The Episcopal Church in Hawaiʻi

Financial Statements

December 31, 2021 and 2020

Index

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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, 2021 and 2020, 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, 2021 and 2020, 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
December 13, 2022

The Episcopal Church in Hawaiʻi
Statement of Financial Position
December 31, 2021

	Current Operations	Long-Term Investment	Plant	Total
Assets				
Cash and cash equivalents	$ 867,889	$ -	$ -	$ 867,889
Certificates of deposit	200,000	-	-	200,000
Accounts receivable from parishes, missions and other	382,141	-	-	382,141
Prepaid expenses and other assets	65,280	-	-	65,280
Loans receivable from parishes, missions and other	70,768	-	-	70,768
Investments	-	50,111,739	-	50,111,739
Property and equipment	-	-	2,815,947	2,815,947
Assets held in trust by others	-	2,850,111	-	2,850,111
Total assets	$ 1,586,078	$ 52,961,850	$ 2,815,947	$ 57,363,875
Liabilities and Net Assets				
Accounts payable and other accrued expenses	$ 135,351	$ -	$ -	$ 135,351
Due to parishes and other organizations	67,688	24,685,826	-	24,753,514
Security deposits	17,585	-	-	17,585
Annuity obligation	-	6,930	-	6,930
Notes payable	70,768	-	-	70,768
Accrued postretirement benefit cost	198,465	-	-	198,465
Total liabilities	489,857	24,692,756	-	25,182,613
Net Assets				
Without donor restrictions	956,937	8,318,815	2,815,947	12,091,699
With donor restrictions	139,284	19,950,279	-	20,089,563
Total net assets	1,096,221	28,269,094	2,815,947	32,181,262
Total liabilities and net assets	$ 1,586,078	$ 52,961,850	$ 2,815,947	$ 57,363,875

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

The Episcopal Church in Hawai‘i
Statement of Financial Position
December 31, 2020

	Current Operations	Long-Term Investment	Plant	Total
Assets				
Cash and cash equivalents	$ 1,030,925	$ -	$ -	$ 1,030,925
Certificates of deposit	100,000	-	-	100,000
Accounts receivable from parishes, missions and other	356,583	-	-	356,583
Prepaid expenses and other assets	38,159	-	-	38,159
Loans receivable from parishes, missions and other	94,956	-	-	94,956
Investments	-	46,157,553	-	46,157,553
Property and equipment	-	-	2,815,947	2,815,947
Assets held in trust by others	-	2,581,082	-	2,581,082
Total assets	$ 1,620,623	$ 48,738,635	$ 2,815,947	$ 53,175,205
Liabilities and Net Assets				
Accounts payable and other accrued expenses	$ 44,569	$ -	$ -	$ 44,569
Accrued vacation and sabbatical leave	26,647	-	-	26,647
PPP loan	165,500	-	-	165,500
Due to parishes and other organizations	100,711	22,623,325	-	22,724,036
Security deposits	17,900	-	-	17,900
Annuity obligation	-	6,930	-	6,930
Notes payable	94,956	-	-	94,956
Accrued postretirement benefit cost	680,321	-	-	680,321
Total liabilities	1,130,604	22,630,255	-	23,760,859
Net Assets				
Without donor restrictions	347,868	7,373,029	2,815,947	10,536,844
With donor restrictions	142,151	18,735,351	-	18,877,502
Total net assets	490,019	26,108,380	2,815,947	29,414,346
Total liabilities and net assets	$ 1,620,623	$ 48,738,635	$ 2,815,947	$ 53,175,205

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

The Episcopal Church in Hawai‘i
Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Congregation assessments	$ 1,438,962	$ -	$ 1,438,962
Net realized and unrealized gains on investments	522,638	1,135,966	1,658,604
Contributions	77,934	89,214	167,148
Income on long-term investments	108,483	235,067	343,550
Apartment and parking rentals	203,076	-	203,076
Income from assets held in trust by others	91,810	18,747	110,557
Net change in value of assets held in trust by others	-	269,029	269,029
Interest	362	-	362
PPP loan forgiveness	333,582	-	333,582
Other	2,402	-	2,402
Net assets released from restrictions			
Satisfaction of program requirements	53,166	(53,166)	-
Endowment spending policy appropriations	482,796	(482,796)	-
Total revenues, gains and other support	3,315,211	1,212,061	4,527,272
Expenses			
Program Expenses - ministry and mission support	1,080,998	-	1,080,998
Supporting Services			
Management and general	811,561	-	811,561
Fundraising	31,998	-	31,998
Payments to national Episcopal Church	308,300	-	308,300
Total expenses	2,232,857	-	2,232,857
Other income (losses)			
Postretirement benefit plan changes other than net periodic benefit cost	472,501	-	472,501
Change in net assets	1,554,855	1,212,061	2,766,916
Net assets			
Beginning of year	10,536,844	18,877,502	29,414,346
End of year	$ 12,091,699	$ 20,089,563	$ 32,181,262

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

The Episcopal Church in Hawai‘i
Statement of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Congregation assessments	$ 1,478,764	$ -	$ 1,478,764
Net realized and unrealized gains on investments	801,336	1,781,870	2,583,206
Contributions	615,226	92,049	707,275
Income on long-term investments	113,169	252,184	365,353
Apartment and parking rentals	196,099	-	196,099
Income from assets held in trust by others	83,328	19,875	103,203
Net change in value of assets held in trust by others	-	108,691	108,691
Interest	4,371	-	4,371
Other	2,710	-	2,710
Net assets released from restrictions			
Satisfaction of program requirements	57,246	(57,246)	-
Endowment spending policy appropriations	364,036	(364,036)	-
Total revenues, gains and other support	3,716,285	1,833,387	5,549,672
Expenses			
Program Expenses - ministry and mission support	1,226,064	-	1,226,064
Supporting Services			
Management and general	801,953	-	801,953
Fundraising	23,001	-	23,001
Payments to national Episcopal Church	299,400	-	299,400
Total expenses	2,350,418	-	2,350,418
Other income (losses)			
Postretirement benefit plan changes other than net periodic benefit cost	(60,156)	-	(60,156)
Change in net assets	1,305,711	1,833,387	3,139,098
Net assets			
Beginning of year	9,231,133	17,044,115	26,275,248
End of year	$ 10,536,844	$ 18,877,502	$ 29,414,346

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, 2021

	Program Services	Management and General	Fundraising	Payments to National Episcopal Church	Total
Grants	$ 284,008	$ -	$ -	$ -	$ 284,008
Salaries and wages	524,179	337,923	20,086	-	882,188
Employee benefits and payroll taxes	164,299	158,541	8,500	-	331,340
Audit support services	-	31,328	-	-	31,328
Legal services	15,101	39,869	-	-	54,970
Other professional services	7,739	35,700	-	-	43,439
Office expenses	14,487	31,914	1,090	-	47,491
Information technology	13,183	14,079	369	-	27,631
Occupancy	15,123	76,469	504	-	92,096
Rental property repair and maintenance	-	22,610	-	-	22,610
Meetings and programs	30,644	12,017	-	-	42,661
Travel	3,677	6,105	1,327	-	11,109
Insurance	8,558	28,880	122	-	37,560
Episcopal Church quota	-	-	-	308,300	308,300
Other	-	16,126	-	-	16,126
	$ 1,080,998	$ 811,561	$ 31,998	$ 308,300	$ 2,232,857

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, 2020

	Program Services	Management and General	Fundraising	Payments to National Episcopal Church	Total
Grants	$ 467,097	$ -	$ -	$ -	$ 467,097
Salaries and wages	445,914	304,730	12,751	-	763,395
Employee benefits and payroll taxes	160,904	134,621	6,591	-	302,116
Audit support services	-	32,071	-	-	32,071
Legal services	58,584	15,184	-	-	73,768
Other professional services	12,061	37,138	-	-	49,199
Office expenses	13,015	21,512	1,614	-	36,141
Information technology	16,548	18,811	477	-	35,836
Occupancy	16,691	81,595	556	-	98,842
Rental property repair and maintenance	-	17,504	-	-	17,504
Meetings and programs	18,308	9,265	258	-	27,831
Travel	9,727	8,792	643	-	19,162
Insurance	7,215	28,027	111	-	35,353
Depreciation	-	83,534	-	-	83,534
Episcopal Church quota	-	-	-	299,400	299,400
Other	-	9,169	-	-	9,169
	$ 1,226,064	$ 801,953	$ 23,001	$ 299,400	$ 2,350,418

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, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	$ 2,766,916	$ 3,139,098
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net unrealized and realized losses (gains) on investments	(1,658,604)	(2,583,206)
Change in value of assets held in trust by others	(269,029)	(108,691)
Depreciation expense	-	83,534
Contributions restricted to endowment	(6,500)	(19,770)
Change in receivables	(25,558)	3,365
Change in prepaid expenses and other	(27,436)	(4,116)
Change in accounts payable and other accrued expenses	64,135	5,732
PPP loan	(165,500)	165,500
Change in due to parishes and other organizations	(33,023)	82,261
Change in accrued postretirement benefit cost	(481,856)	46,793
Net cash provided by operating activities	163,545	810,500
Cash flows from investing activities		
Proceeds from sale of investments	46,303,023	36,014,064
Purchases of investments	(47,000,836)	(35,837,109)
Received from parishes for investment in investment pool	1,197,336	80,273
Parish withdrawals and distributions from investment pool	(732,604)	(899,481)
Collection of loans receivable	24,188	23,053
Maturities (purchases) of certificates of deposit	(100,000)	300,000
Net cash used in investing activities	(308,893)	(319,200)
Cash flows from financing activities		
Payment of notes payable	(24,188)	(23,053)
Contributions to permanent endowment	6,500	19,770
Net cash used in financing activities	(17,688)	(3,283)
Net increase (decrease) in cash and cash equivalents	(163,036)	488,017
Cash and cash equivalents		
Beginning of year	1,030,925	542,908
End of year	$ 867,889	$ 1,030,925
Cash paid during the year for		
Interest	$ 3,858	$ 5,002

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 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 generally accepted accounting principles.

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. 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 costing less than $5,000 of furniture, fixtures and equipment are expensed by the Church. Repairs and maintenance are expensed as incurred.

Prior to 2020, depreciation expense was not recorded on long-lived tangible assets as management had determined that this policy did not have a material effect on the financial statements. In 2020, the Church implemented a policy of depreciating long-lived tangible assets and recorded all previously unrecognized depreciation expense. As the amount was not material, the expense was recorded as normal expense, as opposed to a cumulative effect of change in accounting principle or as a prior period adjustment.

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 2021 or 2020.

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 Services
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.

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.

Apartment and Parking Rentals
Represents rental income from St. Andrew’s Schools for rental of a parking lot, amounting to approximately $97,000 in 2021 and $95,000 in 2020. Also includes apartment building rental income from tenants. 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 primarily represents costs associated with the Church’s planned giving efforts.

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 2020, 2019, and 2018 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, 2021 and 2020 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.

Other Risks and Uncertainties
Congregation assessments represent a major source of support for the Church. The Covid-19 pandemic has had a negative impact on the operating results of some of the Church's congregations, which in turn could result in reductions in congregation assessments in future years. Additionally, the Church waived portions of its fiscal 2021 and 2020 congregation assessments in order to further support the congregations. Management does not expect the negative impacts of the pandemic to severely disrupt the Church's future operating results, however future results could be more detrimental than presently envisioned.

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 December 13, 2022, the date the financial statements were available to be issued.

2. Liquidity and Funds Available

The Church is substantially supported 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, 2021 and 2020, comprise the following:

	2021	2020
Cash and cash equivalents	$ 867,889	$ 1,030,925
Certificates of deposit	200,000	100,000
Accounts receivable	354,134	328,576
Accrued income	28,549	4,950
Loans receivable	16,767	24,242
Investments		
Diocesan general fund	553,233	509,627
Appropriated for expenditure in coming year	616,100	632,800
Less: operating fund net assets with donor restrictions	(139,284)	(142,151)
	$ 2,497,388	$ 2,488,969

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 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 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, 2021 and 2020.

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).

Fair values of assets measured on a recurring basis are as follows as of December 31, 2021:

	Fair Value	Quoted Prices (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Common stock				
Basic materials	$ 1,827,595	$ 1,827,595	$ -	$ -
Capital goods/industrials	1,276,452	1,276,452	-	-
Consumer goods	4,663,131	4,663,131	-	-
Energy	1,538,658	1,538,658	-	-
Financials	3,441,941	3,441,941	-	-
Health care	2,879,352	2,879,352	-	-
Technology/info com	4,226,340	4,226,340	-	-
Other	356,366	356,366	-	-
Total common stock	20,209,835	20,209,835	-	-
Preferred stock				
Capital and consumer goods	562,833	-	562,833	-
Technology	332,062	-	332,062	-
Utilities	1,079,597	-	1,079,597	-
Financials	3,145,393	-	3,145,393	-
Other	956,420	-	956,420	-
Total preferred stock	6,076,305	-	6,076,305	-
Master limited partnerships				
Energy	164,398	164,398	-	-
Basic materials	145,489	145,489	-	-
Total limited partnerships	309,887	309,887	-	-
Convertible corporate notes	6,010,645	-	6,010,645	-
Corporate notes and bonds	7,669,516	-	7,669,516	-
U.S. government securities	7,188,488	-	7,188,488	-
Money market mutual funds	2,482,186	2,482,186	-	-
Accrued income and other	164,877	-	164,877	-
Total investments	$ 50,111,739	$ 23,001,908	$ 27,109,831	$ -
Certificates of deposit	$ 200,000	$ -	$ 200,000	$ -
Assets held in trust by others	$ 2,850,111	$ -	$ -	$ 2,850,111

Fair values of assets measured on a recurring basis are as follows as of December 31, 2020:

	Fair Value	Quoted Prices (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Common stock				
Basic materials	$ 1,495,941	$ 1,495,941	$ -	$ -
Capital goods/industrials	1,559,387	1,559,387	-	-
Consumer goods	3,373,984	3,373,984	-	-
Energy	907,667	907,667	-	-
Financials	3,518,382	3,518,382	-	-
Health care	1,950,398	1,950,398	-	-
Technology/info com	3,375,662	3,375,662	-	-
Other	465,765	465,765	-	-
Total common stock	16,647,186	16,647,186	-	-
Preferred stock				
Capital and consumer goods	828,835	-	828,835	-
Technology	539,321	-	539,321	-
Utilities	459,936	-	459,936	-
Financials	3,237,176	-	3,237,176	-
Other	909,826	-	909,826	-
Total preferred stock	5,975,094	-	5,975,094	-
Master limited partnerships				
Energy	138,947	138,947	-	-
Utilities	143,591	143,591	-	-
Total limited partnerships	282,538	282,538	-	-
Convertible corporate notes	6,790,582	-	6,790,582	-
Corporate notes and bonds	7,249,643	-	7,249,643	-
U.S. government securities	6,838,163	-	6,838,163	-
Money market mutual funds	2,232,484	2,232,484	-	-
Accrued income and other	141,863	-	141,863	-
Total investments	$ 46,157,553	$ 19,162,208	$ 26,995,345	$ -
Certificates of deposit	$ 100,000	$ -	$ 100,000	$ -
Assets held in trust by others	$ 2,581,082	$ -	$ -	$ 2,581,082

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.

In 2022, the U.S. stock and bond markets experienced negative returns. Through October 31, 2022, the Church's investment portfolio experienced losses of approximately 14%.

4. Property and Equipment

Property and equipment at December 31, 2021 and 2020 consisted of the following:

	2021	2020
Cluett apartments	$ 96,963	$ 96,963
Queen Emma roadway	124,221	124,221
Kapolei real property	2,644,928	2,644,928
Other	33,369	33,369
subtotal	2,899,481	2,899,481
Less accumulated depreciation	(83,534)	(83,534)
	$ 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. If 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.

As discussed in Note 1, the Church recorded previously unrecognized depreciation expense in the 2020 financial statements.

5. PPP Loans

In 2020, the Church received a $165,500 loan under The Paycheck Protection Program (PPP), which was established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The program provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loan and accrued interest is forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the payroll measurement period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1 percent, with a deferral of payments for the first six months.

The Church is accounting for this loan as a conditional grant which will be recognized into income once the conditions to entitlement have been met, namely the incurrence of qualifying costs, the submission of a loan forgiveness application, and the approval of loan forgiveness by the lender.

In February 2021 Church received a second PPP loan in the amount of $168,082.

In 2021 both of these loans were forgiven.

6. Notes Payable and Loans Receivable

Notes payable at December 31, 2021 and 2020 consisted of:

	2021	2020
Trinity Church by-the-Sea – $100,000 note, payable in $1,390 monthly installments including interest at 4.50%, maturing June 2026.	$ 67,912	$ 81,163
Christ Church – $50,046 note, payable $948 monthly including interest at 4.92%. Matured and repaid in 2022.	2,856	13,793
	$ 70,768	$ 94,956

The Church has an undrawn line of credit in the amount of $500,000 maturing in December 2022. The line is not collateralized. Any drawings would incur interest at 3.25%.

Annual future maturities of notes payable is as follows:

Years ending	
2022	$ 16,764
2023	14,547
2024	15,216
2025	15,915
2026	8,326
	$ 70,768

The Trinity Church by-the-Sea loan agreement and the line of credit agreement contain restrictive covenants, including restrictions on making loans/investments to other parties, and on the incurrence of additional debt obligations.

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

	2021	2020
Trinity Church by-the-Sea	$ 67,912	$ 81,163
Christ Church	2,856	13,793
	$ 70,768	$ 94,956

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. There was no allowance for credit losses at December 31, 2021 and 2020.

In 2022, The Church extended a noninterest bearing loan to Camp Mokule‘ia in the amount of $150,000.

7. 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. Pension expense for fiscal 2021 and 2020 amounted to the following:

Plan Name	Plan Type	2021	2020
The Church Pension Fund Clergy Pension Plan	DB	$ 53,876	$ 53,456
The Episcopal Church Lay Employees' Retirement Plan	DB	23,550	14,550
The Episcopal Church Lay Employees' Defined Contribution Retirement Plan	DC	45,677	41,749
		$ 123,103	$ 109,755

Plan types are either defined benefit ("DB") or defined contribution ("DC") plans.

8. Other Postretirement Benefits

The Church provides a postretirement supplemental Medicare health plan benefit for retired clergy and certain lay personnel. The plan purchases supplemental Medicare insurance from third-party providers. The plan is contributory, with retiree contributions providing for 60% of the insurance cost. The plan is unfunded. The plan was modified in 2021 to provide supplemental dental benefits in lieu of supplemental Medicare health plan benefits.

The Church uses a December 31 measurement date for the plan. The funded status of the plan as of December 31, 2021 and 2020 was:

	2021	2020
Accumulated postretirement benefit obligation	$ (198,465)	$ (680,321)
Fair value of plan assets	-	-
Funded status	$ (198,465)	$ (680,321)

As of December 31, 2021 and 2020, the accrued postretirement benefit liability recognized in the statements of position was $198,465 and $680,321, respectively. Assumptions used to determine the accumulated postretirement benefit obligation at December 31, 2021 and 2020 included:

	2021	2020
Discount rate	2.84%	2.34%
Health care cost trend rate over the next year	4.00%	5.50%
Ultimate health care cost trend rate	4.00%	5.50%
Retirement and withdrawal rates	Specific identification	

Mortality assumptions were based on the Retired Pensioners Mortality Tables (RP-2014) in 2020 and 2021, projected generationally.

Cash activity for the years ended December 31, 2021 and 2020 was as follows:

	2021	2020
Employer contributions	$ 19,368	$ 19,368
Participant contributions	23,672	23,672
Benefits paid	43,040	43,040

Amounts recognized in the statements of activities for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Amounts recognized in the statements of activities:		
Net loss (gain) arising during the period	$ (39,500)	$ 41,873
Loss (gain) from plan amendment	(445,547)	-
Amortization of prior service credit and net gains	13,167	18,283
Total benefit changes other than net periodic benefit cost	(471,880)	60,156
Net periodic benefit cost		
Service cost	6,978	5,842
Other	2,414	163
Total net periodic benefit cost	9,392	6,005
	$ (462,488)	$ 66,161
Discount rate for interest cost component of benefit cost	2.34%	2.98%

Net periodic benefit cost is included with employee benefits expense in the statements of functional expenses.

In 2021, the plan was amended to eliminate the medical benefits previously provided under the plan, and replaced that coverage with similar dental benefits. Additionally, changes in discount rates generated a gain in 2021 and a loss in 2020.

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

	2021	2020
Unamortized actuarial losses	$ 67,553	$ 113,557
Unamortized prior service cost (credit)	(504,561)	(78,685)
	$ (437,008)	$ 34,872

These unamortized items will continue to be amortized as a component of net periodic benefit cost in future years, with an offsetting reclassification adjustment to change in net assets. Fiscal 2022 amortization expense of unamortized actuarial losses is expected to be $5,130. Fiscal 2022 amortization income of unamortized prior service cost (credit) is expected to be $(67,579).

The Church expects to contribute $9,156 to the plan in 2022.

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,	Benefits estimated to be paid
2022	$ 9,156
2023	8,868
2024	9,019
2025	8,710
2026	9,363
2027 - 2031	50,402

9. 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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Endowments			
Episcopate	$ -	$ 4,918,176	$ 4,918,176
Clergy continuing education	-	852,776	852,776
Scholarships	-	805,311	805,311
Loan fund	-	1,331,888	1,331,888
Support for missions	-	1,265,569	1,265,569
Other programs	-	766,864	766,864
Discretionary	-	4,498,145	4,498,145
	-	14,438,729	14,438,729
Other Endowments			
Board designated for endowment			
With donor restrictions			
Building	-	2,070,852	2,070,852
Other programs	-	604,462	604,462
Without donor restrictions			
With purpose designations	2,815,932	-	2,815,932
Without purpose designations	5,495,938	-	5,495,938
Subtotal endowment funds	8,311,870	17,114,043	25,425,913
Non-Endowments			
Operating fund	956,937	139,284	1,096,221
Split interest agreements	6,945	35,248	42,193
Perpetual trusts	-	2,800,988	2,800,988
Property and equipment	2,815,947	-	2,815,947
	3,779,829	2,975,520	6,755,349
Total net assets	$ 12,091,699	$ 20,089,563	$ 32,181,262

Donor restricted endowments of $14,438,729 include $8,299,861 of accumulated earnings that are available for expenditure.

Changes in endowment net assets for the year ending December 31, 2021 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds, January 1, 2021	$ 7,366,084	$ 16,168,144	$ 23,534,228
Interest and dividends, net of investment expense	108,483	235,067	343,550
Net realized/unrealized gains (losses)	522,638	1,135,966	1,658,604
Contributions and deposits	493,426	72,562	565,988
Amounts appropriated for expenditure	(176,861)	(482,796)	(659,657)
Transfers to operating funds	(1,900)	(14,900)	(16,800)
Endowment Funds, December 31, 2021	$ 8,311,870	$ 17,114,043	$ 25,425,913

Endowment and non-endowment net assets consisted of the following at December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Endowments			
Episcopate	$ -	$ 4,733,180	$ 4,733,180
Clergy continuing education	-	788,387	788,387
Scholarships	-	748,765	748,765
Loan fund	-	1,226,909	1,226,909
Support for missions	-	1,217,603	1,217,603
Other programs	-	721,869	721,869
Discretionary	-	4,330,321	4,330,321
	-	13,767,034	13,767,034
Other Endowments			
Board designated for endowment			
With donor restrictions			
Building	-	1,854,494	1,854,494
Other programs	-	546,616	546,616
Without donor restrictions			
With purpose designations	2,319,262	-	2,319,262
Without purpose designations	5,046,822	-	5,046,822
Subtotal endowment funds	7,366,084	16,168,144	23,534,228
Non-Endowments			
Operating fund	347,868	142,151	490,019
Split interest agreements	6,945	35,248	42,193
Perpetual trusts	-	2,531,959	2,531,959
Property and equipment	2,815,947	-	2,815,947
	3,170,760	2,709,358	5,880,118
Total net assets	$ 10,536,844	$ 18,877,502	$ 29,414,346

Donor restricted endowments of $13,767,034 include $7,634,666 of accumulated earnings that are available for expenditure.

Changes in endowment net assets for the year ended December 31, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds, January 1, 2020	$ 5,881,045	$ 14,431,724	$ 20,312,769
Interest and dividends, net of investment expense	113,169	252,184	365,353
Net realized/unrealized gains (losses)	801,336	1,781,870	2,583,206
Contributions and deposits	733,267	87,603	820,870
Amounts appropriated for expenditure	(126,544)	(364,036)	(490,580)
Transfers to operating funds	(36,189)	(21,201)	(57,390)
Endowment Funds, December 31, 2020	$ 7,366,084	$ 16,168,144	$ 23,534,228

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, 2021 and 2020.

10. Litigation

The Church is party to lawsuits brought against it for actions alleged to have occurred at Church related organizations. Management is currently working with legal counsel to resolve these matters. An estimate of ultimate loss, if any, from the resolution of these matters cannot be made at this time.