The Episcopal Church in Hawai‘i

Financial Statements

December 31, 2025 and 2024

The Episcopal Church in Hawai‘i
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Independent Auditor's Report

To the Diocesan Council of
The Episcopal Church in Hawai'i

Qualified Opinion

I have audited the accompanying financial statements of The Episcopal Church in Hawai'i (the "Church")(a nonprofit organization) which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements referred to above present fairly, in all material respects, the financial position of the Church 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 Qualified Opinion

As more fully described in Note 1 to the financial statements, the Church does not include in its financial statements the financial position and activities of subsidiary entities. In my opinion, accounting principles generally accepted in the United States of America require that the accounts of subsidiary entities be consolidated into the reporting entity's financial statements. The effects of the above matter on the accompanying financial statements have not been determined.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Church and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Responsibilities of Management 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, 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 Church's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- 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 Church'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

James P. Hasselman, CPA, LLC

Honolulu, Hawai'i
August 28, 2026

The Episcopal Church in Hawai‘i
Statement of Financial Position
December 31, 2025

	Current Operations	Long-Term Investment	Plant	Total
Assets				
Cash and cash equivalents	$ 2,319,731	$ -	$ -	$ 2,319,731
Certificates of deposit	2,630,372	-	-	2,630,372
Accounts receivable from parishes, missions and other	161,444	-	-	161,444
Prepaid expenses and other assets	53,385	-	-	53,385
Loans receivable from parishes, missions and other	44,517	-	-	44,517
Investments	-	55,090,293	-	55,090,293
Property and equipment	-	-	2,815,947	2,815,947
Assets held in trust by others	-	3,063,553	-	3,063,553
Total assets	$ 5,209,449	$ 58,153,846	$ 2,815,947	$ 66,179,242
Liabilities and Net Assets				
Accounts payable and other accrued expenses	$ 73,974	$ -	$ -	$ 73,974
Due to parishes and other organizations	15,287	26,035,940	-	26,051,227
Security deposits	9,540	-	-	9,540
Annuity obligation	-	1,784	-	1,784
Accrued postretirement benefit cost	309,754	-	-	309,754
Total liabilities	408,555	26,037,724	-	26,446,279
Net Assets				
Without donor restrictions	3,914,357	10,420,583	2,815,947	17,150,887
With donor restrictions	886,537	21,695,539	-	22,582,076
Total net assets	4,800,894	32,116,122	2,815,947	39,732,963
Total liabilities and net assets	$ 5,209,449	$ 58,153,846	$ 2,815,947	$ 66,179,242

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

The Episcopal Church in Hawai‘i
Statement of Financial Position
December 31, 2024

	Current Operations	Long-Term Investment	Plant	Total
Assets				
Cash and cash equivalents	$ 1,559,640	$ -	$ -	$ 1,559,640
Certificates of deposit	2,117,896	-	-	2,117,896
Accounts receivable from parishes, missions and other	424,973	-	-	424,973
Prepaid expenses and other assets	87,185	-	-	87,185
Loans receivable from parishes, missions and other	381,833	-	-	381,833
Investments	-	48,923,176	-	48,923,176
Property and equipment	-	-	2,815,947	2,815,947
Assets held in trust by others	-	2,749,814	-	2,749,814
Total assets	$ 4,571,527	$ 51,672,990	$ 2,815,947	$ 59,060,464
Liabilities and Net Assets				
Accounts payable and other accrued expenses	$ 66,736	$ -	$ -	$ 66,736
Due to parishes and other organizations	3,578	23,700,872	-	23,704,450
Security deposits	9,855	-	-	9,855
Annuity obligation	-	1,784	-	1,784
Notes payable	342,000	-	-	342,000
Accrued postretirement benefit cost	304,749	-	-	304,749
Total liabilities	726,918	23,702,656	-	24,429,574
Net Assets				
Without donor restrictions	3,338,383	8,174,636	2,815,947	14,328,966
With donor restrictions	506,226	19,795,698	-	20,301,924
Total net assets	3,844,609	27,970,334	2,815,947	34,630,890
Total liabilities and net assets	$ 4,571,527	$ 51,672,990	$ 2,815,947	$ 59,060,464

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

The Episcopal Church in Hawai‘i
Statement of Activities
Year Ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Congregation assessments	$ 1,395,008	$ -	$ 1,395,008
Net realized and unrealized gains on investments	924,356	1,568,885	2,493,241
Gain on sale of real estate	2,418,999	-	2,418,999
Contributions and bequests	146,682	1,197,210	1,343,892
Income on long-term investments	233,841	418,166	652,007
Parking rental	113,311	-	113,311
Income from assets held in trust by others	94,931	22,387	117,318
Net change in value of assets held in trust by others	-	313,739	313,739
Interest	181,940	-	181,940
Other	7,280	-	7,280
Net assets released from restrictions			
Satisfaction of program requirements	804,278	(804,278)	-
Endowment spending policy appropriations	435,957	(435,957)	-
Total revenues, gains and other support	6,756,583	2,280,152	9,036,735
Expenses			
Program Expenses - ministry and mission support	2,260,679	-	2,260,679
Supporting Services			
Management and general	1,189,694	-	1,189,694
Fundraising and development	122,101	-	122,101
Payments to national Episcopal Church	331,648	-	331,648
Total expenses	3,904,122	-	3,904,122
Other income (losses)			
Postretirement benefit plan changes other than net periodic benefit cost	(30,540)	-	(30,540)
Change in net assets	2,821,921	2,280,152	5,102,073
Net assets			
Beginning of year	14,328,966	20,301,924	34,630,890
End of year	$ 17,150,887	$ 22,582,076	$ 39,732,963

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

The Episcopal Church in Hawai‘i
Statement of Activities
Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Congregation assessments	$ 1,425,098	$ -	$ 1,425,098
Net realized and unrealized losses on investments	754,707	1,561,775	2,316,482
Contributions	133,505	527,432	660,937
Income on long-term investments	191,087	396,241	587,328
Parking rental	112,450	-	112,450
Income from assets held in trust by others	94,859	16,133	110,992
Net change in value of assets held in trust by others	-	220,106	220,106
Interest	39,327	-	39,327
Other	10,720	-	10,720
Net assets released from restrictions			
Satisfaction of program requirements	575,373	(575,373)	-
Endowment spending policy appropriations	449,790	(449,790)	-
Total revenues, gains and other support	3,786,916	1,696,524	5,483,440
Expenses			
Program Expenses - ministry and mission support	1,442,252	-	1,442,252
Supporting Services			
Management and general	993,248	-	993,248
Fundraising	48,616		48,616
Payments to national Episcopal Church	152,900	-	152,900
Total expenses	2,637,016	-	2,637,016
Other income (losses)			
Postretirement benefit plan changes other than net periodic benefit cost	(27,455)	-	(27,455)
Change in net assets	1,122,445	1,696,524	2,818,969
Net assets			
Beginning of year	13,206,521	18,605,400	31,811,921
End of year	$ 14,328,966	$ 20,301,924	$ 34,630,890

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

The Episcopal Church in Hawai‘i
Statement of Functional Expenses
Year Ended December 31, 2025

	Program Services	Management and General	Fundraising	Payments to National Episcopal Church	Total
Grants	$ 1,220,542	$ -	$ -	$ -	$ 1,220,542
Salaries and wages	670,023	357,276	-	-	1,027,299
Employee benefits and payroll taxes	165,003	141,584	-	-	306,587
Postretirement plan credit	-	(28,181)	-	-	(28,181)
Audit and financial reporting	-	43,651	-	-	43,651
Legal services	605	182,051	-	-	182,656
Other professional services	15,632	58,538	121,627	-	195,797
Office expenses	15,902	57,632	474	-	74,008
Information technology	25,330	39,973	-	-	65,303
Occupancy	15,867	275,870	-	-	291,737
Meetings and programs	68,081	(10,644)	-	-	57,437
Travel	57,807	43,634	-	-	101,441
Insurance	5,887	21,787	-	-	27,674
Episcopal Church quota	-	-	-	331,648	331,648
Other	-	6,523	-	-	6,523
	$ 2,260,679	$ 1,189,694	$ 122,101	$ 331,648	$ 3,904,122

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

The Episcopal Church in Hawai‘i
Statement of Functional Expenses
Year Ended December 31, 2024

	Program Services	Management and General	Fundraising	Payments to National Episcopal Church	Total
Grants	$ 508,477	$ -	$ -	$ -	$ 508,477
Salaries and wages	593,320	319,575	-	-	912,895
Employee benefits and payroll taxes	143,247	106,858	-	-	250,105
Postretirement plan credit	-	(45,109)	-	-	(45,109)
Audit and financial reporting	-	38,470	-	-	38,470
Legal services	17,860	61,795	-	-	79,655
Other professional services	14,491	134,882	48,467	-	197,840
Office expenses	15,968	63,599	149	-	79,716
Information technology	29,231	26,420	-	-	55,651
Occupancy	14,509	141,214	-	-	155,723
Meetings and programs	54,282	(8,903)	-	-	45,379
Travel	39,583	104,747	-	-	144,330
Insurance	11,284	21,034	-	-	32,318
Bad debt expense	-	21,552	-	-	21,552
Episcopal Church quota	-	-	-	152,900	152,900
Other	-	7,114	-	-	7,114
	$ 1,442,252	$ 993,248	$ 48,616	$ 152,900	$ 2,637,016

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

The Episcopal Church in Hawai‘i
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Change in net assets	$ 5,102,073	$ 2,818,969
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net unrealized and realized losses (gains) on investments	(2,493,241)	(2,316,482)
Gain on sale of real property	(2,418,999)	-
Change in value of assets held in trust by others	(313,739)	(216,766)
Loan receivable converted to grant	342,000	-
Bad debt expense	-	21,552
Contributions restricted to endowment	(33,333)	(20,000)
Change in receivables	263,529	(358,623)
Change in prepaid expenses and other	33,485	101,100
Change in accounts payable and other accrued expenses	7,238	2,484
Change in due to parishes and other organizations	11,710	(74,122)
Change in accrued postretirement benefit cost	5,005	(17,654)
Net cash provided by (used in) operating activities	505,728	(59,542)
Cash flows from investing activities		
Proceeds from sale of investments	40,271,383	38,872,170
Purchases of investments	(41,770,519)	(38,568,390)
Gain (proceeds) on sale of real property	2,418,999	-
Received from parishes for investment in investment pool	901,370	869,498
Parish withdrawals and distributions from investment pool	(741,043)	(951,080)
Loans issued to parishes, missions and other	(23,000)	(10,000)
Collection of loans receivable	18,316	107,695
Maturities (purchases) of certificates of deposit	(512,476)	(1,917,896)
Net cash provided by (used in) investing activities	563,030	(1,598,003)
Cash flows from financing activities		
Payment of notes payable	(342,000)	(97,528)
Contributions to permanent endowment	33,333	20,000
Net cash used in financing activities	(308,667)	(77,528)
Net increase (decrease) in cash and cash equivalents	760,091	(1,735,073)
Cash and cash equivalents		
Beginning of year	1,559,640	3,294,713
End of year	$ 2,319,731	$ 1,559,640
Cash paid during the year for		
Interest	$ 4,359	$ 16,233
Noncash investing and financing activities		
Loan receivable converted to grant	$ 342,000	$ -

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

1. Summary of Significant Accounting Policies

Accounts and Records

The accompanying financial statements reflect the financial position, activities and cash flows of The Episcopal Church in Hawai‘i (the “Church”), which represents the central administrative body for the various departments within the Church's organization in Hawai‘i. The accounts and records of the Church do not reflect the financial position and activities of parishes and missions (“parishes”) or institutions (“departments, schools and camps”), which conduct much of the activities of The Episcopal Church throughout the State of Hawai‘i.

Generally accepted accounting principles (GAAP) establish a framework for determining when a not-for-profit reporting entity should consolidate the financial position and activities of another not-for-profit entity. The determining criterion for consolidation within the framework is whether the reporting entity has both control over and an economic interest in the other entity. Management has evaluated the criterion in relation to numerous organizations and determined that three entities meet the criterion for consolidation: St. Andrew's Schools, Camp Mokule‘ia, and A Cup of Cold Water. Management has decided not to consolidate these entities and instead is presenting the financial position and activities of the Church on an unconsolidated basis. Accordingly, the Church's consolidation policy is not in accordance with GAAP.

Summarized financial information for these entities has not been provided as audited financial statements are not available.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The statements of financial position present the Church's assets, liabilities and net assets as follows:

Current Operations
Reflects assets, liabilities and net assets that result from day-to-day operations and are available to be expended currently.

Long-Term Investment
Primarily consists of assets held in an investment pool on behalf of the Church and its affiliated parishes, missions and other related organizations. A substantial portion of the Church's assets in the investment pool are donor restricted. Unrestricted assets in this pool have been designated by the board to be held for long-term investment.

Plant
Consists of the Church's real property, furniture, fixtures and equipment.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Cash Equivalents
The Church considers all highly liquid debt instruments, including short-term cash investments, purchased with an original maturity of three months or less to be cash equivalents, except for money market mutual funds held by the investment pool, which are considered to be investments. Certificates of deposit with original maturities of more than three months are classified separately from cash equivalents, and are carried at fair value as determined by the investment manager holding the certificates.

Receivables
Accounts and loans receivable are stated at the amounts owed to the Church by parishes and third parties. Receivables older than 60 days are considered past due and placed on nonaccrual status. An allowance for doubtful accounts is established when needed based on management's judgments about the collectability of receivables. Uncollectible receivables are written off when management determines the receivable will not be collected.

Investments
The Church, through its fund management advisors and custodians, maintains an investment pool on behalf of itself, parishes and other related organizations. Parish investment funds, which are commingled with the Church's investments and accounted for using a pooled unit system, are reflected as assets and liabilities on the statements of financial position.

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Dividend income is recorded when received. Interest income is recorded on an accrual basis.

The Church's investment objective is to seek a return which allows it to meet its spending policy as well as provide inflation protection of its principal. The investment and spending policies work together to achieve this objective. Over the longer term, the objective is to earn a return of 4% above the rate of inflation (Consumer Price Index). Investment guidelines define asset allocation targets and ranges, with an emphasis on equity based investments. Investment performance is measured on both an absolute and relative basis compared to benchmark indexes.

The Church attempts to minimize credit risk by limiting its investments in debt securities to U.S. Treasury notes and bonds, and to high-quality corporate notes and bonds diversified among various issuers and industry groups. Additionally, the Church attempts to minimize market risk by diversifying its investments in common and preferred stock among various issuers and industry groups.

Investment securities, in general, are exposed to interest rate, market, credit and other risks depending on the nature of the specific investment. Accordingly, it is at least reasonably possible that these factors will result in changes in the value of the Church's investments, which could materially affect amounts reported in the financial statements.

Endowment Spending Policy
The Church has a policy of appropriating for distribution each year 4-5% of an endowment fund's average fair value over the prior twelve quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. This policy is applied to those endowment funds that

comprise the Church’s budgetary endowment funds. Distributions from non-budgetary endowment funds are determined on a case by case basis. The Church expects its long-term investment return to be such that the endowment fund’s purchasing power will be preserved while still allowing for annual distributions.

Property and Equipment
Diocesan real property is carried at cost or estimated fair value at date of donation. The component cost of land and buildings is unavailable as the records of the Church do not provide a detail of cost by category. Immaterial acquisitions of furniture, fixtures and equipment costing less than $5,000 are expensed by the Church. Repairs and maintenance are expensed as incurred.

All depreciable assets have been fully depreciated and written off, and no further depreciation is recorded.

Management considers whether long-lived assets are impaired if events suggest that an impairment may exist. Impairments would be evaluated based on the cash flows expected to be generated by an asset relative to its carrying amount and any impairment loss would be based on the fair value of the asset. No impairment loss was recognized in 2025 or 2024.

Changes in estimates, based on market conditions and various other factors, may impact the future recoverability of the carrying value of long-lived assets.

The Church's Canons provide for the Church to serve as the custodian of record for certain real property and land lease agreements on behalf of individual parishes, missions and other affiliated organizations. Such real property, related lease obligations and asset retirement obligations are not reflected in the Church's financial statements since in substance, the individual parishes and other organizations are the beneficial owners of the real property and related lease agreements. Should the parishes and other organizations not be able to honor their commitments under these obligations, the Church may be contingently liable to do so.

Split-Interest Agreements
The Church recognizes split-interest agreements such as charitable remainder trusts, charitable gift annuities, charitable lead trusts and perpetual trusts when a donor purchases an annuity contract or makes an initial irrevocable gift to a trust in which the Church has a beneficial interest.

Under charitable gift annuity agreements whereby the Church serves as trustee, the Church recognizes the assets at fair value. The portion of these assets held for the benefit of others is carried at the estimated present value of future payments to be distributed over the donor's expected life based on Internal Revenue Service valuation tables, and is classified as an annuity obligation. The difference is recognized as contribution revenues in the year of the gift.

Assets held in trust by others represents assets held at fair value in charitable lead trusts and perpetual trusts by independent trustees and represent resources neither in the possession nor under the control of the Church, although the Church derives income from the assets of such trusts.

Notes Payable
Notes payable consist of loans and mortgages obtained by the Church for the benefit of parishes. Proceeds of notes are advanced to the parishes and the Church recognizes a receivable for those

amounts. Interest expense accrued and paid under the notes are recognized by the parishes and reimbursed to the Church.

Net Assets
The statements of activities, as well as net assets presented in the statements of financial position, have been presented to reflect the Church's two net asset categories, which are based on donor restrictions. The net asset categories are as follows:

Net Assets Without Donor Restrictions – Net assets that are available for use in general operations and not subject to donor restrictions. Designations of net assets without donor restrictions have been made by the governing board to earmark certain net assets for long-term investment.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed 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 could be 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; or in the case of unspent endowment earnings, when such earnings have been appropriated for expenditure under the Church’s spending policy. The Church’s net assets with donor restrictions consist primarily of amounts restricted for specific program purposes, and endowment assets held for long-term investment that are available to support certain program and administrative expenses.

Contributions
Contributions received are recognized as revenues when the donor's commitment is received. The Church reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Contributions received that contain both a performance barrier and a donor’s right of refund if the performance barrier is not met are not recognized until the barrier has been satisfied.

Donated Items
Donated materials and services received in connection with the Church's program and management and general activities have not been recognized in the financial statements since these donations do not meet the recognition criteria under generally accepted accounting principles. The Church does not normally receive donated nonfinancial assets and, accordingly, disclosures related to such items are not provided.

Revenues
The Church's major revenues include the following:

Congregation Assessments
Represents payments to the Church from parishes to help fund the operations and programs of the Church. Assessments are accounted for as exchange transactions and are recorded in the period they become due. Assessments represent a significant source of support to the Church and assessments from one particular parish are in excess of ten percent of total parish assessments.

Parking Rentals
Primarily represents rental income from St. Andrew's Schools for rental of a parking lot, amounting to approximately $108,000 in 2025 and $105,000 in 2024. Amounts are recognized in the period they become due.

Functional Allocation of Expenses
The costs of providing the Church's programs and other services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Where applicable, costs that are readily identifiable to a function are directly charged to that function. Other costs have been allocated among the programs and supporting services benefited. Allocated costs include personnel compensation and benefits, office expense, and information technology expense (allocated based on management's best estimate of personnel activity by function); and occupancy costs (allocated based on square footage and personnel utilization).

Program services represent those costs associated with supporting the ministry and mission of the Episcopal Church in Hawaii. This includes direct and indirect support to parishes, camps and missions in the State of Hawai‘i. Management and general represents those costs associated with operational management, oversight of the Church's policies and procedures, management of the Church's investment portfolio, rental property expenses, and accounting and administrative activities. Fundraising costs represents fees paid to a funds development specialist.

Tax Status
The Episcopal Church in Hawai‘i is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Management believes the Church does not have any uncertain tax positions. The tax years ended 2024, 2023, and 2022 are still open to examination for both federal and state purposes.

Concentrations of Credit Risks
The Church's cash balances are held with two financial institutions. Each account is covered by FDIC or SIPC insurance ($250,000 limit per institution). Cash balances at December 31, 2025 and 2024 were in excess of available insurance coverage, however management does not believe the Church is exposed to any significant credit risk on cash balances. Accounts and loans receivable are with various parishes in Hawai‘i.

Subsequent Events Review
Management has reviewed and considered whether events occurring after year end should be reflected or disclosed in these financial statements. The date through which this review was conducted was August 28, 2026, the date the financial statements were available to be issued.

2. Liquidity and Funds Available

The Church is supported substantially by congregation assessments and investment income. As part of the Church's liquidity management, the Church structures its financial assets to be available as its general operations, liabilities, and other obligations require. Financial assets available for general expenditure within one year at December 31, 2025 and 2024, comprise the following:

	2025	2024
Cash and cash equivalents	$ 2,319,731	$ 1,559,640
Certificates of deposit	2,630,372	2,117,896
Accounts receivable	161,444	424,973
Accrued income	35,855	75,073
Loans receivable	6,600	2,000
Investments		
Diocesan general fund	618,226	605,159
Appropriated for expenditure in coming year	646,800	618,500
Less: operating fund net assets with donor restrictions	(886,537)	(506,226)
	$ 5,532,491	$ 4,897,015

Although the Church does not intend to spend from board-designated endowments without donor restrictions (other than amounts appropriated for general expenditure as part of the Church's annual budget approval and appropriation), these amounts could be made available if necessary, with board approval.

As part of its liquidity management plan, the Church invests operating funds in excess of daily requirements in certificates of deposit, interest bearing cash equivalents or in the investment fund.

3. Investments and Fair Value Measurements

Generally accepted accounting principles provide a framework for establishing fair value measurements. That framework provides a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances. This fair value hierarchy consists of three broad levels:

- Level 1 inputs consist of unadjusted quoted prices in active markets such as stock exchanges for identical assets and have the highest priority;

- Level 2 inputs consist of significant other observable inputs such as quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument;

- Level 3 inputs consist of significant unobservable inputs and include situations where there is little, if any, market activity for the investment. The inputs require significant judgment or estimates, such as those associated with discounted cash flow methodologies and appraisals. Level 3 inputs also include assets held in perpetual trusts that cannot be redeemed by the organization as beneficiary.

The fair value framework also allows for reporting of certain investments based on the net asset value (or its equivalent)("NAV") as a practical expedient when readily determinable fair values are not otherwise available. The Church's investment in a privately managed limited partnership is valued based on this practical expedient.

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

Following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at December 31, 2025 and 2024, other than privately managed limited partnership, which was previously classified as a Level 3 investment and is now reported at NAV, as discussed above. The prior year presentation has been reclassified to conform with the current year presentation.

Equity Securities: Common stock and publicly traded master limited partnerships are valued at the closing price reported on active stock exchanges (Level 1). Preferred stock is valued primarily by pricing models that incorporate available trade, bid and other market information (Level 2).

Fixed Income Securities: This asset class consists of corporate and convertible bonds, and U.S. government securities. Such securities are valued primarily by pricing models that incorporate available trade, bid and other market information (Level 2).

Money market and other mutual funds: Valued at the closing price reported on active exchanges (Level 1).

Assets held in trust by others: These assets have been valued based on the Church's beneficial interest percentage in the trust assets, which consist of marketable securities (valued at fair value) held by and reported to the Church by third party trustees. These assets are classified as Level 3 pursuant to guidance issued by the American Institute of Certified Public Accountants, since the assets cannot be redeemed by the organization.

Certificates of Deposit: Valued based on amounts reported by the investment manager, which is based on market quotes for similar assets (Level 2).

Limited Partnerships:

a) Level 1 investments are valued based on closing prices reported on active exchanges, when available;

b) NAV investments are valued based on net asset value as reported by the general partner of the partnership. Underlying real estate investments are valued based on appraisals and are reported as Level 3 investments in the investee's financial statements. Quarterly redemptions are allowed with 60 days advance notice, subject to adequate liquidity. There are no unfulfilled capital commitments with respect to this investment.

Fair values of assets measured on a recurring basis are as follows as of December 31, 2025:

	Fair Value	Quoted Prices (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Investments					
Common stock					
Basic materials	$ 1,377,775	$ 1,377,775	$ -	$ -	$ -
Capital goods/industrials	825,504	825,504	-	-	-
Consumer goods	4,466,972	4,466,972	-	-	-
Energy	3,169,461	3,169,461	-	-	-
Financials	5,018,612	5,018,612	-	-	-
Health care	2,850,426	2,850,426	-	-	-
Technology/info com	4,409,644	4,409,644	-	-	-
Other	766,609	766,609	-	-	-
Total common stock	22,885,003	22,885,003	-	-	-
Preferred stock					
Capital and consumer goods	447,553	-	447,553	-	-
Utilities	109,871	-	109,871	-	-
Financials	556,181	-	556,181	-	-
Other	256,275	-	256,275	-	-
Total preferred stock	1,369,880	-	1,369,880	-	-
Limited partnerships	1,334,302	396,764	-	-	937,538
Convertible corporate notes	6,011,528	-	6,011,528	-	-
Corporate notes and bonds	11,028,915	-	11,028,915	-	-
U.S. government securities	8,928,661	-	8,928,661	-	-
Money market mutual funds	3,195,314	3,195,314	-	-	-
Accrued income and other	336,690	-	336,690	-	-
Total investments	$ 55,090,293	$ 26,477,081	$ 27,675,674	$ -	$ 937,538
Certificates of deposit	$ 2,630,372	$ -	$ 2,630,372	$ -	$ -
Assets held in trust by others	$ 3,063,553	$ -	$ -	$ 3,063,553	$ -

Fair values of assets measured on a recurring basis are as follows as of December 31, 2024:

	Fair Value	Quoted Prices (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Investments					
Common stock					
Basic materials	$ 1,579,932	$ 1,579,932	$ -	$ -	$ -
Capital goods/industrials	515,684	515,684	-	-	-
Consumer goods	3,994,824	3,994,824	-	-	-
Energy	2,993,723	2,993,723	-	-	-
Financials	4,404,596	4,404,596	-	-	-
Health care	2,183,756	2,183,756	-	-	-
Technology/info com	4,153,517	4,153,517	-	-	-
Other	550,800	550,800	-	-	-
Total common stock	20,376,832	20,376,832	-	-	-
Preferred stock					
Capital and consumer goods	336,667	-	336,667	-	-
Utilities	143,647	-	143,647	-	-
Financials	453,111	-	453,111	-	-
Other	61,456	-	61,456	-	-
Total preferred stock	994,881	-	994,881	-	-
Limited partnerships	1,154,380	251,152	-	-	903,228
Convertible corporate notes	5,069,658	-	5,069,658	-	-
Corporate notes and bonds	9,556,299	-	9,556,299	-	-
U.S. government securities	9,669,492	-	9,669,492	-	-
Money market mutual funds	1,779,866	1,779,866	-	-	-
Accrued income and other	321,768	-	321,768	-	-
Total investments	$ 48,923,176	$ 22,407,850	$ 25,612,098	$ -	$ 903,228
Certificates of deposit	$ 2,117,896	$ -	$ 2,117,896	$ -	$ -
Assets held in trust by others	$ 2,749,814	$ -	$ -	$ 2,749,814	$ -

Investments in convertible corporate notes, and corporate notes and bonds are diversified among various industry groups, substantially all of which are U.S. based issuers. Investments in limited partnerships are primarily in the real estate industry.

4. Property and Equipment

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

	2025	2024
Kapolei real property	$ 2,644,928	$ 2,644,928
Queen Emma roadway	124,221	124,221
Other	46,798	46,798
subtotal	2,815,947	2,815,947
Less accumulated depreciation	-	-
	$ 2,815,947	$ 2,815,947

In June 2010, the Church acquired land in Kapolei, Hawai‘i for the purpose of building a new parish property. When a parish property is developed and placed into service, it is expected that the cost of this land will be transferred to the accounts of the new parish.

5. Notes Payable and Loans Receivable

Notes payable at December 31, 2025 and 2024 consisted of:

	2025	2024
Christ Memorial Church – $400,000 note with interest only payments at 4.73%, maturing April 2028. Cash and investments pledged as collateral (maximum of 100% loan to collateral value). Repaid in 2025.	$ -	$ 342,000
	$ -	$ 342,000

The Church has an undrawn line of credit in the amount of $500,000 maturing in December 2026. The line is not collateralized.

The Church’s various loan and line of credit agreements contain restrictive covenants, including restrictions on making loans/investments to other parties, and on the incurrence of additional debt obligations.

The note listed above was obtained by the Church for the purpose of loaning the proceeds to the indicated parish, for its use in capital improvements. Loans receivable from parishes, missions and others on the statement of financial position are as follows:

	2025	2024
Cathedral of St. Andrews	$ 21,850	$ -
Camp Mokule‘ia	15,000	180,000
St. Stephens	7,667	9,833
Christ Memorial Church	-	342,000
Less allowance for doubtful loans - Camp Mokule‘ia	-	(150,000)
	$ 44,517	$ 381,833

The loan to Camp Mokule‘ia is noninterest bearing with no fixed maturity date. In 2025, the Church forgave $150,000 of the Camp’s loan, and forgave the Christ Memorial Church loan of $342,000. The loan to St. Stephens is noninterest bearing payable in fixed monthly installments through 2029. The loan to Cathedral of St. Andrews is noninterest bearing payable in fixed monthly installments through 2030.

In developing an allowance for credit losses, management considers various credit quality indicators, primarily the debtor’s cash flow and ability to service the loan. An allowance for credit losses of $150,000 was provided for part of the Camp Mokule‘ia loan at December 31, 2024. Loans from parishes, camps and missions that become uncollectible may be forgiven by the Church through its grant making program.

6. Pension Benefits

The Church participates in several multiemployer retirement plans which cover substantially all full-time clergy and lay employees of the Diocese. Contributions are determined as a percentage of each covered employee's salary. Plan types are either defined benefit (“DB”) or defined contribution (“DC”) plans. Pension expense for fiscal 2025 and 2024 amounted to the following:

Plan Name	Plan Type	2025	2024
The Church Pension Fund Clergy Pension Plan	DB	$ 61,054	$ 58,425
The Episcopal Church Lay Employees' Defined Contribution Retirement Plan	DC	36,397	30,548
		$ 97,451	$ 88,973

7. Other Postretirement Benefits

The Church provides a postretirement supplemental dental benefit for retired clergy and certain lay personnel; and supplemental Medicare benefits for certain lay personnel. The Plan is contributory, with retiree contributions providing for 60% of the insurance cost.

The Church uses a December 31 measurement date for the Plan. The funded status of the Plan as of December 31, 2025 and 2024 was:

	2025	2024
Accumulated postretirement benefit obligation	$ (309,754)	$ (304,749)
Fair value of plan assets	-	-
Funded status	$ (309,754)	$ (304,749)

As of December 31, 2025 and 2024, the accrued postretirement benefit liability recognized in the statements of position was $309,754 and $304,749, respectively. Assumptions used to determine the accumulated postretirement benefit obligation at December 31, 2025 and 2024 included:

	2025	2024
Discount rate	5.37%	5.58%
Health care cost trend rate over the next year	5.00%	5.00%
Ultimate health care cost trend rate	5.00%	5.00%
Retirement and withdrawal rates	Specific identification	

Mortality assumptions were based on PRI 2012 Full Data tables, projected generationally.

Cash activity for the years ended December 31, 2025 and 2024 was as follows:

	2025	2024
Employer contributions	$ 18,920	$ 16,805
Participant contributions	-	-
Benefits paid	18,920	16,805

Within the statements of functional expenses, the cash portion of net periodic benefit cost is included with employee benefits expense and the non-cash portion is presently separately. Amounts recognized in the statements of activities for the years ended December 31, 2025 and 2024 were as follows:

	2025	2024
Amounts recognized in the statements of activities:		
Net loss (gain) arising during the period	$ 6,167	$ (17,913)
Amortization of prior service credit and net gains	24,373	45,368
Total benefit changes other than net periodic benefit cost	30,540	27,455
Net periodic benefit cost		
Service cost	1,312	1,423
Other	(7,927)	(29,727)
Total net periodic benefit cost	(6,615)	(28,304)
	$ 23,925	$ (849)
Discount rate for interest cost component of benefit cost	5.58%	5.00%

The Plan experienced actuarial gains primarily as a result of a change in the discount rate in 2025 and 2024.

Amounts reflected in unrestricted net assets that have not yet been recognized as a component of net periodic benefit cost are as follows:

	2025	2024
Unamortized actuarial losses (gains)	$ (33,367)	$ (40,857)
Unamortized prior service cost (credit)	(116,203)	(141,899)
	$ (149,570)	$ (182,756)

The Church expects to contribute $19,957 to the plan in 2026.

The following summarizes the benefits expected to be paid in future years based on the current enrollment, assumed future participation, and the same assumptions used to measure the accumulated postretirement benefit obligation:

Years ending December 31,	To Be Paid
2026	$ 19,957
2027	20,961
2028	21,048
2029	22,108
2030	22,193
2031 - 2035	111,748

8. Net Assets

The Church's endowment consists of numerous individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. Donor-restricted endowment funds are perpetual in nature and include both the original donor gift and any unspent earnings thereon. Endowment net assets, reflecting the purposes of the funds, as well as non-endowment net assets consisted of the following at December 31, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Endowments			
Episcopate	$ -	$ 5,134,852	$ 5,134,852
Clergy continuing education	-	914,074	914,074
Scholarships	-	873,789	873,789
Loan fund	-	1,604,481	1,604,481
Support for missions	-	1,276,879	1,276,879
Other programs	-	817,893	817,893
Discretionary	-	4,525,816	4,525,816
	-	15,147,784	15,147,784
Other Endowments			
Board designated for endowment			
With donor restrictions			
Building	-	2,714,658	2,714,658
Other programs	-	774,933	774,933
Without donor restrictions			
With purpose designations	5,416,451	-	5,416,451
Without purpose designations	5,000,527	-	5,000,527
Subtotal endowment funds	10,416,978	18,637,375	29,054,353
Non-Endowments			
Operating fund	3,914,357	886,537	4,800,894
Split interest agreements	3,605	35,248	38,853
Perpetual trusts	-	3,022,916	3,022,916
Property and equipment	2,815,947	-	2,815,947
	6,733,909	3,944,701	10,678,610
Total net assets	$ 17,150,887	$ 22,582,076	$ 39,732,963

Donor restricted endowments of $15,147,784 include $8,839,184 of accumulated earnings that are available for expenditure.

Changes in endowment net assets for the year ending December 31, 2025 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds, January 1, 2025	$ 8,171,031	$ 17,051,273	$ 25,222,304
Interest and dividends, net of investment expense	233,841	418,166	652,007
Net realized/unrealized gains	924,356	1,568,885	2,493,241
Contributions and deposits	2,264,071	133,795	2,397,866
Amounts appropriated for expenditure	(133,883)	(435,957)	(569,840)
Other, primarily operating fund transfers	(1,042,438)	(98,787)	(1,141,225)
Endowment Funds, December 31, 2025	$ 10,416,978	$ 18,637,375	$ 29,054,353

Endowment and non-endowment net assets consisted of the following at December 31, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Endowments			
Episcopate	$ -	$ 4,748,404	$ 4,748,404
Clergy continuing education	-	835,146	835,146
Scholarships	-	809,929	809,929
Loan fund	-	1,432,003	1,432,003
Support for missions	-	1,188,416	1,188,416
Other programs	-	745,749	745,749
Discretionary	-	4,215,076	4,215,076
	-	13,974,723	13,974,723
Other Endowments			
Board designated for endowment			
With donor restrictions			
Building	-	2,403,066	2,403,066
Other programs	-	673,484	673,484
Without donor restrictions			
With purpose designations	3,930,113	-	3,930,113
Without purpose designations	4,240,918	-	4,240,918
Subtotal endowment funds	8,171,031	17,051,273	25,222,304
Non-Endowments			
Operating fund	3,338,383	506,226	3,844,609
Split interest agreements	3,605	35,248	38,853
Perpetual trusts	-	2,709,177	2,709,177
Property and equipment	2,815,947	-	2,815,947
	6,157,935	3,250,651	9,408,586
Total net assets	$ 14,328,966	$ 20,301,924	$ 34,630,890

Donor restricted endowments of $13,974,723 include $7,698,455 of accumulated earnings that are available for expenditure.

Changes in endowment net assets for the year ended December 31, 2024 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds, January 1, 2024	$ 7,469,102	$ 15,459,920	$ 22,929,022
Interest and dividends, net of investment expense	191,087	396,241	587,328
Net realized/unrealized gains	754,707	1,561,775	2,316,482
Contributions and deposits	120,013	118,967	238,980
Amounts appropriated for expenditure	(357,212)	(449,790)	(807,002)
Other, primarily operating fund transfers	(6,666)	(35,840)	(42,506)
Endowment Funds, December 31, 2024	$ 8,171,031	$ 17,051,273	$ 25,222,304

Interpretation of SUPMIFA

The governing board (Council) of the Church, in consultation with legal counsel, has interpreted the State's Uniform Prudent Management of Institutional Funds Act (SUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Church classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board appropriates such amounts for expenditure. Certain of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions.

SUPMIFA does not require the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result, the Church considers a fund to be underwater if the fair value of the fund is less than the original value of initial and subsequent gift amounts donated to the fund. The Church has interpreted SUPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Church's policy permits spending from underwater endowment funds, if any, depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. There were no underwater funds at December 31, 2025 or 2024.