MANOA HERITAGE CENTER
AND KUALII FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020
And Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

Manoa Heritage Center and Kualii Foundation:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Manoa Heritage Center (Center) and Kualii Foundation (Foundation), nonprofit Hawaii corporations, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Center and Foundation as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Company and Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center and Foundation's ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 internal control of the Company and Foundation. 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the ability of the Company and Foundation to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

CW Associates, CPAs

CW Associates, CPAs
Honolulu, Hawaii
October 28, 2022

MANOA HERITAGE CENTER AND KUALII FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Operating cash	$ 322,595	$ 558,630
Accounts receivable – net	-	35,340
Inventory of art and books	39,343	40,026
Prepaid expenses	642	642
Total current assets	362,580	634,638
INVESTMENTS IN MARKETABLE SECURITIES	24,246,473	18,812,423
PROPERTY AND EQUIPMENT – Net	5,898,518	6,066,248
CASH DESIGNATED FOR CAPITAL CAMPAIGN	9,383	9,383
HISTORICAL COLLECTION (See Note A)	-	-
TOTAL ASSETS	$ 30,516,954	$ 25,522,692
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 6,262	$ 15,201
Accrued liabilities	25,740	22,449
Total current liabilities	32,002	37,650
NET ASSETS		
Net assets without donor restrictions	26,124,813	21,218,790
Net assets with donor restrictions	4,360,139	4,266,252
Total net assets	30,484,952	25,485,042
TOTAL LIABILITIES AND NET ASSETS	$ 30,516,954	$ 25,522,692

See accompanying notes to the consolidated financial statements.

MANOA HERITAGE CENTER AND KUALII FOUNDATION

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2021 and 2020

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Investment income – net	$ 5,108,488	$ 2,402,496
Contributions without donor restrictions	209,572	487,354
Net assets released from donor restrictions for programs	167,028	74,221
Forgiveness of SBA PPP loan	-	62,000
Sales of books – net	2,077	3,012
Other revenue and support	11,367	2,666
Total revenue and support	5,498,532	3,031,749
Expenses		
Program services	613,161	639,248
Management and general	93,454	120,038
Fundraising	134,865	147,418
Total expenses	841,480	906,704
Revenue and support less expenses	4,657,052	2,125,045
Net assets released from donor restrictions for capital campaign	248,971	341,778
Increase in net assets without donor restrictions	4,906,023	2,466,823
CHANGES IN ASSETS WITH DONOR RESTRICTIONS		
Net assets with donor restrictions for capital campaign		
Contributions with donor restrictions	203,461	-
Net assets released from donor restrictions	(248,971)	(341,778)
Decrease in net assets with donor restrictions for capital campaign	(45,510)	(341,778)
Net assets with donor restrictions for endowments		
Contributions with donor restrictions	217,570	1,123,924
Increase in net assets with donor restrictions for endowments	217,570	1,123,924
Net assets with donor restrictions for programs		
Contributions with donor restrictions	88,855	155,000
Net assets released from donor restrictions	(167,028)	(74,221)
Increase (decrease) in net assets with donor restrictions for programs	(78,173)	80,779
Increase in net assets with donor restrictions	93,887	862,925
INCREASE IN NET ASSETS	4,999,910	3,329,748
NET ASSETS – Beginning of year	25,485,042	22,155,294
NET ASSETS – End of year	$ 30,484,952	$ 25,485,042

See accompanying notes to the consolidated financial statements.

MANOA HERITAGE CENTER AND KUALII FOUNDATION

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2021 and 2020

	2021	2020
Program services		
Salaries and related costs	$302,884	$303,758
Depreciation	145,925	128,246
Professional fees	90,178	96,715
Education and program	32,549	37,512
Occupancy	27,493	31,929
Office and administrative	14,132	41,088
Total program services	613,161	639,248
Management and general		
Professional fees	52,296	57,319
Office and administrative	24,734	33,630
Salaries and related costs	10,444	10,849
Depreciation	5,032	17,099
Occupancy	948	1,141
Total management and general	93,454	120,038
Fundraising		
Professional fees	60,627	62,725
Salaries and related costs	34,814	47,010
Office and administrative	19,491	7,092
Depreciation	16,773	25,649
Occupancy	3,160	4,942
Total fundraising	134,865	147,418
Total expenses	$841,480	$906,704

See accompanying notes to the consolidated financial statements.

MANOA HERITAGE CENTER AND KUALII FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$4,999,910	$ 3,329,748
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Forgiveness of SBA PPP loan	-	(62,000)
Unrealized gains from holding marketable securities	(3,630,670)	(1,674,523)
Realized gains from sales of marketable securities	(1,349,895)	(569,772)
Contributions with donor restrictions for endowments	(217,570)	(1,123,924)
Depreciation	167,730	170,994
Decrease in		
Accounts receivable – net	35,340	-
Inventory of art and books	683	1,072
Increase (decrease) in		
Accounts payable	(8,939)	(4,577)
Accrued liabilities	3,291	(2,593)
Net cash provided (used) by operating activities	(120)	64,425
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of marketable securities	5,680,866	10,092,465
Purchases of marketable securities	(6,134,351)	(11,767,496)
Net cash used by investing activities	(453,485)	(1,675,031)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from SBA PPP loan	-	62,000
Contributions with donor restrictions for endowments	217,570	1,123,924
Net cash provided by financing activities	217,570	1,185,924
NET DECREASE IN CASH	(236,035)	(424,682)
CASH – Beginning of year	568,013	992,695
CASH – End of year	$ 331,978	$ 568,013
SUMMARY OF CASH – End of year		
Operating cash	$ 322,595	$ 558,630
Cash designated for capital campaign	9,383	9,383
CASH – End of year	$ 331,978	$ 568,013

See accompanying notes to the consolidated financial Statements.

MANOA HERITAGE CENTER AND KUALII FOUNDATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activity

Manoa Heritage Center (Center) is a nonprofit corporation organized under the laws of the State of Hawaii on April 17, 1996, primarily to study and disseminate information about the cultural heritage of Hawaii in general, and Manoa Valley in particular; to operate a historic property museum; to preserve and interpret native Hawaii sites in the Manoa Valley; and to make them available to the public. Kualii Foundation (Foundation) is a nonprofit corporation organized under the laws of the State of Hawaii on April 17, 1996, primarily for the same purpose. The Center is the sole corporate member of the Foundation. The Center and Foundation are also related by common management and governance. The accompanying consolidated financial statements include the accounts of both the Center and Foundation, except that significant intercompany balances and transactions have been eliminated in consolidation.

Together, the Center and Foundation promote the natural and cultural heritage of Hawaii, the *Heiau* (Hawaiian temple) in Manoa Valley, the natural gardens of Kualii (the historic residence of Sam and Mary Cooke), Kualii itself, and Manoa Valley as a whole. The Center achieves its purpose by providing guided tours of the grounds, Kualii, and the *Heiau*, and educating visitors and school groups on the history of Hawaii and Manoa Valley. The Foundation achieves its purpose by providing monetary support to the Center and maintaining the land and buildings on which the Center is located.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Center and Foundation to report information regarding their financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions consist of net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center and Foundation. These net assets may be used at the discretion of the Center and Foundation’s management and board of directors.

Net Assets with Donor Restrictions consist of net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center and Foundation or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity (none in 2021 and 2020).

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

U.S. GAAP 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 consolidated financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates, it is reasonably possible that such estimates may change within the near term, and such differences could be material to the consolidated financial statements.

Concentrations of Credit Risk

Financial instruments that potentially subject the Center and Foundation to credit risk include operating cash, accounts receivable, investments in marketable securities, and cash designated for capital campaign. Operating cash and cash designated for capital campaign on deposit with financial institutions exceeded the related federal deposit insurance by approximately $56,000 and $260,000 at December 31, 2021 and 2020, respectively. Management evaluates the credit standings of these financial institutions to ensure that such deposits are adequately safeguarded. Accounts receivable, which have been adjusted for all known doubtful accounts (none at December 31, 2021 and 2020) are determined to be collectible or uncollectible based on an assessment by management of the facts and circumstances related to the individual accounts, including historical experience, an assessment of economic conditions, and a review of subsequent collections. Investments in marketable securities are fully insured by federal and private insurance, as represented by the custodian. Future changes in market prices may make such investments less valuable.

Inventory of Art and Books

The inventory of art and books consists of art and copies of the book *Paintings, Prints, and Drawings of Hawaii from the Sam and Mary Cooke Collection*, which are held for sale to raise public awareness. Books remaining in inventory at year-end are stated at the lower of cost or net realizable value.

Investments in Marketable Securities

Investments in marketable securities are stated at fair value. Net realized and unrealized gains and losses, determined using the specific identification method, are included in investment income – net.

Property and Equipment

Property and equipment is stated at cost or, if contributed, at estimated fair market value at the date of contribution. Depreciation is provided using the straight-line method over estimated useful lives of 15 to 30 years for buildings and improvements; 30 years for the *heiau* restoration; and five years for furniture, fixtures, and equipment. Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Repairs and maintenance are expensed as incurred. Major improvements are capitalized.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Historical Collection

The historical collection consists of documents and artifacts held for educational, research, and curatorial purposes. The collection is continuously cataloged, preserved, and cared for. The items in the collection are not recognized in the consolidated financial statements because they have no alternative uses. Purchases of collection items are recorded as decreases in net assets without donor restrictions when the items are acquired or as net assets with donor restrictions if they are purchased with donor-restricted funds. Contributed collection items are not reflected in the consolidated financial statements. Proceeds, if any, from the disposition of collection items are reflected as increases in the appropriate net asset classes.

Revenue and Expense Recognition

Revenue from performance obligations satisfied at a point in time consists of sales of books – net. Revenue from sources other than performance obligations consists of investment income and other revenue and support. Revenue from sales of books is recognized upon the sale of the books and is reported net of the cost of the books sold of $683 and $1,072 for the years ended December 31, 2021 and 2020, respectively. Other revenue and support is recognized when earned.

Expenses are recorded when the related liability is incurred. The Center and Foundation allocate their expenses on a functional basis among their various programs and supporting services based on estimates by management. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service using natural expense classifications. Expenses that are common to several functions are allocated by square footage or employee time.

Contributions

The Center and Foundation recognize contributions when cash or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, which are those with a measurable performance or other barriers and right of return, are not recognized until the conditions on which they depend have been met.

Contributions are recorded as increases to net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Support is reported when pledged and is considered to be available for unrestricted use unless restricted by the donor. Donor restricted support is reported when pledged as an increase in net assets with donor restrictions. When a restriction is satisfied or expires, net assets with donor restrictions are released to net assets without donor restrictions. If a restriction is fulfilled during the same time period in which the contribution is received, the Center and Foundation report the contribution as net assets without donor restrictions.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills that are performed by people with those skills and would otherwise be purchased by the Center and Foundation. A number of unpaid volunteers have made contributions of their time to the Center and Foundation. The value of this time is not reflected in these consolidated financial statements because it does not meet the criteria for recognition.

Hawaii General Excise Tax

The State of Hawaii imposes a general excise tax of 4% on certain gross receipts within Hawaii, plus an additional 0.5% on such gross receipts within the City and County of Honolulu. Substantially all of the gross receipts of the Center and Foundation for the years ended December 31, 2021 and 2020 were exempt from the Hawaii general excise tax.

Income Taxes

The Center and Foundation are exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and are not private foundations. Accordingly, qualifying contributions to the Center or Foundation are tax deductible.

U.S. GAAP requires uncertain tax positions to be recognized in the consolidated financial statements if they are more likely than not to fail upon regulatory examination. Management has evaluated the tax positions of the Center and Foundation as of and for the years ended December 31, 2021 and 2020 and determined that they had no uncertain tax positions required to be reported in accordance with U.S. GAAP. The Center and Foundation are subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

NOTE B – LIQUIDITY

The Center and Foundation manage their liquid resources by focusing on fundraising efforts to ensure that they have adequate resources to fund the programs that they conduct. The Center and Foundation prepare annual budgets and monitor actual financial results each month to ensure that they control costs and remain liquid.

NOTE B – LIQUIDITY (Continued)

The following reflects the Center and Foundation's consolidated financial assets as of December 31, 2021 and 2020 available to meet cash needs for general expenditures within one year:

	2021	2020
Operating cash	$ 322,595	$ 558,630
Accounts receivable – net	-	35,340
Investments in marketable securities	24,246,473	18,812,423
Total financial assets	24,569,068	19,406,393
Total net assets with donor restrictions	(4,360,139)	(4,266,252)
Financial assets available to meet cash needs for general expenditures within one year	$ 20,208,929	$ 15,140,141

NOTE C – INVESTMENTS IN MARKETABLE SECURITIES

At December 31, 2021 and 2020, investments in marketable securities consisted of the following:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Common stock and other investments	$ 12,852,649	$ 22,447,417	$ 11,328,584	$ 17,292,682
Money market funds	1,799,056	1,799,056	1,519,741	1,519,741
Total investments	$ 14,651,705	$ 24,246,473	$ 12,848,325	$ 18,812,423

Net investment income for the years ended December 31, 2021 and 2020 consisted of the following:

	2021	2020
Unrealized gains from holding marketable securities	$ 3,630,670	$ 1,674,523
Realized gains from sales of marketable securities	1,349,895	569,772
Interest and dividend income	240,451	207,634
Investment fees	(112,528)	(49,433)
Net investment income	$ 5,108,488	$ 2,402,496

NOTE D – FAIR VALUE MEASUREMENTS

U.S. GAAP provides a fair value hierarchy that prioritizes the inputs to the valuation methodology used to measure fair value. There are three levels of inputs to the valuation methodology. Level 1 inputs consist of unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs are unobservable and significant to the fair value measurement. The fair value measurement level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation methodologies used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

The Center and Foundation value common stock and other investments at quoted market prices, and money market funds at stated value, for which Level 1 valuation inputs were required. There were no investments for which Level 2 or Level 3 valuation inputs were required.

The following sets forth by level, within the fair value hierarchy, the Foundation's investments in marketable securities at fair value as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Common stock and other investments				
Technology	$ 6,434,886	$ -	$ -	$ 6,434,886
Mutual funds	3,416,071	-	-	3,416,071
Financial services	2,941,847	-	-	2,941,847
Consumer cyclical	2,274,347	-	-	2,274,347
Healthcare	2,139,641	-	-	2,139,641
Other investments	1,857,838	-	-	1,857,838
Industrials	1,173,447	-	-	1,173,447
Energy	855,869	-	-	855,869
Communication	696,548	-	-	696,548
Consumer defensive	656,923	-	-	656,923
Total common stock and other investments	22,447,417	-	-	22,447,417
Money market funds	1,799,056	-	-	1,799,056
Total investments at fair value	$ 24,246,473	$ -	$ -	$ 24,246,473

MANOA HERITAGE CENTER AND KUALII FOUNDATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2021 and 2020

NOTE D – FAIR VALUE MEASUREMENTS (Continued)

The following sets forth by level, within the fair value hierarchy, the Foundation's investments in marketable securities at fair value as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Common stock and other investments				
Technology	$ 4,420,666	$ -	$ -	$ 4,420,666
Mutual funds	3,415,565	-	-	3,415,565
Financial services	2,091,813	-	-	2,091,813
Consumer cyclical	1,748,896	-	-	1,748,896
Healthcare	1,782,676	-	-	1,782,676
Other investments	1,339,976	-	-	1,339,976
Industrials	823,414	-	-	823,414
Energy	503,915	-	-	503,915
Communication	522,801	-	-	522,801
Consumer defensive	642,960	-	-	642,960
Total common stock and other investments	17,292,682	-	-	17,292,682
Money market funds	1,519,741	-	-	1,519,741
Total investments at fair value	$ 18,812,423	$ -	$ -	$ 18,812,423

NOTE E – PROPERTY AND EQUIPMENT

At December 31, 2021 and 2020, property and equipment consisted of the following:

	2021	2020
Land	$ 1,563,888	$ 1,563,888
Buildings and improvements	4,915,242	4,915,242
Heiau restoration	990,800	990,800
Furniture, fixtures, and equipment	68,465	68,465
Total	7,538,395	7,538,395
Accumulated depreciation	(1,639,877)	(1,472,147)
Property and equipment – net	$ 5,898,518	$ 6,066,248

NOTE F – SBA PPP LOAN

In April 2020, the Center applied for and received a $62,000 Paycheck Protection Program (PPP) loan from Central Pacific Bank. The U.S. Small Business Administration (SBA) established the PPP loan program in response to the COVID-19 pandemic to fund an entity's payroll and other applicable costs. All or a portion of the loan, which matures two years from the date of funding and bears interest at 1%, may be forgiven if the Center meets the compliance requirements established by the SBA and other federal agencies. The SBA PPP loan balance amounted to $62,000 at December 31, 2020.

The Center followed the accounting guidance for government grants in U.S. GAAP for accounting for the recognition of revenue from forgiveness of the PPP loan. In applying that guidance, the Center recognized revenue when the barriers to entitlement to loan forgiveness were met. Management determined that those barriers to entitlement included incurring qualifying costs related to the COVID-19 pandemic. Management determined that the barriers to entitlement were met prior to December 31, 2020, as the Center incurred qualifying costs of $62,000 prior to December 31, 2020, and otherwise met the compliance requirements established by the SBA and other federal agencies. Accordingly, the Center recognized the full amount of forgiveness of the PPP loan in the statement of activities for the year ended December 31, 2020, and no liability for the PPP loan is presented on the statement of financial position as of December 31, 2020 even though the loan was still outstanding at that date. On April 16, 2021, the PPP loan was forgiven by the SBA.

NOTE G – NET ASSETS WITHOUT DONOR RESTRICTIONS

At December 31, 2021 and 2020, net assets without donor restrictions consisted of the following:

	2021	2020
Net assets without designation	$ 19,476,295	$ 14,402,542
Net assets invested in property and equipment	5,898,518	6,066,248
Net assets designated by Board of Directors for endowment fund	750,000	750,000
Total net assets without donor restriction	$ 26,124,813	$ 21,218,790

In December 2016, the Foundation designated $750,000 of net assets without donor restrictions as the Sam Cooke Quasi-Endowment Fund (Quasi-Endowment) to provide a continuous source of funding for the Center's operations and activities over the long term. The Quasi-Endowment is included in net assets without donor restrictions because it resulted from an internal designation and is not donor-restricted. Accordingly, the Foundation may later designate this amount in the Quasi-Endowment for other purposes. Income from the Quasi-Endowment will be considered as net assets without donor restrictions and appropriated for expenditure when earned. There was no income earned on the Quasi-Endowment for the years ended December 31, 2021 and 2020.

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2021 and 2020, net assets with donor restrictions consisted of the following:

	2021	2020
Net assets restricted for endowments	$3,720,408	$3,502,838
Net assets with donor restrictions for capital campaign	625,339	670,850
Net assets with donor restrictions for program purposes		
NOAA Grant	14,392	88,855
NEH grant for programs	-	3,709
Total net assets with donor restrictions for program purposes	14,392	92,564
Total net assets with donor restrictions	$4,360,139	$4,266,252

In December 2016, the Sam Cooke Endowment Fund (Endowment) was established in the Foundation by way of a contribution from the Center to provide a continuous source of funding for the Center's operations and activities over the long term. Accordingly, income from the Endowment is considered unrestricted and appropriated for expenditure when earned. The Endowment earned $86,440 and $42,606 in income for the years ended December 31, 2021 and 2020, respectively. The Endowment is included in net assets with donor restrictions for endowments.

The Board of Trustees of the Foundation adopted investment policies for its endowments to preserve the endowment principal, to provide for sufficient liquidity and long-term earnings, and to provide for annual spending allocations to support operations. The risk tolerance for the endowments is in the moderate to conservative range.

U.S. GAAP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). An enacted version of UPMIFA became effective in the State of Hawaii on July 1, 2009. The Board of Trustees of the Foundation has interpreted the Act as requiring the preservation of the original gift of donor-restricted endowment funds as net assets with donor restrictions, absent explicit donor stipulations to the contrary. Other donor-restricted gifts are classified as net assets with donor restrictions. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. At December 31, 2021 and 2020, the Foundation's investments exceeded the related amount of its endowments.

NOTE I – EMPLOYEE BENEFIT PLANS

The Center sponsors a defined contribution SIMPLE IRA plan covering substantially all of its employees to which it contributes up to 3% of their annual gross salaries in accordance with the plan document and Internal Revenue Code Section 408(p). The Center's contributions under this plan amounted to $4,950 and $10,528 for the years ended December 31, 2021 and 2020, respectively.

NOTE J – CONTINGENCIES

The Center and Foundation may be subject to legal proceedings, claims, or litigation arising in the ordinary course of business for which they may seek the advice of legal counsel. Management estimates that the cost to resolve such matters, if any, would not be material to the consolidated financial statements. However, it is reasonably possible that such estimates may change within the near term.

The Center and Foundation operate in the State of Hawaii. Local, national, and international events (such as the COVID-19 pandemic and Russia-Ukraine conflict) can have severe, adverse effects on economic conditions in Hawaii. These consolidated financial statements do not include the adjustments that would result if the Center and Foundation were to account for future losses or asset impairments, as the effects on the consolidated financial statements of the Center and Foundation from such changes in economic conditions are not presently determinable.

NOTE K – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 28, 2022, which is the date the consolidated financial statements were available to be issued, and determined that the Center and Foundation did not have any subsequent events requiring adjustment to the consolidated financial statements or disclosure in the notes to the consolidated financial statements, except as noted below.

Due to the passing of Mary Cooke in 2022, the Foundation anticipates receiving additional parcels of land that will be used in fulfilling its mission. The parcels will be recorded at fair market value at the time of donation.