Ronald McDonald House Charities of Hawaii, Inc.

Financial Statements
December 31, 2025 and 2024
Together with Independent Auditor's Report

Table of Contents

Page

Independent Auditor's Report 1

Financial Statements:

Statements of Financial Position 4

Statements of Activities 5

Statements of Functional Expenses 7

Statements of Cash Flows 9

Notes to Financial Statements 10

Independent Auditor's Report

Board of Directors
Ronald McDonald House Charities of Hawaii, Inc.

Opinion

We have audited the financial statements of Ronald McDonald House Charities of Hawaii, Inc. (the Organization), which comprise the related statements of financial position as of December 31, 2025 and 2024, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2025 and 2024, 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 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 GAAS, 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 the Organization'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 the Organization'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.

KMH LLP

Honolulu, Hawaii
September 10, 2026

Ronald McDonald House Charities of Hawaii, Inc.

Statements of Financial Position
December 31, 2025 and 2024

Assets

	2025	2024
Cash	$ 408,677	$ 396,691
Certificates of Deposit	104,639	212,183
Operating Investments	-	8,988,448
Inventory and Other Assets	479,763	481,193
Property and Equipment, net	3,298,079	3,257,514
Endowment Investments	17,697,534	6,567,110
Total assets	$ 21,988,692	$ 19,903,139

Liabilities and Net Assets

Liabilities:		
Accounts payable	$ 25,447	$ 72,235
Accrued expenses	60,402	35,837
Total liabilities	85,849	108,072
Net assets:		
Without donor restrictions	21,236,593	19,150,669
With donor restrictions	666,250	644,398
Total net assets	21,902,843	19,795,067
Total liabilities and net assets	$ 21,988,692	$ 19,903,139

See accompanying notes to financial statements.

Ronald McDonald House Charities of Hawaii, Inc.

Statements of Activities
For the Year Ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Support:			
Contributions:			
Foundations and other	$ 1,564,505	$ 145,000	$ 1,709,505
In-kind	365,093	-	365,093
Special events	510,078	-	510,078
Less: cost of direct benefits to donors	(168,867)	-	(168,867)
Net assets released from restrictions	123,148	(123,148)	-
Total support	2,393,957	21,852	2,415,809
Revenue:			
Net realized and unrealized gains on investments	2,027,593	-	2,027,593
Net investment income	530,568	-	530,568
Room rental and other income	24,419	-	24,419
Total revenue	2,582,580	-	2,582,580
Total support and revenue	4,976,537	21,852	4,998,389
Expenses:			
Program services	1,741,784	-	1,741,784
Supporting Services:			
Management and general	312,989	-	312,989
Fundraising	835,840	-	835,840
Total supporting services	1,148,829	-	1,148,829
Total expenses	2,890,613	-	2,890,613
Increase in net assets	2,085,924	21,852	2,107,776
Net assets at beginning of year	19,150,669	644,398	19,795,067
Net assets at end of year	$ 21,236,593	$ 666,250	$ 21,902,843

(Continued)

See accompanying notes to financial statements.

Ronald McDonald House Charities of Hawaii, Inc.

Statements of Activities
For the Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Support:			
Contributions:			
Foundations and other	$ 1,271,066	$ 75,000	$ 1,346,066
In-kind	652,090	-	652,090
Special events	648,447	-	648,447
Less: cost of direct benefits to donors	(233,315)	-	(233,315)
Net assets released from restrictions	5,484	(5,484)	-
Total support	2,343,772	69,516	2,413,288
Revenue:			
Net realized and unrealized gains on investments	882,743	-	882,743
Net investment income	426,760	-	426,760
Room rental and other income	1,488	-	1,488
Total revenue	1,310,991	-	1,310,991
Total support and revenue	3,654,763	69,516	3,724,279
Expenses:			
Program services	1,511,636	-	1,511,636
Supporting Services:			
Management and general	239,095	-	239,095
Fundraising	969,920	-	969,920
Total supporting services	1,209,015	-	1,209,015
Total expenses	2,720,651	-	2,720,651
Increase in net assets	934,112	69,516	1,003,628
Net assets at beginning of year	18,216,557	574,882	18,791,439
Net assets at end of year	$ 19,150,669	$ 644,398	$ 19,795,067

See accompanying notes to financial statements.

Ronald McDonald House Charities of Hawaii, Inc.

Statements of Functional Expenses
For the Year Ended December 31, 2025

	Program Services	Supporting Services				
	Operations	Management and General	Fundraising	Total Supporting Services	Total Expenses	2024
Salaries	$ 866,347	$ 101,373	$ 186,618	$ 287,991	$ 1,154,338	$ 962,632
Payroll taxes and fringe benefits	193,843	19,198	43,082	62,280	256,123	237,839
Total salaries and related expenses	1,060,190	120,571	229,700	350,271	1,410,461	1,200,471
Donated goods and services	15,330	-	462,692	462,692	478,022	652,090
Facility expenses	236,136	2,410	2,410	4,820	240,956	170,539
Contract services	116,156	71,627	24,834	96,461	212,617	193,257
Cost of direct benefits to donors	-	-	168,867	168,867	168,867	233,315
Office supplies	34,952	23,521	75,539	99,060	134,012	147,157
Depreciation	129,264	1,319	1,319	2,638	131,902	136,247
Program specific expenses	69,634	-	-	-	69,634	56,594
Travel and conference	31,205	9,142	-	9,142	40,347	38,549
Other expenses	48,917	84,399	39,346	123,745	172,662	125,747
Total expenses	1,741,784	312,989	1,004,707	1,317,696	3,059,480	2,953,966
Less cost of direct benefits to donors	-	-	(168,867)	(168,867)	(168,867)	(233,315)
Total expenses per statement of activities	$ 1,741,784	$ 312,989	$ 835,840	$ 1,148,829	$ 2,890,613	$ 2,720,651

See accompanying notes to financial statements.

Ronald McDonald House Charities of Hawaii, Inc.

Statements of Functional Expenses
For the Year Ended December 31, 2024

	Program Services	Supporting Services				
	Operations	Management and General	Fundraising	Total Supporting Services	Total Expenses	2023
Salaries	$ 702,721	$ 86,637	$ 173,274	$ 259,911	$ 962,632	$ 923,571
Payroll taxes and fringe benefits	173,623	21,405	42,811	64,216	237,839	232,395
Total salaries and related expenses	876,344	108,042	216,085	324,127	1,200,471	1,155,966
Donated goods and services	26,188	-	625,902	625,902	652,090	600,352
Facility expenses	169,205	667	667	1,334	170,539	141,600
Contract services	92,389	75,200	25,668	100,868	193,257	142,678
Cost of direct benefits to donors	-	-	233,315	233,315	233,315	138,280
Office supplies	73,591	14,864	58,702	73,566	147,157	202,286
Depreciation	133,523	1,362	1,362	2,724	136,247	156,163
Program specific expenses	41,656	5,287	9,651	14,938	56,594	57,620
Travel and conference	28,202	6,815	3,532	10,347	38,549	18,361
Other expenses	70,538	26,858	28,351	55,209	125,747	90,696
Total expenses	1,511,636	239,095	1,203,235	1,442,330	2,953,966	2,704,002
Less cost of direct benefits to donors	-	-	(233,315)	(233,315)	(233,315)	(138,280)
Total expenses per statement of activities	$ 1,511,636	$ 239,095	$ 969,920	$ 1,209,015	$ 2,720,651	$ 2,565,722

See accompanying notes to financial statements.

Ronald McDonald House Charities of Hawaii, Inc.

Statements of Cash Flows
December 31, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities:		
Increase in net assets	$ 2,107,776	$ 1,003,628
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	131,902	136,247
Net realized and unrealized gains on investments	(2,027,593)	(882,743)
Decrease (increase) in assets:		
Inventory and other assets	1,430	(60,609)
(Decrease) increase in liabilities:		
Accounts payable	(46,788)	57,508
Accrued expenses	24,565	21,291
Net cash provided by operating activities	191,292	275,322
Cash Flows From Investing Activities:		
Proceeds from sale of investments	6,114,701	2,132,082
Purchase of investments	(6,229,084)	(2,314,289)
Purchase of certificates of deposit	(104,639)	(212,183)
Proceeds from maturity of certificates of deposit	212,183	204,931
Purchase of property and equipment	(172,467)	(37,123)
Net cash used in investing activities	(179,306)	(226,582)
Net increase in cash	11,986	48,740
Cash, beginning of year	396,691	347,951
Cash, end of year	$ 408,677	$ 396,691

See accompanying notes to financial statements.

1. Background and Organization

Ronald McDonald House Charities of Hawaii, Inc. (Organization) is a nonprofit organization incorporated in February 1983, to provide a home-away-from-home filled with the spirit of aloha and ohana for families of children with catastrophic illness, and to "lift children to a better tomorrow" by developing other programs and partnerships aimed at improving the lives of children in Hawaii and the Pacific. The Organization's major sources of support and revenues are provided primarily from contributions and investment income.

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

2. Summary of Significant Accounting Policies

a. Basis of Presentation

The accounting policies of the Organization have been designed to conform with accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to not-for-profit organizations.

b. Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

With donor restrictions - Net assets subject to donor restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions received with donor stipulations that limit their use which expire in the same reporting period are recorded as unrestricted contributions.

2. Summary of Significant Accounting Policies

c. Cash

Cash consists primarily of interest-bearing checking accounts and savings accounts. The Organization treats investments with original maturities of three months or less to be cash equivalents. At December 31, 2025 and 2024, the Organization did not have any cash equivalents.

d. Certificates of Deposit

Certificates of deposit are stated at face value plus accrued interest, which approximates fair value. Interest income is included as an increase in net assets without donor restrictions.

e. Investments

Investments in equity and debt securities are stated at fair value. The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the Statements of Financial Position. Purchases and sales of securities are reflected on a trade-date-basis. Gains and losses on sales of securities are based on cost (cost of securities if purchased or the fair market value at the date of gift if received by donation). Net investment income is reported in the Statements of Activities and consists of interest and dividend income less external investment expenses. Dividend and interest income are recorded on the accrual basis. In accordance with the policy of stating investments at fair value, the net change in unrealized appreciation or depreciation for the year is reflected in the Statements of Activities. The Organization's alternative investments are accounted for in accordance with Accounting Standards Codification (ASC) 958-325, *Not-for-Profit Entities – Investments - Others*. Alternative investments, which do not have a readily determinable fair value, utilize net asset value, as provided by the investment manager, as a practical expedient to determine fair value.

f. Property and Equipment

Property and equipment of $2,500 or more with an estimated useful life of at least one year are capitalized and recorded at cost. Donated assets are recorded at their estimated fair value at the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of assets ranging from 3 - 10 years for furniture, fixtures, and equipment, and 39 years for building and improvements.

2. Summary of Significant Accounting Policies (continued)

f. Property and Equipment (continued)

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

Property and equipment are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. Impairment losses are recognized if expected future cash flows from the assets are less than their carrying values.

g. Contributions

Contributions, including unconditional promises to give, are recorded at the date of gift. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Bequests are recorded as revenue when an unassailable right to the gift has been established and the proceeds are measurable. Long-term promises to give are initially recorded at fair value using the income approach using discount rates commensurate with the risk involved at the date of donation. An allowance for doubtful accounts on outstanding contributions receivable balances is recorded when deemed necessary based upon historical trends, current market risk assessments, and specific donor considerations. Receivables are written off when management believes they will not be collected. Amounts are considered past due if they are not received within one year after the expected payment date.

Conditional Promises to Give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. There were no conditional promises to give for the years ended December 31, 2025 and 2024.

Special Events - the Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

2. Summary of Significant Accounting Policies (continued)

h. In-Kind Contributions

Contributed goods and services are reflected as in-kind contribution revenue and expenses in the accompanying Statements of Activities at their estimated fair value at date of receipt. Existing contributed goods and gifts of property and equipment are reflected as support without donor restrictions unless explicit donor stipulations specify how the donated goods must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Organization receives a significant amount of time donated by volunteers for the Organization's programs and fundraising activities. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided.

Donated services by volunteers with an estimated value of approximately $92,000 (unaudited) and $34,000 (unaudited) for 2025 and 2024, respectively, were not recognized in the financial statements as they did not meet the criteria for recognition.

i. Advertising Costs

Advertising costs are expensed as incurred and included on the Statements of Functional Expenses.

j. Income Taxes

The Organization is exempt from federal income taxes under Section 50l(c)(3) of the Internal Revenue Code (IRC) and applicable state law.

2. Summary of Significant Accounting Policies (continued)

j. Income Taxes (continued)

Accounting standards relating to uncertainty in income taxes address 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.

There were no unrecognized tax benefits identified or recorded as liabilities for 2025 and 2024. Penalties and fines, if any, are included in other expenses in the statements of functional expenses. The Organization's federal returns for the years subsequent to December 31, 2022 are subject to examination by the IRS.

k. Functional Classification of Expenses

The Organization has summarized the costs of program and supporting activities in the Statements of Activities. The expense analysis in the Statements of Functional Expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been assigned to the program or supporting services benefitted. The financial statements also report certain categories of expenses that are attributable to more than one program or support function. The expenses include salaries and benefits, which are allocated based on department and job classification and management and general tasks. Expenses associated with occupying and maintaining facilities have been allocated to their respective functional area based on the headcount of employees. Other costs are classified in each functional category based on the underlying purpose of each transaction.

l. Use of Estimates

Preparing financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported, the disclosure of contingent assets and liabilities, and the revenue and expenses reported during the stated period. Actual results could differ from management's estimates.

m. Subsequent Events

Management has evaluated subsequent events through September 10, 2026, the date the financial statements were available to be issued, and it was determined that all subsequent events had been properly accounted for.

2. Summary of Significant Accounting Policies (continued)

n. Reclassifications

Certain reclassifications were made to prior year's financial statements to conform to 2025 presentation. Such reclassifications had no impact on the previously reported changes in net assets.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2025 and 2024, are comprised of the following:

	2025	2024
Cash	$ 408,677	$ 396,691
Certificates of deposit	104,639	212,183
Operating Investments	-	8,988,448
Endowment Investments	17,697,534	6,567,110
	18,210,850	16,164,432
Less:		
Net assets with donor restrictions	(666,250)	(644,398)
Board- designated endowment	(14,513,813)	(3,611,320)
Board- designated other	(2,662,471)	(2,434,540)
Financial assets available within one year	$ 368,316	$ 9,474,174

As part of the liquidity management plan, the Organization's policy is to structure its financial assets to be made available for general expenditures, liabilities, and other obligations as they come due. This includes a spending policy with a 2.5% semi-annual spending rate of the Board-designated endowment. Although the Organization does not intend to spend from these endowments, other than the amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, these amounts could be made available if necessary.

4. In-Kind Contributions

The Organization received the following contributions of nonfinancial assets, measured at fair value, for the years ending December 31, 2025 and 2024 as follows:

	2025	2024
Goods and services for housing operations	$ 15,330	$ 26,188
Fundraising events	230,314	589,538
Advertising	119,449	36,364
Total in-kind contributions	$ 365,093	$ 652,090

5. Fair Value and Investments

The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Organization determines fair value based on assumptions that market participants would use in pricing an asset or a liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 - Unadjusted quoted prices or published prices in active markets for identical assets or liabilities, such as publicly traded securities.

5. Fair Value and Investments (continued)

Level 2 - Inputs other than quoted prices included in Level I that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observation inputs other than quoted prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs are unobservable data for the asset or liability and include situations where there is little, if any, activity for the asset or liability. The inputs reflect the Organization's assumptions based on the best information available in the circumstances.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

For equity securities, exchange traded funds, mutual funds, and cash equivalents, the fair value is estimated using quoted or observable prices in an active market or exchange and is generally categorized in Level 1. For debt securities, the fair value is estimated using a market approach and is generally categorized in Level 2. There were no changes to the methodologies used to determine the value or transfers of items between levels for the years ended December 31, 2025 and 2024.

Investments in alternative investments that are measured at fair value using NAV per share as a practical expedient are as follows at December 31, 2024:

	Number of Investments	Cost`	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
2024:						
Alternative Investment-- Hedge Fund	1	$ 446,173	$ 603,449	$ -	Monthly; Quarterly	45-90 days

All alternative investments were sold during the year ended December 31, 2025.

5. Fair Value and Investments (continued)

Fair value of investments measured on a recurring basis, are as follows:

	Fair Value	Level 1	Level 2	Level 3
At December 31, 2025:				
Cash held for investment	$ 373,997	$ 373,997	$ -	$ -
Certificates of deposit	104,639	-	104,639	-
Exchange traded funds:				
Domestic equities	8,582,119	8,582,119	-	-
International equities	4,917,102	4,917,102	-	-
Mutual funds--				
Fixed income	3,824,316	3,824,316	-	-
Total investments held at fair value	$ 17,802,173	$ 17,697,534	$ 104,639	$ -

	Fair Value	Level 1	Level 2	Level 3
At December 31, 2024:				
Cash held for investment	$ 675,799	$ 675,799	$ -	$ -
Certificates of deposit	212,183	-	212,183	-
Equity securities:				
Consumer discretionary	2,292,152	2,292,152	-	-
Financials	1,164,171	1,164,171	-	-
Information technology	953,832	953,832	-	-
Health care	867,170	867,170	-	-
Industrials	539,942	539,942	-	-
Other	1,337,039	1,337,039	-	-
Mutual funds:				
Fixed income	4,960,443	4,960,443	-	-
Flexible	1,533,342	1,533,342	-	-
International	411,463	411,463	-	-
Debt securities:				
Corporate bonds	216,756	-	216,756	-
Total investments held at fair value	15,164,292	$ 14,735,353	$ 428,939	$ -
Investments held at Net Asset Value --				
Hedge Fund	603,449			
Total investments	$ 15,767,741			

6. Property and Equipment

Property and equipment are comprised of the following at December 31, 2025 and 2024:

	2025	2024
Land	$ 1,152,638	$ 1,152,638
Building and improvements	4,963,545	4,838,140
Furniture, fixtures, and equipment	1,005,940	958,878
Vehicles	95,982	95,982
Total property and equipment	7,218,105	7,045,638
Less accumulated depreciation	(3,920,026)	(3,788,124)
Net property and equipment	$ 3,298,079	$ 3,257,514

Depreciation expense amounted to approximately $132,000 and $136,000 for the years ended December 31, 2025 and 2024, respectively.

7. Net Assets with Donor Restrictions

Net assets are released from donor restrictions primarily by incurring expenses that satisfy the restricted purposes. Net assets released from restrictions during the years ended December 31, 2025 and 2024 and the remaining balance of net assets with donor restrictions at December 31, 2025 and 2024 are as follows:

	2025		2024	
	Restriction Released	Available Balance	Restriction Released	Available Balance
Purpose of restriction:				
Working on Cloud Nine	$ 74,770	$ 115,000	$ -	$ 74,770
Sound the alarm initiative	47,339	-	2,661	47,339
Other	1,039	30,000	2,823	1,039
Endowments--				
Perpetual in nature, earnings are for operations	-	521,250	-	521,250
	$ 123,148	$ 666,250	$ 5,484	$ 644,398

8. Endowment

The Organization's Board has interpreted the Hawaii State Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Organization to appropriate for expenditure or accumulate as much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of a donor expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Organization. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. There were no funds underwater as of December 31, 2025 and 2024.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) its investment policies.

The Organization has adopted an investment policy with the objective of maintaining purchasing power of endowment assets. The Board regards spending, in terms of dollars, as flexible from year to year according to the needs of the Organization as determined by the Organization. However, expected investment returns from the endowment's funds shall be managed in such a way that reduces the likelihood of underperformance and excessive deterioration of its relative purchase power. The Organization's spending policy equals to 2.5% semi-annually of the market value of the endowment portion of the fund ending December and June. Earnings on donor-restricted endowment assets considered unrestricted for operations are recorded directly to investment income without donor restrictions.

8. Endowment (continued)

The composition of endowment net assets by type is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2025:			
Board designated	$ 17,176,284	$ -	$ 17,176,284
Donor restricted	-	521,250	521,250
Total	$ 17,176,284	$ 521,250	$ 17,697,534
December 31, 2024:			
Board designated	$ 6,045,860	$ -	$ 6,045,860
Donor restricted	-	521,250	521,250
Total	$ 6,045,860	$ 521,250	$ 6,567,110

Net assets with donor restrictions of $521,250 at December 2025 and 2024, are restricted for investment in perpetuity and the related income is expendable to support operating activities of the Organization. Investment earnings attributable to these funds are available for expenditure in accordance with donor stipulations and are reported as net assets without donor restrictions.

8. Endowment (continued)

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2025:			
Endowment net assets, beginning of year	$ 6,045,860	$ 521,250	$ $ 6,567,110
Investment returns:			
Net investment income	530,568	-	530,568
Net realized and unrealized gain	2,027,593	-	2,027,593
Total investment returns	2,558,161	-	2,558,161
Board designation of net assets	8,772,263	-	8,772,263
Appropriation of endowment assets for expenditures	(200,000)	-	(200,000)
Endowment net assets, end of year	$ 17,176,284	$ 521,250	$ $ 17,697,534
December 31, 2024:			
Endowment net assets, beginning of year	$ 5,679,683	$ 521,250	$ $ 6,200,933
Investment returns:			
Net investment income	199,744	-	199,744
Net realized and unrealized gain	403,736	-	403,736
Total investment returns	603,480	-	603,480
Appropriation of endowment assets for expenditures	(237,303)	-	(237,303)
Endowment net assets, end of year	$ 6,045,860	$ 521,250	$ $ 6,567,110

9. Board Designated Reserve

The Board of Directors designated $2,662,471 and $2,434,540 of net assets without donor restrictions as of December 31, 2025 and 2024, respectively, as a reserve for operations and future building maintenance. The Board of Directors designated $14,513,813 and $3,611,320 of net assets without donor restrictions as of December 31, 2025 and 2024, respectively, for endowment.

10. Employee Benefit Plan

The Organization sponsors a SIMPLE IRA plan (the Plan) that covers all employees. The Organization makes matching contributions to the Plan up to 3% of the participant's eligible compensation. The Organization's contributions to the Plan were approximately $20,000 and $11,000 for the years ended December 31, 2025 and 2024, respectively, and recorded in payroll taxes and fringe benefits on the statements of functional expenses.

11. Concentration of Credit Risk

The Organization maintains its cash balances in financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) of up to $250,000 per account holder. At December 31, 2025, the Organization had approximately $288,000 of cash in excess of federally insured limits. To control credit risk related to investments, the Organization maintains a diversified investment portfolio with limited concentration in any given region, industry, or economic characteristics. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks related to cash and investments.

12. Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements.

13. Commitments

The Organization has commitments for maintenance contracts relating to their fundraising and donor management software and other equipment. As of December 31, 2025, the future commitments are approximately as follows:

Years ending December 31,	
2026	$ 20,000
2027	20,000
2028	10,000
	$ 50,000