

**KONA HOSPITAL FOUNDATION**  
**(A Hawaii Nonprofit Organization)**

REVIEWED FINANCIAL STATEMENTS  
(With Independent Accountants' Review Report)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

# KONA HOSPITAL FOUNDATION

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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Trustees and Management  
Kona Hospital Foundation  
Kealahou, Hawaii 96750

We have reviewed the accompanying financial statements of Kona Hospital Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

**Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusions.

We are required to be independent of Kona Hospital Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

**Accountants' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Carbonaro CPAs & Management Group*

Hilo, Hawaii  
June 21, 2023

**Kona Hospital Foundation**

Statements of Financial Position  
As of December 31, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents (Note 2)	\$ 450,417	\$ 1,330,115
Auction Inventory	-	2,150
Unconditional Promises to Give (Notes 2 and 11)	-	15,623
Total Current Assets	<u>450,417</u>	<u>1,347,888</u>
<b>OFFICE EQUIPMENT (Note 2)</b>		
Office Equipment	2,200	2,200
Accumulated Depreciation	<u>(2,200)</u>	<u>(2,200)</u>
Net Office Equipment	-	-
<b>OTHER ASSETS</b>		
Investments in Marketable Securities (Note 10)	1,570,665	956,161
Beneficial Interest in Perpetual Trust (Note 3)	<u>1,740,000</u>	<u>1,898,000</u>
Total Other Assets	<u>3,310,665</u>	<u>2,854,161</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,761,082</u></u>	<u><u>\$ 4,202,049</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 2,836	\$ 1,963
Unconditional Promises Made (Note 2)	<u>198,668</u>	<u>198,668</u>
Total Current Liabilities	<u>201,504</u>	<u>200,631</u>
<b>TOTAL LIABILITIES</b>	201,504	200,631
<b>NET ASSETS (Note 2)</b>		
Net Assets Without Donor Restrictions	1,563,440	1,648,972
Net Assets With Donor Restrictions	<u>1,996,138</u>	<u>2,352,446</u>
Total Net Assets	<u>3,559,578</u>	<u>4,001,418</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 3,761,082</u></u>	<u><u>\$ 4,202,049</u></u>

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

**Kona Hospital Foundation**

Statements of Activities and Changes in Net Assets  
For the Years Ended December 31, 2022 and 2021

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Totals 2022	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Totals 2021
<b>PUBLIC SUPPORT AND REVENUE</b>						
Contributions (Note 2)	\$ 212,250	\$ -	\$ 212,250	\$ 504,002	\$ 200,000	\$ 704,002
Interest Income and Dividends	48,429	-	48,429	52,232	-	52,232
Realized Gain on Investments	28,761	-	28,761	80,495	-	80,495
Contribution from Perpetual Trust (Note 3)	47,472	-	47,472	45,143	-	45,143
Fundraising	-	1,692	1,692	-	-	-
Unrealized (Loss) Gain on Investment	(183,046)	-	(183,046)	45,284	-	45,284
Change in Valuation of Perpetual Trust	-	(158,000)	(158,000)	-	179,000	179,000
Net Assets Released from Restrictions	200,000	(200,000)	-	16,425	(16,425)	-
<b>Total Public Support and Revenue</b>	<b>353,866</b>	<b>(356,308)</b>	<b>(2,442)</b>	<b>743,581</b>	<b>362,575</b>	<b>1,106,156</b>
<b>EXPENSES</b>						
Program Services	369,691	-	369,691	54,687	-	54,687
Management and General	51,559	-	51,559	52,846	-	52,846
Fundraising	18,148	-	18,148	14,953	-	14,953
<b>Total Expenses</b>	<b>439,398</b>	<b>-</b>	<b>439,398</b>	<b>122,486</b>	<b>-</b>	<b>122,486</b>
<b>CHANGES IN NET ASSETS</b>	<b>(85,532)</b>	<b>(356,308)</b>	<b>(441,840)</b>	<b>621,095</b>	<b>362,575</b>	<b>983,670</b>
Net Assets, Beginning of year	1,648,972	2,352,446	4,001,418	1,027,877	1,989,871	3,017,748
Net Assets, End of year	<u>\$ 1,563,440</u>	<u>\$ 1,996,138</u>	<u>\$ 3,559,578</u>	<u>\$ 1,648,972</u>	<u>\$ 2,352,446</u>	<u>\$ 4,001,418</u>

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

**Kona Hospital Foundation**

Statements of Functional Expenses  
For the Years Ended December 31, 2022 and 2021

	Supporting Services			Total 2022	Supporting Services			Total 2021
	Program Services	Management and General	Fundraising		Program Services	Management and General	Fundraising	
Donations to Kona Hospital (Note 2)	\$ 346,887	\$ -	\$ -	\$ 346,887	\$ 38,329	\$ -	\$ -	\$ 38,329
Salaries and Wages	3,539	21,237	10,617	35,393	3,422	20,534	10,266	34,222
Other Donations	19,265	-	-	19,265	12,936	-	-	12,936
Merchant Service Fees	-	13,353	2,733	16,086	-	11,533	2,361	13,894
Professional Fees	-	12,773	663	13,436	-	15,507	805	16,312
Administration Expenses	-	1,903	2,150	4,053	-	664	750	1,414
Printing and Reproduction	-	1,475	633	2,108	-	1,796	771	2,567
Event Cost Expenses	-	-	1,352	1,352	-	-	-	-
Insurance	-	818	-	818	-	790	-	790
Office Supplies	-	-	-	-	-	2,022	-	2,022
<b>Total Expenses</b>	<b>\$ 369,691</b>	<b>\$ 51,559</b>	<b>\$ 18,148</b>	<b>\$ 439,398</b>	<b>\$ 54,687</b>	<b>\$ 52,846</b>	<b>\$ 14,953</b>	<b>\$ 122,486</b>

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

## Kona Hospital Foundation

### Statements of Cash Flows For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Contributions	\$ 275,345	\$ 733,522
Cash Received from Investments	77,190	132,868
Cash from Fundraising Events	1,692	-
Cash Paid to Employees and Vendors	<u>(436,375)</u>	<u>(123,661)</u>
Net Cash (Used) Provided by Operating Activities (Note 8)	(82,148)	742,729
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (Purchase) Proceeds of Investments and Reinvestment of Earnings	<u>(797,550)</u>	<u>43,926</u>
Net Cash (Used) Provided by Investing Activities	(797,550)	43,926
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	-	-
<b>Net (Decrease) Increase in cash and cash equivalents</b>	<u>(879,698)</u>	<u>786,655</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,330,115</u>	<u>543,460</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 450,417</u></u>	<u><u>\$ 1,330,115</u></u>

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

**Kona Hospital Foundation**  
Notes to the Financial Statements  
December 31, 2022 and 2021

Note 1. ORGANIZATION

The Kona Hospital Foundation (the Foundation) was established in July 1984, as a nonprofit corporation under the laws of the State of Hawaii for the purpose of providing funding for improvements and equipment at the Kona Community Hospital (Hospital), located in Kealahou on the Big Island of Hawaii. The Foundation is a nonprofit organization and relies primarily on donations and fundraisers to fund its operations.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of Accounting:* The financial statements of the Foundation have been prepared in accordance with generally accepted accounting principles in the United States of America. Under this method of accounting, revenue is recognized when earned rather than when received and expenses are recognized when incurred rather than when paid. For contributions and donations, revenue is recognized when the gift is received.

*Cash and Cash Equivalents:* For the purpose of the statement of cash flows, cash is defined as demand deposits and highly liquid investments with an original maturity of three months or less to be considered cash equivalents. The Foundation had no amounts exceeding the Federal Deposit Insurance Corporation (FDIC) insured limit as of December 31, 2022 and 2021.

*Use of Estimates:* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those assumptions and estimates.

*Office Equipment:* Office equipment is stated at cost or fair value at date of donation. All assets acquired by the Foundation whose initial value or cost exceeds \$5,000 are capitalized and are depreciated. Depreciation is calculated by the straight-line method over the estimated useful lives of the equipment. There was no depreciation expense for the years ended December 31, 2022 and 2021.

*Donations to Kona Hospital:* The Foundation is a donor to Kona Community Hospital. Donations made are recognized as expenses in the period made and as increases of liabilities depending on the form of the benefits given. Donations to the Hospital were \$346,887 and \$38,329 for the years ended December 31, 2022 and 2021, respectively.

*Advertising Costs:* Advertising costs are expensed as incurred. The Foundation incurred advertising costs of \$63 and \$0- in the years ended December 31, 2022 and 2021, respectively.



**Kona Hospital Foundation**  
Notes to the Financial Statements  
December 31, 2021 and 2020

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Revenue Recognition:* Contributions received are recorded as contributions with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Unconditional promises to donate due in the next year are reflected as current promises to give and are recorded at their net realizable value. Grants and other contributions of cash are reported as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. In accordance with FASB's ASC Topic 606, *Revenue from Contracts with Customers*, performance obligation related to program services and grant revenue are recognized as the expenses occurred or the services have been provided throughout the year. Other revenues and donations do not have a specific performance obligation and are generally earned when received.

*Functional Allocation of Expenses:* The costs of providing various donations to the Hospital and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Expenses that can be identified with a specific program, fundraising, or supporting service are charged directly to the program, fundraising, or support service using natural expense classifications. Other expenses that are common to several functions are allocated by the Foundation based on estimates of time and effort expended.

*General Excise Tax:* Hawaii general excise tax is imposed on fundraising income at four percent, which amounted to \$-0- for both years ended December 31, 2022 and 2021.

*Unconditional Promises Made:* Contributions made are recognized as expenses in the period made and as increases of liabilities depending on the form of the benefits given. The Foundation is a donor to Kona Community Hospital and unconditional promises made are accrued when the Foundation notifies the Hospital of their intent to reimburse them. The Foundation made unconditional promises to give to the Hospital beginning in 2013 for the Cancer Center project. The outstanding amount remaining for the Cancer Center project was \$198,668 as of December 31, 2022 and 2021.

*Unconditional Promises to Give:* Unconditional promises to give are recorded as receivables and revenue when received. Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value.

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

*Net assets without donor restrictions* include all resources that are not subject to donor-imposed stipulations or contributions with donor-imposed restrictions that are met during the same year as the contribution is made. Net assets without donor restrictions denoted as property and equipment represent equity in such property and equipment.

**Kona Hospital Foundation**  
Notes to the Financial Statements  
December 31, 2021 and 2020

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

*Net assets with donor restriction* represent restricted grants and funds received from foundations and donors for which the restriction had not yet been fulfilled. Net Assets with Donor Restrictions include amounts that the donor subjects to restrictions in perpetuity and amounts subject to legal or donor-imposed stipulations that may or will be met either by actions of the Foundation and/or passage of time. Generally, the donors of these assets permit the Foundation to use all or part of the income earned for general or specific purposes. The followings are the net assets with donor restrictions as of December 31:

	<u>2022</u>	<u>2021</u>
Cancer Center	\$ 202,438	\$ 200,746
Chapel Fund	53,700	53,700
Beneficial Interest in Perpetual Trust (Note 3)	1,740,000	1,898,000
COVID Emergency Staffing	-	200,000
Total	<u>\$ 1,996,138</u>	<u>\$ 2,352,446</u>

Note 3. BENEFICIAL INTEREST IN PERPETUAL TRUST

Net assets with donor restrictions are also comprised of a beneficial interest in the Alberta E. Brown Trust (Trust). In 1991, the Foundation was named as a beneficiary of the Trust in perpetuity as long as it remains a non-private tax exempt organization. This trust is irrevocable and each year the Foundation shall receive distributions from the trust. A third party has dominion and control over the administration, investment and reinvestment of the trust assets, as well as determining additional amounts to be distributed.

Management has determined that the Foundation's beneficiary interest in the Trust is measurable pursuant to Financial Accounting Standards Board ASC 958-30-30-14, and, as a result, can be recorded as a long-term asset at its estimated net present value. Therefore, management has recorded the Foundation's unconditional right to receive specified cash flows as noted in the paragraph above. The Foundation calculated the net present value based on of future distributions using a five year moving average and discounted at a rate using a five year average of the 30 year Treasury bill rate as follows:

	<u>2022</u>	<u>2021</u>
Five year average distribution	\$ 45,060	\$ 44,407
Five year average 30 year Treasury Bill Rate	2.59%	2.34%

The carrying value of the perpetual trust is valued under level 3 inputs in the fair value hierarchy discussed in Note 10. It is reasonably possible that a material change in the estimates regarding the beneficial interest in the perpetual trust may occur in the near term. Changes to net assets with donor restrictions related to the beneficial interest in the perpetual trust are as follows:

	<u>2022</u>	<u>2021</u>
Balance Beginning of Year	\$ 1,898,000	\$ 1,719,000
Unrealized (Loss) Gain on Valuation of Perpetual Trust	<u>(158,000)</u>	<u>179,000</u>
Balance End of Year	<u>\$ 1,740,000</u>	<u>\$ 1,898,000</u>

**Kona Hospital Foundation**  
Notes to the Financial Statements  
December 31, 2022 and 2021

Note 4. RECENT ACCOUNTING PRONOUNCEMENTS IMPLEMENTATION

In February 2016, the FASB issued ASU 2016-02, *Leases*, which supersedes FASB Accounting Standards Codification Topic 840, *Leases*, and makes other conforming amendments to U.S. GAAP. ASU 2016-02, requires, among other changes to the lease accounting guidance, lessees to recognize most leases on the statement of financial position via a right-of-use asset and lease liability as well as additional qualitative and quantitative disclosures. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, but permits early adoption, and mandates a modified retrospective transition method. The provisions are effective for Kona Hospital Foundation's fiscal year ending December 31, 2022. The Foundation has elected practical expedients package or effective date method under modified retrospective approach for FASB Leases Topic 842. Under the election of this method, there was no cumulative effect to the Foundation's financial position as of January 1, 2022 and comparative information has not been restated and continues to be reported under accounting standards in effect for the prior period. The Foundation has elected to apply the short-term lease exception to all leases with a term of one year or less.

The Foundation has not entered into any lease agreement that is subject to FASB Statement No. 842 as a lessee or lessor as of December 31, 2022 and 2021. Therefore, no lessee related financial reporting or note disclosures are required or necessary.

During 2022, the Foundation adopted Accounting Standards Update No. 2020-07, Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The adoption of this standard had no changes on the Foundation's financial statements as they were already reporting contributed nonfinancial assets in accordance with the new standard when applicable.

Note 5. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's policy is to maintain cash balances to provide for general expenditures, liabilities, and other obligations as they come due. The Foundation has the following financial assets available within one year of the balance sheet date to meet cash needs for general expenditures:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 450,417	\$ 1,330,115
Investment in Marketable Securities	1,570,665	956,161
Financial Assets at December 31,	<u>2,021,082</u>	<u>2,286,276</u>
Less those unavailable to general expenditures within one year due to:		
Restricted by donor with purpose restriction	<u>256,138</u>	<u>454,446</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,764,944</u>	<u>\$ 1,831,830</u>

**Kona Hospital Foundation**  
Notes to the Financial Statements  
December 31, 2022 and 2021

Note 6. INCOME TAXES

The Foundation is classified as a tax exempt organization other than a private foundation under Section 501(c)(3) of the U.S. Internal Revenue Code and is exempt from Federal and State income taxes. The Foundation files income tax returns in the U.S. federal jurisdiction.

Accounting principles generally accepted in the United States of America require the effect of uncertain tax positions to be recognized in the financial statements if they are more likely than not to fail upon regulatory examination. Management is not aware of any uncertain tax positions. Tax returns are open for examination by the taxing authorities until the applicable statute of limitation expires. The Foundation is generally no longer subject to examination by the Internal Revenue Service for years before 2019. Currently there are no examinations in progress.

Note 7. CONCENTRATION OF RISK

The Foundation is dependent on donations, fundraising, and investment earnings to fund operations and its contributions to the Kona Community Hospital. Significant changes in these revenue sources may have an impact on the operations of the Foundation and its ability to make contributions to the Kona Community Hospital.

Note 8. RECONCILIATION OF CHANGE IN NET ASSETS WITH NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (441,840)	\$ 983,670
Unrealized Loss (Gain) on Investments	183,046	(45,143)
Change in Valuation of Perpetual Trust (Note 3)	158,000	(179,000)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Change in Accounts Receivable	15,623	(15,623)
Change in Auction Inventory	2,150	-
Change in Accounts Payable	873	(1,175)
Net Cash (Used) Provided by Operating Activities	<u>\$ (82,148)</u>	<u>\$ 742,729</u>

**Kona Hospital Foundation**  
Notes to the Financial Statements  
December 31, 2022 and 2021

Note 9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 21, 2023, the date the financial statements were available to be issued. There are no recognized subsequent events, events that provide additional evidence about conditions that existed at the statement of financial position date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the statement of financial position date, which are necessary to disclose to keep the financial statements from being misleading.

Note 10. INVESTMENTS IN MARKETABLE SECURITIES

*Fair Value Measurement:* The Foundation has implemented FASB ASC 820-10-50-1 which establishes 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 judgement or estimates, such as those associated with discounted cash flow methodologies and appraisals. See note 3.

The Foundation's Investments are measured at fair value on a recurring basis and valued using Level 1. There are no other assets except for beneficial interest in perpetual trust discussed at Note 3 or liabilities measured at fair value on a recurring or nonrecurring basis. The investments in marketable securities owned by the Foundation consisted of Level 1 inputs as follows at December 31:

	2022			2021		
	Cost	Cumulative Unrealized Gain(Losses)	Quoted Prices: Level 1	Cost	Cumulative Unrealized Gain(Losses)	Quoted Prices: Level 1
<b>Assets:</b>						
Exchange Trade Funds and Closed End Funds	\$ 615,143	92,982	\$ 708,125	\$ 355,689	\$ 232,846	\$ 588,535
Mutual Funds - Equity	513,393	(3,670)	509,723	102,442	22,933	125,375
Government Securities	268,469	(16,570)	251,899	148,302	193	148,495
Certificate of Deposits	99,750	1,168	100,918	-	-	-
Mutual Funds - Fixed Income	-	-	-	92,772	984	93,756
<b>Total</b>	<b>\$ 1,496,755</b>	<b>\$ 73,910</b>	<b>\$ 1,570,665</b>	<b>\$ 699,205</b>	<b>\$ 256,956</b>	<b>\$ 956,161</b>

Realized gains on the sale of investments amounted to \$28,761 and \$80,495 for the years ended December 31, 2022 and 2021. Cumulative unrealized gains amounted to \$73,910 and \$256,956 for the years ended December 31, 2022 and 2021.

**Kona Hospital Foundation**  
Notes to the Financial Statements  
December 31, 2022 and 2021

Note 11. UNCONDITIONAL PROMISE TO GIVE

During the year of 2020, the Foundation received a notice that the Foundation was designated as a partial residual beneficiary of a revocable trust and the assets held by a third party. The designation of Kona Hospital Foundation as a partial residual beneficiary of the revocable trust became irrevocable as of the settlor's death. During 2021, due to the settlor's death, the Foundation received \$68,941 with a final amount of \$15,623 received in March 2022.

Note 12. DONATED SERVICES, GOODS AND FACILITIES

*In-Kind Revenue:* Support arising from donated goods, property and services is recognized in the financial statements at its fair value. Such contributions may be reflected in the financial statements if the services received (a) create or enhance nonfinancial assets or (b) required specialized skills that are provided by individuals possessing those skills that would typically need to be purchased if not provided by donation. The Organization did not receive any donated services during the years ended December 31, 2022 and 2021.

*Non-cash Contributions:* The Foundation received noncash donated items such as tickets, gift certificates, works of art, and merchandise to be used for fundraising purposes. These noncash donated items are valued at the estimated fair market value at the time the items are received from the donor and recorded as auction inventory and noncash contributions. The difference between the amount received for those items from the buyer and the estimated fair market value of the donated item when originally contributed to the Foundation, will be recognized as adjustments to the originally recorded contribution when the item is transferred to the buyer. During the 2022 and 2021, there were no non-cash contributions received for fundraising purposes.

Note 13. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*. The standard's main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. For entities that have adopted the amendments in ASU 2016-13, the amendments in this update are effective for fiscal years beginning after December 15, 2022. The provisions are effective for the Organization's fiscal year ending December 31, 2023. Management is currently evaluating the impact that the adoption of these provisions will have on the financial statements.

Note 14. RECLASSIFICATION

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations.