPTER 42F, HAWAII REVISIED STATUTES**

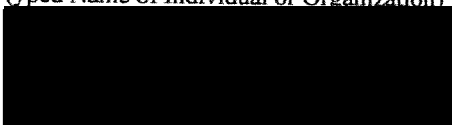
The undersigned authorized representative of the applicant certifies the following:

- 1) The applicant meets and will comply with all of the following standards for the award of grants pursuant to Section 42F-103, Hawaii Revised Statutes:
 - a) Is licensed or accredited, in accordance with federal, state, or county statutes, rules, or ordinances, to conduct the activities or provide the services for which a grant is awarded;
 - b) Complies with all applicable federal and state laws prohibiting discrimination against any person on the basis of race, color, national origin, religion, creed, sex, age, sexual orientation, or disability;
 - c) Agrees not to use state funds for entertainment or lobbying activities; and
 - d) Allows the state agency to which funds for the grant were appropriated for expenditure, legislative committees and their staff, and the auditor full access to their records, reports, files, and other related documents and information for purposes of monitoring, measuring the effectiveness, and ensuring the proper expenditure of the grant.
- 2) If the applicant is an organization, the applicant meets the following requirements pursuant to Section 42F-103, Hawaii Revised Statutes:
 - a) Is incorporated under the laws of the State; and
 - b) Has bylaws or policies that describe the manner in which the activities or services for which a grant is awarded shall be conducted or provided.
- 3) If the applicant is a non-profit organization, it meets the following requirements pursuant to Section 42F-103, Hawaii Revised Statutes:
 - a) Is determined and designated to be a non-profit organization by the Internal Revenue Service; and
 - b) Has a governing board whose members have no material conflict of interest and serve without compensation.

Pursuant to Section 42F-103, Hawaii Revised Statutes, for grants used for the acquisition of land, when the organization discontinues the activities or services on the land acquired for which the grant was awarded and disposes of the land in fee simple or by lease, the organization shall negotiate with the expending agency for a lump sum or installment repayment to the State of the amount of the grant used for the acquisition of the land.

Further, the undersigned authorized representative certifies that this statement is true and correct to the best of the applicant's knowledge.

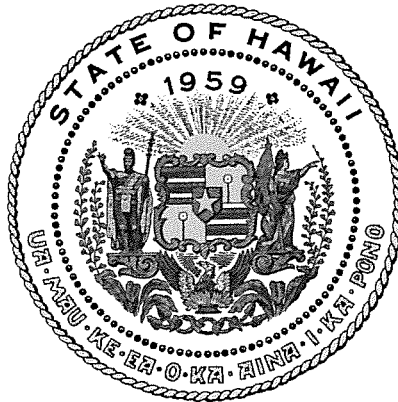
FRIENDS OF THE PALACE THEATER
(Typed Name of Individual or Organization)



Jan 18/2016
(Date)

WENDY PESKIN
(Typed Name)

BOARD PRESIDENT
(Title)



Department of Commerce and Consumer Affairs

CERTIFICATE OF GOOD STANDING

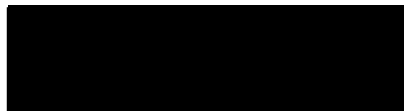
I, the undersigned Director of Commerce and Consumer Affairs of the State of Hawaii, do hereby certify that

THE FRIENDS OF THE PALACE THEATER

was incorporated under the laws of Hawaii on 08/29/2000 ; that it is an existing nonprofit corporation; and that, as far as the records of this Department reveal, has complied with all of the provisions of the Hawaii Nonprofit Corporations Act, regulating domestic nonprofit corporations.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Department of Commerce and Consumer Affairs, at Honolulu, Hawaii.

Dated: January 19, 2016



Director of Commerce and Consumer Affairs



PLEASE SEE NOTATION IN NARRATIVE SECTION.

FRIENDS OF THE PALACE THEATER FY END IS DECEMBER 31.

BALANCE SHEET AND P & L TO NOVEMBER 30, 2016 ARE INCLUDED; AS IS MOST RECENT AUDIT.

Friends of the Palace Theater
Balance Sheet
As of November 30, 2015
Nov 30, 15

ASSETS

Current Assets

Checking/Savings

Cash on Hand

Box Office Cash Drawer	400.00
Cafe Cash Drawers	600.00
Cafe Petty Cash	210.00
Change for Cash Box	200.00

Total Cash on Hand 1,410.00

Checking Account

Restricted Funds	30,160.14
Unrestricted Funds	7,445.42

Total Checking Account 37,605.56

Saving Account

Restricted Funds	35,966.47
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Total Saving Account 35,966.47

Total Checking/Savings 74,982.03

Total Current Assets 74,982.03

Fixed Assets

Accumulated Depreciation

Accum Deprec- Fixt	-10,478.20
Accum Deprec-Renovations	-67,570.90
Accum Deprec-Software	-2,679.21
Accum Deprec - Equipment	-146,644.68

Total Accumulated Depreciation -227,372.99

ADA Upgrade. 55,533.89

Bathroom, 2nd Floor 1,677.71

Cafe Renovation 67,709.53

Coemar ISpot 150 Moving Lights 1,800.00

Computer Replacements of 2012 12,174.07

Crown Roof Project 127,003.85

Curtain 18,109.87

Curtain-Guillotine 9,292.93

Equipment

Body Mics 6,382.10

Donated Equipment 36,336.72

Film Rewind Table 2,154.12

Kiosk Appliances 4,068.77

Lights 3,672.00

Popcorn Machine, Gold Medal 1,150.00

1:40 PM
12/28/15
Accrual Basis

Friends of the Palace Theater
Balance Sheet
As of November 30, 2015
Nov 30, 15

Projector, Christie CP2210	53,581.90
Sound Heads	7,500.00
Technical Equipment	32,195.57
Xenon Consoles	14,381.78
Zoom Lens	3,137.00
Total Equipment	164,559.96

Fire Sprinkler System	3,179.00
Foot Lights	17,075.49
Frest Air Duct	6,000.00
Furniture and Fixtures	6,454.66
General Renovation	3,903.46
LED Stage Lights & Console	16,022.85
Office Renovation	28,054.77
Photovoltaic System	1,500.00
Software	11,926.70
Spot Light Lycian	800.00
Stage Construction	20,245.73
Theater Seating	1,354.17
Total Fixed Assets	347,005.65

TOTAL ASSETS 421,987.68

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable	
Due to Venders	7,824.57
Total Accounts Payable	7,824.57

Credit Cards

Bank Card 8713	1,099.95
Total Credit Cards	1,099.95

Other Current Liabilities

Deferred Revenue

Auditorium Rental	1,100.00
Total Deferred Revenue	1,100.00

Payroll Liabilities

Federal Withholding	573.00
FICA Payable	1,566.30
Garnishment	391.22
State Withholding	398.55
SUTA Payable	224.00
Total Payroll Liabilities	3,153.07

1:40 PM
12/28/15
Accrual Basis

Friends of the Palace Theater

Balance Sheet

As of November 30, 2015
Nov 30, 15

Prepaid Gift Cards	2,935.11
Total Other Current Liabilities	<u>7,188.18</u>
Total Current Liabilities	<u>16,112.70</u>
Total Liabilities	16,112.70
Equity	
Opening Bal Equity	1,497.70
Retained Earnings	364,316.36
Temp Restricted Net Asset	26,400.65
Net Income	<u>13,660.27</u>
Total Equity	<u>405,874.98</u>
TOTAL LIABILITIES & EQUITY	<u><u>421,987.68</u></u>

Friends of the Palace Theater
Profit & Loss
January through November 2015
Jan - Nov 15

Ordinary Income/Expense

Income

Box Office Admissions

CoProduction & Rental Admission 62,807.53

Palace Presentation Admissions 187,329.00

Total Box Office Admissions 250,136.53

Donations

Donations-Restricted 41,445.00

Donations-Unrestricted 14,537.30

Donations in Kind 15,534.64

Donor Advised

Peskin Fund -Sustainable Energy 10,000.00

Peskin Fund, Unrestricted 1,000.00

Donor Advised - Other 300.00

Total Donor Advised 11,300.00

Total Donations 82,816.94

Grant Income

Co. of Hawaii, Hawaiian Music 1,500.00

Co. of Hawaii, HIFF 4,900.00

Co. of Hawaii, Marketing 750.00

HCF, Flex-Operations & Program 15,000.00

HCF, Na Hulu Kupuna Concert 12,200.00

HI Hotel Industry, Charity Walk 1,140.00

Ironman Corporate 1,500.00

Total Grant Income 36,990.00

Income from Rentals

Auditorium Rental 7,500.00

Total Income from Rentals 7,500.00

Lobby Sales

Cafe Sales 35,148.50

Food Vendor 223.00

Gift Shop Sales 142.00

Total Lobby Sales 35,513.50

Other Income

Advertising Income 2,400.00

Interest Income 14.18

Total Other Income 2,414.18

Total Income 415,371.15

Friends of the Palace Theater
Profit & Loss
January through November 2015
Jan - Nov 15

Expense

Cost of Programs

Advertising of Films/Event	24,282.52
Artists Expenses	3,113.49
Cafe Items	15,571.09
Contract Fees	
Artists Fees	26,625.00
Band Member Fees	8,740.00
CoProduction & Rental Expense	27,838.75
Production Fees, other	300.00
Projection Fees	3,044.00
Royalty & Copyright Fees	7,460.00
Security	950.00
Sound System/Technician	13,136.68
Stipends	3,495.00
Technical	3,682.50
Total Contract Fees	<u>95,271.93</u>

Costumes/Props/Set	2,022.23
Equipment Rentals & Supplies	465.59
Film Rental Fees	25,024.72
Gift Shop COGS	247.01
Other Program Cost	1,140.46
Promotional Materials	120.63
Shipping of Films/posters	1,519.97
Total Cost of Programs	<u>168,779.64</u>

In Kind Expense

Advertising	8,305.07
Cost of Programs	4,325.00
Fundraising Expenses	62.50
Misc Expenses	142.07
Website Maintenance	900.00
Total In Kind Expense	<u>13,734.64</u>

Operating Costs

Bank Charges	
Merchant Fees	8,439.58
Service Charge	73.00
Total Bank Charges	<u>8,512.58</u>

Computer Technology Expense

Computer Maintenance	1,525.40
Internet & Telephone	3,611.16
Software	1,035.43

Friends of the Palace Theater
Profit & Loss
 January through November 2015
 Jan - Nov 15

Software Support	412.20
Website Hosting	318.77
Total Computer Technology Expense	6,902.96
Dues, Fees,Subscriptions	403.00
Equipment	
Kiosk Equipment Expense	260.96
Office Equipt. Rental	4,295.06
Theater Equipment	1,122.93
Total Equipment	5,678.95
Fundraising Expenses	380.84
General Excise Taxes	1,717.44
Insurance	
Directors Liability	1,242.00
General Liability	2,264.41
Total Insurance	3,506.41
Janitorial Supplies	1,615.59
License and Fees	1,190.50
Miscellaneous Expenses	0.00
Office Supplies	10,138.86
Postage	1,301.55
Repairs/Maintenance	
Building Repairs	1,514.99
Equipment Repairs	2,178.20
Maintenance Supplies	1,881.68
Total Repairs/Maintenance	5,574.87
Security Systems	446.27
Travel Expense	148.07
Utilities	
Electricity	14,236.88
Sewage	228.99
Water	1,016.11
Total Utilities	15,481.98
Total Operating Costs	62,999.87
Payroll	
Employee Salaries	
Administrative Salaries	18,483.36
Fundraising Allocation	25,411.27
Program Allocation	14,520.29
Program Salaries	39,777.02
Total Employee Salaries	98,191.94

Friends of the Palace Theater
Profit & Loss
January through November 2015
Jan - Nov 15

Payroll Expenses	
Medical	2,249.33
TDI	581.43
Workermens's Comp Insuranc	<u>2,528.00</u>
Total Payroll Expenses	<u>5,358.76</u>
Payroll Taxes	
Medicare	1,454.34
Social Security	6,218.49
SUTA	<u>1,414.21</u>
Total Payroll Taxes	<u>9,087.04</u>
Total Payroll	112,637.74
Professional Fees	
Accounting	6,979.12
Bookkeeping	10,358.08
Grant Writing	13,200.00
Marketing	11,000.00
Web/Internet	<u>1,721.79</u>
Total Professional Fees	<u>43,258.99</u>
Property Taxes	<u>300.00</u>
Total Expense	<u>401,710.88</u>
Net Ordinary Income	<u>13,660.27</u>
Net Income	<u><u>13,660.27</u></u>

THE FRIENDS OF THE PALACE THEATER, INC.

(A Hawai'i Nonprofit Corporation)

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

THE FRIENDS OF THE PALACE THEATER, INC.

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INDEPENDENT ACCOUNTANT'S AUDIT REPORT

To Management and the Board of Directors
The Friends of the Palace Theater, Inc.
38 Haili Street
Hilo, Hawai'i 96720

We have audited the accompanying financial statements of The Friends of the Palace Theater, Inc. (a Hawai'i non-profit corporation), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and change in net assets, 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.

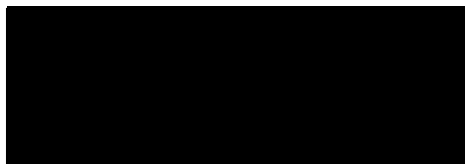
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Friends of the Palace Theater, Inc. as of December 31, 2014, and the change in its net assets and its cash flow for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The December 31, 2013 financial statements were reviewed by us, and our report thereon, dated March 1, 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 State 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.



Hilo, Hawai'i
April 30, 2015

THE FRIENDS OF THE PALACE THEATER, INC.

Statements of Financial Position
As of December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2)	\$ 63,490	\$ 105,684
Accounts Receivable	1,657	2,000
Prepaid Expenses	<u>3,830</u>	<u>5,705</u>
Total Current Assets	68,977	113,389
PROPERTY AND EQUIPMENT (Note 2)		
Furniture, Fixtures, and Equipment	281,519	243,182
Renovations	282,206	282,206
Accumulated Depreciation	<u>(227,373)</u>	<u>(182,956)</u>
Net Property and Equipment	<u>336,352</u>	<u>342,432</u>
TOTAL ASSETS	<u><u>\$ 405,329</u></u>	<u><u>\$ 455,821</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 5,711	\$ 7,053
Accrued Payroll	<u>3,755</u>	<u>7,923</u>
Total Current Liabilities	9,466	14,976
NONCURRENT LIABILITIES		
Accrued Vacation	2,087	1,530
Deferred Revenue	<u>1,485</u>	<u>29,695</u>
Total Noncurrent Liabilities	3,572	31,225
TOTAL LIABILITIES	<u>13,038</u>	<u>46,201</u>
NET ASSETS (Note 6)		
Unrestricted Net Assets	365,891	385,762
Temporarily Restricted	<u>26,400</u>	<u>23,858</u>
Total Net Assets	<u>392,291</u>	<u>409,620</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 405,329</u></u>	<u><u>\$ 455,821</u></u>

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

THE FRIENDS OF THE PALACE THEATER, INC.

Statement of Activities and Change in Net Assets
For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Box Office Admissions	\$ 221,136	\$ -	\$ 221,136
Donations	88,567	-	88,567
Grants	38,150	26,400	64,550
Café Sales	31,523	-	31,523
In-kind Revenue (Note 4)	20,376	-	20,376
Auditorium Rental	7,419	-	7,419
Other Income	1,175	-	1,175
Interest	13	-	13
Net Assets Released from Restrictions	23,858	(23,858)	-
Total Public Support and Revenue	432,217	2,542	434,759
EXPENSES			
Salaries and Payroll Taxes	129,597	-	129,597
Contract Services	92,111	-	92,111
Cost of Programs	71,933	-	71,933
Depreciation	44,417	-	44,417
Professional Fees	36,577	-	36,577
In-kind Expenses (Note 4)	20,376	-	20,376
Utilities	18,270	-	18,270
Supplies	12,898	-	12,898
Bank Charges	7,684	-	7,684
Telephone	4,042	-	4,042
Insurance	3,757	-	3,757
Repair and Maintenance	3,728	-	3,728
Miscellaneous Expense	2,997	-	2,997
Janitorial and Cleaning	1,760	-	1,760
General Excise Tax	1,641	-	1,641
Property Taxes	300	-	300
Total Expenses	452,088	-	452,088
CHANGE IN NET ASSETS	(19,871)	2,542	(17,329)
NET ASSETS, BEGINNING OF YEAR	385,762	23,858	409,620
NET ASSETS, END OF YEAR	\$ 365,891	\$ 26,400	\$ 392,291

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

THE FRIENDS OF THE PALACE THEATER, INC.

Statement of Activities and Change in Net Assets

For the Year Ended December 31, 2013

	Temporarily		Total
	Unrestricted	Restricted	
PUBLIC SUPPORT AND REVENUE			
Box Office Admissions	\$ 225,192	\$ -	\$ 225,192
Grants	74,341	22,459	96,800
Donations	66,574	1,400	67,974
Café Sales	35,590	-	35,590
In-kind Revenue (Note 4)	17,045	-	17,045
Auditorium Rental	9,443	-	9,443
Other Income	3,825	-	3,825
Interest	20	-	20
Net Assets Released from Restrictions	89,354	(89,354)	-
Total Public Support and Revenue	521,384	(65,495)	455,889
EXPENSES			
Salaries and Payroll Taxes	140,237	-	140,237
Contract Services	82,391	-	82,391
Cost of Programs	73,995	-	73,995
Depreciation	38,465	-	38,465
Professional Fees	21,306	-	21,306
Utilities	19,792	-	19,792
In-kind Expenses (Note 4)	17,045	-	17,045
Supplies	11,068	-	11,068
Bank Charges	7,559	-	7,559
Miscellaneous Expense	4,062	-	4,062
Telephone	3,493	-	3,493
Insurance	3,482	-	3,482
Repair and Maintenance	3,283	-	3,283
General Excise Tax	2,055	-	2,055
Janitorial and Cleaning	1,850	-	1,850
Property Taxes	300	-	300
Total Expenses	430,383	-	430,383
CHANGE IN NET ASSETS	91,001	(65,495)	25,506
NET ASSETS, BEGINNING OF YEAR	294,761	89,353	384,114
NET ASSETS, END OF YEAR	\$ 385,762	\$ 23,858	\$ 409,620

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

THE FRIENDS OF THE PALACE THEATER, INC.

Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Box Office Admissions	\$ 221,136	\$ 225,192
Cash Received from Contributors and Grantors	36,340	97,669
Donations	88,567	96,800
Other Cash Receipts	40,117	48,858
Interest Received	13	20
Cash Paid to Employees and Vendors	<u>(390,030)</u>	<u>(370,995)</u>
Net Cash (Used) Provided by Operating Activities (Note 8)	(3,857)	97,544
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Used to Purchase Fixed Assets	(38,337)	(115,487)
CASH FLOWS FROM FINANCING ACTIVITIES		
	<u>-</u>	<u>-</u>
Net Decrease in Cash for the Year	(42,194)	(17,943)
CASH BALANCE, BEGINNING OF YEAR	<u>105,684</u>	<u>123,627</u>
CASH BALANCE, END OF YEAR	<u>\$ 63,490</u>	<u>\$ 105,684</u>

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

THE FRIENDS OF THE PALACE THEATER, INC.

Notes to the Financial Statements
December 31, 2014 and 2013

Note 1. NATURE OF ORGANIZATION

The Friends of the Palace Theater, Inc. (the Organization) is a Hawai'i not-for-profit Organization incorporated on August 25, 2000. The Friends of The Palace Theater, Inc. primarily operates in Hilo, Hawai'i, as a community resource. The Organization's mission is to restore, revitalize, and sustain the historic Palace Theater as a venue that will educate, entertain, and inspire its culturally diverse community. In fulfilling its mission, the Organization shows films, stage productions, and other revenue generating activities in the Theater.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Under this method of accounting, revenue is recognized when earned rather than when received, and expenses are recognized when incurred rather than when paid. For contributions and donations, revenue is recognized when the gift is received. For grants and contracts, revenue is recognized as the applicable requirements are fulfilled. Deferred revenue represents funds received from grantors and not yet expended for the grant's purposes. Accounts Receivable represents revenue earned but not yet received.

Cash and Cash Equivalents: The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Property and Equipment: Property and equipment are recorded at cost or fair market value at the date of donation. The Organization capitalized property and equipment greater than \$1,000 and having a useful life greater than one year. Depreciation is recorded under the straight-line method over the asset's useful life.

Income Taxes: The Friends of the Palace Theater, Inc. is exempt from Federal income taxes under *Section 501 (c) (3)* of the Internal Revenue Code, and therefore has made no provision for Federal income taxes in the accompanying financial statements.

The accounting standard for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

There were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2014, and 2013. The Organization files its *Form 990* in the U.S. Federal jurisdiction and is generally no longer subject to examination by the Internal Revenue Service for years before 2011.

THE FRIENDS OF THE PALACE THEATER, INC.

Notes to the Financial Statements
December 31, 2014 and 2013

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3. OWNERSHIP OF FACILITIES

The Palace Theater, built in 1925, is located at 38 Haili Street in Hilo, Hawai'i. It is noted for its Neo-Classic features, large open lobby, 600 square foot stage area, and seating capacity for 500 people. It is a focal point for culture and the performance arts in East Hawai'i. The four lots, which include the building, total an area of over 16,000 square feet.

In 2004, for the sum of \$10, the Hilo Downtown Improvement Association transferred the title to the building, and land occupied by the Palace Theater, to The Friends of the Palace Theater, Inc., subject to certain rights and restrictions retained by the County of Hawaii. Due to the deed restrictions related to the County of Hawaii, no objective basis for determining fair market value is determinable. Accordingly, the land and building were not capitalized. However, management estimated in 2000 that the land area, together with the Palace Theater itself, was valued at \$1.5 million.

Note 4. DONATED SERVICES

Under *FASB ASC 958-605*, contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. These services include volunteers donating their time and donated advertising costs. The value of these services at December 31, 2014, and 2013, are \$20,376, and 17,045, respectively.

Note 5. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 30, 2015, the date the financial statements were available for use.

Note 6. NET ASSETS

The Friends of the Palace Theater, Inc. has conformed to *FASB ASC 958-210-45-9*, "Not-for-Profit Entities, Classifications of Net Assets," and the *Statement of Financial Accounting Standards formerly (SFAS) No 117*, "Financial Statement of Not-for-Profit Organization." Accordingly, the Organization is required to report information regarding its financial position and activities, according to the following three classes: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

THE FRIENDS OF THE PALACE THEATER, INC.

Notes to the Financial Statements
December 31, 2014 and 2013

NOTE 6. NET ASSETS (Continued)

Unrestricted net assets represent those assets whose usage is neither temporarily nor permanently restricted by donors. These revenues are used for the general operating expenditures of the Organization or for such purposes as determined by the Board of Directors. Temporarily restricted net assets that were received and spent during the year were recorded as unrestricted net assets.

Temporarily restricted net assets represent restricted grants and funds received from foundations and donors for which the restrictions had not yet been fulfilled as of year end. Temporarily restricted net assets at December 31, 2014, and 2013, are \$26,400, and \$23,858, respectively, as follows:

	<u>2014</u>	<u>2013</u>
Renovation/Repair		
Solar Project	\$ 26,000	\$ 11,000
Carrus	-	7,164
Roof	-	-
Program		
Flex Grant, Black-Yokoyama	-	4,000
Hawaiiana Live	-	994
Organ Concerts	-	400
Film Festival	400	300
	<u>\$ 26,400</u>	<u>\$ 23,858</u>

There were no permanently restricted funds as of December 31, 2014, and 2013.

Note 7. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized in total in the statement of activities. Accordingly, certain costs have been allocated among the programs, supporting services, and fundraising services benefited.

	<u>2014</u>	<u>2013</u>
Program	\$ 352,629	\$ 335,698
Management and General	90,418	86,077
Fundraising	9,041	8,608
Total	<u>\$ 452,088</u>	<u>\$ 430,383</u>

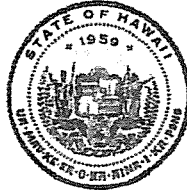
THE FRIENDS OF THE PALACE THEATER, INC.

Notes to the Financial Statements
December 31, 2014 and 2013

NOTE 8. RECONCILIATION OF CHANGE IN NET ASSETS WITH NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES

The following is the indirect method of determining the net cash provided by Operating Activities:

	<u>2014</u>	<u>2013</u>
Change in Net Assets	\$ (17,329)	\$ 25,506
Adjustments to Reconcile:		
Add in Depreciation	44,417	38,465
Change in Accounts Receivable	343	-
Change in Prepaid Expenses	1,875	(2,223)
Change in Accounts Payable	(1,342)	3,436
Change in Payroll Payable	(4,168)	1,135
Change in Accrued Vacation	557	1,530
Change in Deferred Revenue	(28,210)	29,695
Net Cash (Used) Provided by Operating Activities	<u>\$ (3,857)</u>	<u>\$ 97,544</u>



The Senate

STATE CAPITOL
HONOLULU, HAWAII 96813

September 25, 2015

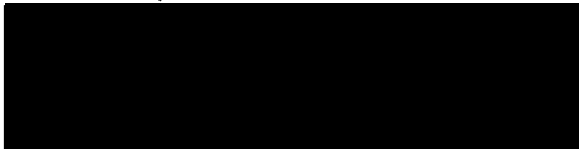
Aloha,

The Palace Theater is a mainstay of downtown Hilo and I want to see this majestic, historic theater remain the center of our cultural functions. The acoustics alone make this venue outstanding and its placement in downtown Hilo adds stability and vitality to the city's economy.

If the Palace Theater is to continue to be a viable concert and arts venue, it must offer its patrons and performers the comfort of modern air conditioning. Theater comfort is required to attract adequate audiences to sustain the theater.

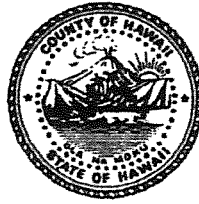
In addition to supporting the theater with my attendance at events, I donate regularly. I urge you to partner with me in support of their Theater Comfort Campaign.

Sincerely,



Russell E. Ruderman
Senator, District 1 (Puna – Ka'u)
415 S. Beretania Street, Room 203
Honolulu, HI 96816
Tel: 808 586-6890
Email: senruderman@capitol.hawaii.gov

William P. Kenoi
Mayor



Walter K.M. Lau
Managing Director

Randall M. Kurohara
Deputy Managing Director

County of Hawai'i Office of the Mayor

25 Aupuni Street, Suite 2603 • Hilo, Hawai'i 96720 • (808) 961-8211 • Fax (808) 961-6553
KONA: 74-5044 Ane Keohokalole Hwy., Bldg. C • Kailua-Kona, Hawai'i 96740
(808) 323-4444 • Fax (808) 323-4440

September 29, 2015

Aloha,

Hilo's historic Palace Theatre has been an iconic gathering place for our community since it opened in 1925. The Palace's many films, concerts, live performances, and more keep our Downtown Hilo active and vibrant. Memories made at the theatre live on with many people in our community – for me, it's seeing Superman with my mom when I was 8 years old.

The Friends of the Palace Theatre have been great stewards of this community treasure, and their drive to improve it for generations to come is admirable. They cannot afford to make major improvements for the benefit of their patrons and performers without the generosity of community donations and the receipt of significant grant funding.

The Palace Theater is a beacon of culture in Downtown Hilo and East Hawai'i. I extend my full support for the Palace Theater and the efforts of the committee to find the necessary resources to strengthen and support this valuable community resource.

Mahalo


Billy Kenoi
MAYOR

NewWest
BROADCASTING CORP



November 24, 1015

To whom it may concern:

My name is Chris Leonard and I am the President and General Manager of New West Broadcasting Corp. which owns and operates 5 radio stations on Hawaii Island. We also produce and promote numerous live music events on the Island. We have used the Palace Theater as a venue for our KWXX Ho'olaulea for the past three years in addition to numerous other shows over the years.

We greatly value the theater and the value this theater adds to our town. The theater would have even greater value to our organization and the community if it were air conditioned. The heat in the building makes it difficult for us to produce events in the venue for much of the year. It is disappointing that one the first Hilo buildings in Hilo to be air conditioned is unable to provide that service to its' performers and patrons today.

The theater is important to our Hawaii Island community and can continue to be the hub of culture in entertainment in Hilo, however it is also important that it be comfortable environment for performers and patrons

My hope is for the Palace Theater to find adequate funding to air condition the theater and to install the photovoltaic system to defer this additional electrical cost. With these two systems in place the theater can continue to offer great live music concerts, movies and other cultural events year round with the comfort of modern day living. It will be much more attractive to event promoters and to patrons.

Please support this important project for both the Palace Theater and downtown Hilo.

Sincerely,


Chris Leonard
President / General Manager

New West Broadcasting Corp.
1145 Kilauea Avenue * Hilo, Hawaii 96720 Ph: 808-935-5461 Fax: 808-935-7761