KPMG

YOUNG MEN'S CHRISTIAN ASSOCIATION OF HONOLULU

Financial Statements

December 31, 2020

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2100
1003 Bishop Street
Honolulu, HI 96813-6400

Independent Auditors' Report

To the Board of Directors
Young Men's Christian Association of Honolulu:

Report on the Financial Statements

We have audited the accompanying financial statements of Young Men's Christian Association of Honolulu, which comprise the balance sheet as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' 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 auditors' 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 Young Men's Christian Association of Honolulu as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

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Report on Summarized Comparative Information

We have previously audited Young Men's Christian Association of Honolulu's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

Honolulu, Hawaii
July 27, 2021

YOUNG MEN'S CHRISTIAN ASSOCIATION OF HONOLULU

Balance Sheet

December 31, 2020
(with summarized financial information as of December 31, 2019)

Assets		2020	2019
Cash and cash equivalents	$	4,620,965	5,234,928
Accounts and pledges receivable, net		1,611,032	2,676,046
Prepaid expenses		194,845	414,246
Inventory		43,917	46,940
Short-term investments		17,772,343	19,744,494
Land, buildings, and equipment, less accumulated depreciation		35,795,621	32,879,221
Long-term investments		3,152,530	2,987,389
Total assets	$	63,191,253	63,983,264
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	2,815,505	2,721,047
Deferred revenue		591,180	1,886,760
Liability under split-interest agreements		7,812	8,802
Total liabilities		3,414,497	4,616,609
Net assets:			
Without donor restrictions		45,714,294	45,904,803
With donor restrictions		14,062,462	13,461,852
Total net assets		59,776,756	59,366,655
Commitments and contingent liabilities			
Total liabilities and net assets	$	63,191,253	63,983,264

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF HONOLULU

Statement of Activities

Year ended December 31, 2020
(with summarized financial information for the year ended December 31, 2019)

	Without donor restrictions	With donor restrictions	2020 total	2019 total
Revenue, gains, and other support:				
Program service fees	$ 9,674,247	—	9,674,247	22,692,605
Government grants	7,744,511	—	7,744,511	3,803,069
Contributions and bequests	1,816,833	230,469	2,047,302	2,508,556
Investment return, net	1,804,814	744,738	2,549,552	4,098,203
Aloha United Way contribution allocation	16,781	—	16,781	11,414
Special events and others, net of cost of sales of $14,482	72,336	—	72,336	150,548
Other	925,989	—	925,989	1,374,357
Net assets released from restrictions:				
Satisfaction of capital and program restrictions	374,597	(374,597)	—	—
Total revenue, gains, and other support	22,430,108	600,610	23,030,718	34,638,752
Expenses:				
Program services:				
Youth development	9,885,812	—	9,885,812	13,922,161
Healthy living	6,030,080	—	6,030,080	9,157,996
Social responsibility	3,545,732	—	3,545,732	3,515,310
Total program services	19,461,624	—	19,461,624	26,595,467
Supporting services:				
Management and general	2,637,491	—	2,637,491	3,083,900
Fund-raising	521,502	—	521,502	672,014
Total supporting services	3,158,993	—	3,158,993	3,755,914
Total expenses	22,620,617	—	22,620,617	30,351,381
Change in net assets	(190,509)	600,610	410,101	4,287,371
Net assets at beginning of year	45,904,803	13,461,852	59,366,655	55,079,284
Net assets at end of year	$ 45,714,294	14,062,462	59,776,756	59,366,655

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF HONOLULU

Statement of Functional Expenses

Year ended December 31, 2020
(with summarized financial information for the year ended December 31, 2019)

	Program services			Total	Supporting services		Total		
	Youth development	Healthy living	Social responsibility	program services	Management and general	Fund-raising	supporting services	2020 total	2019 total
Salaries and wages	$ 4,435,633	2,811,376	1,603,644	8,850,653	1,585,443	283,601	1,869,044	10,719,697	16,213,542
Payroll taxes	934,870	626,315	236,961	1,798,146	137,493	26,359	163,852	1,961,998	1,602,441
Employee benefits	750,885	504,385	349,996	1,605,266	260,304	55,593	315,897	1,921,163	2,453,532
Total salaries and related expenses	6,121,388	3,942,076	2,190,601	12,254,065	1,983,240	365,553	2,348,793	14,602,858	20,269,515
Occupancy	838,890	579,810	232,969	1,651,669	51,199	560	51,759	1,703,428	2,422,298
Supplies	1,022,862	208,420	84,595	1,315,877	43,209	40,841	84,050	1,399,927	1,406,882
Professional fees	62,664	127,401	654,250	844,315	196,898	62,037	258,935	1,103,250	1,300,369
Equipment rental and maintenance	121,893	127,338	50,950	300,181	193,058	—	193,058	493,239	587,878
Insurance premiums	146,970	99,472	52,058	298,500	58,362	—	58,362	356,862	301,916
Membership dues	143,354	96,542	21,768	261,664	6,690	25	6,715	268,379	360,892
Telephone	119,742	61,520	36,467	217,729	33,101	900	34,001	251,730	298,825
Travel and employee expenses	132,599	39,742	21,163	193,504	2,226	105	2,331	195,835	560,197
Bad debt	87,414	42,244	22,751	152,409	207	—	207	152,616	99,711
Printing, publishing, and promotions	41,209	34,190	7,642	83,041	—	26,752	26,752	109,793	442,084
Awards and grants	51,300	—	—	51,300	—	—	—	51,300	59,194
Conferences, conventions, and meetings	1,689	—	2,905	4,594	3,963	15,924	19,887	24,481	378,462
Postage and shipping	3,558	1,464	333	5,355	11,055	5,547	16,602	21,957	44,115
Other	10,209	6,532	1,454	18,195	5,319	3,258	8,577	26,772	47,681
Total expenses before depreciation	8,905,741	5,366,751	3,379,906	17,652,398	2,588,527	521,502	3,110,029	20,762,427	28,580,019
Depreciation of buildings and equipment	980,071	663,329	165,826	1,809,226	48,964	—	48,964	1,858,190	1,771,362
Total	$ 9,885,812	6,030,080	3,545,732	19,461,624	2,637,491	521,502	3,158,993	22,620,617	30,351,381

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF HONOLULU

Statement of Cash Flows

Year ended December 31, 2020
(with summarized financial information for the year ended December 31, 2019)

		2020	2019
Cash flows from operating activities:			
Change in net assets	$	410,101	4,287,371
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		1,858,190	1,771,362
Net realized and unrealized gain on investments		(2,117,951)	(3,583,939)
Bad debt expense		152,616	99,711
Gain on sale of land, buildings and equipment		—	4,028
Contributions restricted for long-term investment		(165,141)	(52,767)
Changes in operating assets and liabilities:			
Decrease in accounts and pledges receivable		912,398	124,031
Decrease in prepaid expenses		219,401	7,142
Decrease (increase) in inventory		3,023	(1,892)
Increase in accounts payable and accrued expenses		409,593	412,389
Decrease in deferred revenues		(1,295,580)	(167,512)
Net cash provided by operating activities		386,650	2,899,924
Cash flows from investing activities:			
Proceeds from sale of land, buildings and equipment		—	510
Purchases of land, buildings, and equipment		(5,089,725)	(3,354,402)
Proceeds from sale of investments		7,274,385	2,555,250
Purchases of investments		(3,349,424)	(2,633,718)
Net cash used in investing activities		(1,164,764)	(3,432,360)
Cash flows from financing activities:			
Decrease in liabilities under split-interest agreements, net		(990)	(990)
Proceeds from contributions restricted for long-term investment: Endowment		165,141	52,767
Net cash provided by financing activities		164,151	51,777
Net decrease in cash and cash equivalents		(613,963)	(480,659)
Cash and cash equivalents at beginning of year		5,234,928	5,715,587
Cash and cash equivalents at end of year	$	4,620,965	5,234,928
Supplemental disclosures of noncash investing activities:			
Accounts payable and accrued expenses associated with purchases of land, buildings, and equipment	$	321,973	637,108

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

Young Men's Christian Association of Honolulu (the Association or YMCA) was founded in 1869 and today is comprised of nine operating branches on the island of Oahu, Hawaii. The Association works to advance its cause of strengthening community through youth development, healthy living, and social responsibility. Youth development aims to nurture the potential of every child and teen through programs such as afterschool and summer childcare programs, education and leadership, swim and camp. Healthy living programs aim to improve the nation's health and well-being through programs that focus on family time, well-being and fitness, sports and recreation. Social responsibility incorporates giving back and providing support to its neighbors with programs that include social services, global services, volunteerism and advocacy.

(b) Financial Statement Presentation

Net assets and revenue, gains, losses, and other support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Net Assets without donor restrictions – Net assets not subject to donor-imposed stipulations.

Net Assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Association and/or the passage of time. Other donor-imposed stipulations are perpetual in nature, where by the donor has stipulated the funds must be maintained permanently by the Association. The donors of these assets permit the Association to use all of the income earned on related investments for general or specific purposes.

(c) Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. At December 31, 2020, the Association held $113,543 of cash equivalents consisting of money market accounts.

(d) Inventory

Supplies inventory is carried at the lower of cost (determined on the first-in, first-out method) or net realizable value.

(e) Investments

Investment securities are reported at fair value with unrealized gains and losses included in the statement of activities. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law. The fair value of investment securities is the price that would be received to sell the investment security in an orderly transaction between market participants at the measurement date.

Investments that are used for current operations are classified as short-term investments. Investments that are restricted from withdrawal or use for other than current operations and subject to donor-imposed restrictions are classified as long-term investments.

(Continued)

(f) Land, Buildings, and Equipment

Land, buildings, and equipment are capitalized at cost, if purchased, or at fair value at the date of the donation.

The Association reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets 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 restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the acquired long-lived assets are placed in service.

Depreciation of long-lived assets is calculated on the straight-line basis over estimated useful lives as follows:

	Years
Buildings and improvements	10 to 50
Furniture, fixtures, and equipment	3 to 10
Vehicles	3 to 7

(g) Deferred Revenue

Deferred revenue consists primarily of membership dues and program fees collected in advance of the effective period or services rendered.

(h) Contributions

Contributions are recorded in the period received. Unconditional promises to give (pledges receivable) that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using fair value interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions and bequests. Conditional contributions are recorded at their estimated fair value in the period the conditions are met or in the period received if there is only a remote likelihood that those conditions will not be met.

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

(i) Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management did not identify any matter that would lead to an impairment loss for the year ended December 31, 2020.

(Continued)

(j) Liquidity and Availability

The Association's financial assets available within one year of the balance sheet for general expenditure are as follows:

Financial assets at year end:		
Cash and cash equivalents	$	4,620,965
Accounts and pledges receivable, net		1,611,032
Short-term investments		17,772,343
Long-term investments		3,152,530
Total financial assets		27,156,870
Less amounts not available to be used within one year:		
Net assets with donor restrictions		(14,062,462)
Less net assets with purpose restrictions to be met in less than a year		1,644,430
Financial assets available to meet general expenditures over the next twelve months	$	14,738,838

The Association's goal is generally to maintain cash and cash equivalents to meet 60 days of operating expenses (approximately $4,000,000). As part of its liquidity plan, excess cash is invested in short-term investments, including certificates of deposit, mutual funds, bond funds, common stock and exchange traded funds. The Association has a margin account to meet additional cash flow needs.

(k) Use of Estimates

The preparation of the financial statements in accordance with U.S. generally accepted accounting principles, requires management of the Association to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. Such estimates include the useful lives of land, buildings, and equipment and inventory, the fair value of investments, and the valuation allowances of receivables.

(l) Income Taxes

The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Association is generally not subject to federal income taxes. However, the Association is subject to income taxes on any net income that is derived from trade or business, regularly carried on and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded, as it is the opinion of management that net income from any unrelated trade or business, if any, is not material to the financial statements taken as a whole. The Association is no longer subject to income tax examinations by federal tax authorities for years before 2017 and state tax authorities for years before 2016.

(Continued)

(m) Fair Value Measurements

The Association measures its financial assets, liabilities, and nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(n) Prior Year Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

(o) Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. The new standard establishes a right of use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities. The new standard is effective for the Association for the fiscal year beginning on January 1, 2022, with early adoption permitted. The Association is currently evaluating the effect that the adoption of this ASU will have on the financial statements.

(p) COVID-19 Considerations

In December 2019, a novel strain of coronavirus (COVID-19) surfaced and spread globally. COVID-19 was declared a global pandemic by the World Health Organization on March 11, 2020 and the President of the United States declared the COVID-19 outbreak a national emergency on March 13, 2020. This pandemic has negatively affected the US and global economies, disrupted global supply chains and financial markets, and led to significant travel and transportation restrictions. Due to COVID-19 stay-at-home and shutdown orders, the Association temporarily suspended operations at its branches from March 16, 2020 and reopened operations in various phases throughout 2020. As a result of the impact from COVID-19 throughout 2020, the Association continued to experience a significant decline in demand from members, and were forced to limit program participants, which negatively affected revenue for the 2020 year. The impact of the COVID-19 pandemic remains fluid and the extent of the future impact to the operations may be significant. Therefore, the Association is unable to predict the extent or nature of these effects at this time.

(2) Pledges Receivable

Pledges receivable for the Association's capital campaign consist of the following at December 31, 2020:

Contributions to be received within one year	$	623,403
Contributions to be received in one to five years		382,000
		1,005,403
Less unamortized discount (1.7%–2.5%)		(17,864)
Net pledges receivable	$	987,539

The allowance for uncollectible pledges receivable at December 31, 2020 was $46,936.

(3) Investments

(a) Summary of Investments

As of December 31, 2020, investments are classified as short and long-term as follows:

Short-term investments	$	17,772,343
Long-term investments		3,152,530
Total investments	$	20,924,873

(b) Fair Value of Financial Instruments

The Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Association determines fair value based on assumptions that market participants would use in pricing an asset or 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 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Level 2 valuations are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

(Continued)

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

Investments are valued at closing price reported on the active market in which the individual securities are traded.

The following table presents the balances of assets that are measured at fair value on a recurring basis by level at December 31, 2020:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Investments:				
Cash and cash equivalents	$ 235,405	—	—	235,405
Certificates of deposit	—	200,000	—	200,000
Mutual funds – equity	3,470,937	—	—	3,470,937
Mutual funds – fixed income	1,296,270	—	—	1,296,270
Mutual funds – alternative				—
funds	325,792	—	—	325,792
Bond funds	1,062,262	—	—	1,062,262
International funds	1,099,159	—	—	1,099,159
Common stocks	176,475	—	—	176,475
Exchange traded funds	13,058,573	—	—	13,058,573
	$ 20,724,873	200,000	—	20,924,873

The Association's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 3 for the year ended December 31, 2020.

(4) Land, Buildings, and Equipment

A summary of land, buildings, and equipment as of December 31, 2020 is as follows:

Land	$ 5,557,770
Buildings and building improvements	47,439,906
Furniture, fixtures, and equipment	10,788,847
Vehicles	1,250,459
Construction in progress	4,350,321
	69,387,303
Less accumulated depreciation	(33,591,682)
	$ 35,795,621

(5) Debt

The Association has a revolving margin account with an investment firm to be used for working capital, short-term, or long-term needs. This account has no expiration date, and borrowings are allowed up to 50% of its investment holdings. Interest on amounts drawn are floating at the Federal Fund rate plus 1.5%. At December 31, 2020, the Association did not have any outstanding debt.

(6) Leases

(a) As Lessee

The Association leases the land underlying its Kaimuki branch under an operating lease expiring in 2026. The lease provides for early termination with 180 days prior written notice by either the Association or the lessor. The Association also leases parking for its Windward branch through 2021 under an operating lease. In addition, the Association has operating leases for its office machines, which expire at various dates through 2022. Total rent expense under these leases was $113,000 in 2020. At December 31, 2020, future minimum lease payments are as follows:

2021	$	101,000
2022		50,000
2023		50,000
2024		50,000
2025		50,000
Thereafter		50,000
	$	351,000

(b) As Lessor

The Association leases portions of its Kalihi, and Nuuanu branches under operating leases expiring through 2049. Property and equipment at December 31, 2020 included leased property of $238,280, net of accumulated depreciation of $232,034.

At December 31, 2020, future minimum rental income is as follows:

2021	$	118,000
2022		115,000
2023		111,000
2024		113,000
2025		114,000
Thereafter		1,825,000
	$	2,396,000

Minimum future rental income does not include contingent rents that may be received under the partial building leases for rents based on the tenant's gross sales.

(7) Pension Plan

The Association participates in a defined-contribution, individual account, money purchase retirement plan, which is administered by the Young Men's Christian Association Retirement Fund (YMCA Retirement Fund) (a separate corporation). This plan is for the benefit of all eligible employees of the Association who qualify under the participation requirements.

In accordance with the agreement with the YMCA Retirement Fund, contributions by the Association and employees of the Association are based on a percentage of the participating employees' salaries and are to be remitted to the YMCA Retirement Fund on a monthly basis. Contributions made by the Association to the YMCA Retirement Fund for the year ended December 31, 2020 totaled $869,500.

The YMCA Retirement Fund is operated as a church pension plan and is a nonprofit, tax-exempt New York State corporation (1922). Participation is available to all duly organized and reorganized Young Men's Christian Associations in the United States.

(8) Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2020 are available for the following purposes:

Subject to expenditure for specific purposes:		
Capital projects	$	6,633,779
Other		4,276,153
		10,909,932
Restricted for investment in perpetuity and the income from which is expendable to support the following:		
General endowment		2,134,840
Weinberg Endowment Fund		200,000
H.B. Clark, Jr. Scholarship Fund		211,254
B.F. Beardmore Endowment Fund		162,005
H.B. Clark, Jr. Philippine Fund		102,355
Rodney and Lena Matsumoto Family Education Fund		67,395
August Yee International Scholarship Fund		42,545
Don Anderson Scholarship Fund		39,608
Elias Family Fund		26,500
A.J. Jackson Camp Scholarship Fund		20,266
Michael & Gail Kawaharada and Matsuko Kawaharada Family Endowment Fund		34,778
Chan Ju Richardson Endowment Fund		25,000
Michael Broderick Fund for At-Risk Youth		85,984
		3,152,530
Total net assets with donor restrictions	$	14,062,462

In 2020, net assets in the amount of $374,597 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors are as follows:

Scholarship	$	225,511
Capital projects, other		149,086
	$	374,597

(9) Endowment

The Association's endowment consists of approximately 12 donor-designated endowment funds established for a variety of purposes. At December 31, 2020, the endowment fund amounted to $6,328,454.

For the year ended December 31, 2020, the changes in endowment net assets are as follows:

Endowment net assets, beginning of year	$	5,667,385
Investment return, net		687,240
Contributions		165,141
Appropriations of endowment assets for expenditure		(191,312)
Endowment net assets, end of year	$	6,328,454

Description of amounts classified as net assets with donor restrictions is as follows:

The portion of net assets with donor restrictions, excluding endowment funds, subject to purpose restrictions	$	7,734,008
The portion of endowment funds that is required to be retained either by explicit donor stipulation or by HUPMIFA		6,328,454
Total net assets with donor restrictions	$	14,062,462

(a) Interpretation of Relevant Law

The Association is subject to Hawaii's enacted version of the Uniform Prudent Management of Institutional Funds Act (HUPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors has interpreted HUPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Association considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial 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. The Association has interpreted HUPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with HUPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the organization and the donor-restricted endowment fund

(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

(7) The investment policies of the Association.

(b) Description of Amounts Classified as Net Assets with Donor Restrictions

(i) Return Objectives and Risk Parameters

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity.

(ii) Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

(iii) Spending Policy and How The Investment Objectives Relate to Spending Policy

Under the terms of the endowment fund, the Association has a policy of appropriating, for program use, amounts not to exceed 4.5% of the investment portfolio, provided that such withdrawal does not erode the principal balance. In establishing this policy, the Association considered the long-term expected return on its endowment. Accordingly, over the long term, the Association expects the current spending policy to allow its endowment to grow at a rate that exceeds the spending rate. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

(10) Litigation

The Association is involved in claims arising in the ordinary course of business. Management, after consultation with legal counsel, is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the Association's financial statements.

(11) Commitments and Contingencies

Federal grant programs are subject to review by the grantor agencies, which could result in requests for reimbursement to grantor agencies for disallowed expenditures. Management believes that it has adhered to the terms of its grants and that any disallowed expenditures resulting from such review would not have a material effect on the financial position of the Association

(12) Subsequent Events

On February 16, 2021, the Association received a loan from Bank of Hawaii in the amount of $2,528,375 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated February 16, 2021 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. The loan bears interest at a rate of 1% and matures on February 15, 2026. Management expects to meet the PPP's eligibility criteria and loan forgiveness requirements and concludes that the PPP loan represents, in substance, a grant that is expected to be forgiven. Under this model, the Association will recognize the forgiveness in income on a systematic basis in line with its recognition of eligible payroll and other related expenses.

The Association has evaluated subsequent events from the balance sheet date through July 27, 2021, the date at which the financial statements were available to be issued and determined there are no other items to disclose.