KONA HOSPITAL FOUNDATION
(A Hawai‘i Nonprofit Corporation)

REVIEWED FINANCIAL STATEMENTS
(With Independent Accountants’ Review Report)

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

KONA HOSPITAL FOUNDATION

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Carbonaro CPAs & Management Group

Certified Public Accountants
Member: AICPA
HSCPA

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Trustees and Management
Kona Hospital Foundation
Kealakekua, Hawai'i 96750

We have reviewed the accompanying financial statements of Kona Hospital Foundation (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2025 and 2024, 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 conclusion.

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 & Mgmt Group

Hilo, Hawai'i
March 12, 2026

Kona Hospital Foundation

Statements of Financial Position
As of December 31, 2025 and 2024

ASSETS

	2025	2024
CURRENT ASSETS		
Cash and Cash Equivalents (Notes 2 and 5)	$ 338,378	$ 400,376
Total Current Assets	338,378	400,376
OFFICE EQUIPMENT (Note 2)		
Office Equipment	2,200	2,200
Accumulated Depreciation	(2,200)	(2,200)
Net Office Equipment	-	-
OTHER ASSETS		
Investments in Marketable Securities (Notes 5 and 10)	3,557,269	3,493,756
Beneficial Interest in Perpetual Trust (Note 3)	1,230,000	1,435,000
Total Other Assets	4,787,269	4,928,756
TOTAL ASSETS	$ 5,125,647	$ 5,329,132

LIABILITIES AND NET ASSETS

	2025	2024
CURRENT LIABILITIES		
Accounts Payable	$ 2,801	$ 2,801
Total Current Liabilities	2,801	2,801
NON-CURRENT LIABILITIES		
Unconditional Promises Made (Note 2)	198,668	198,668
Total Non-Current Liabilities	198,668	198,668
TOTAL LIABILITIES	201,469	201,469
NET ASSETS (Note 2)		
Net Assets Without Donor Restrictions	3,435,848	3,282,806
Net Assets With Donor Restrictions	1,488,330	1,844,857
Total Net Assets	4,924,178	5,127,663
TOTAL LIABILITIES AND NET ASSETS	$ 5,125,647	$ 5,329,132

Kona Hospital Foundation

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2025 and 2024

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Totals 2025	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Totals 2024
PUBLIC SUPPORT AND REVENUE						
Contributions and In-Kind Revenue (Note 9)	$ 506,579	$ 64,712	$ 571,291	$ 327,199	$ 177,252	$ 504,451
Unrealized Gain on Investment	219,021	-	219,021	239,346	-	239,346
Interest Income and Dividends	118,355	-	118,355	110,421	-	110,421
Realized Gain on Investments (Note 10)	51,099	-	51,099	49,385	-	49,385
Contribution from Perpetual Trust (Note 3)	49,824	-	49,824	48,990	-	48,990
Special Events Income	36,555	-	36,555	43,595	-	43,595
Change in Valuation of Perpetual Trust (Note 3)	-	(205,000)	(205,000)	-	(215,000)	(215,000)
Net Assets Released from Restrictions	216,239	(216,239)	-	65,193	(65,193)	-
Total Public Support and Revenue	1,197,672	(356,527)	841,145	884,129	(102,941)	781,188
EXPENSES						
Program Services	874,729	-	874,729	154,380	-	154,380
Management and General	108,660	-	108,660	81,623	-	81,623
Fundraising	61,241	-	61,241	62,075	-	62,075
Total Expenses	1,044,630	-	1,044,630	298,078	-	298,078
CHANGES IN NET ASSETS	**$ 153,042**	**$ (356,527)**	**$ (203,485)**	**$ 586,051**	**$ (102,941)**	**$ 483,110**
Net Assets, Beginning of year	3,282,806	1,844,857	5,127,663	2,696,755	1,947,798	4,644,553
Net Assets, End of year	$ 3,435,848	$ 1,488,330	$ 4,924,178	$ 3,282,806	$ 1,844,857	$ 5,127,663

The accompanying notes and independent accountants' review report are an integral part of these financial statements.

Kona Hospital Foundation

Statements of Functional Expenses
For the Years Ended December 31, 2025 and 2024

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Totals 2025	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Totals 2024
Donations to Kona Hospital (Note 2)	$ 790,316	$ -	$ -	$ 790,316	$ 85,427	$ -	$ -	$ 85,427
Salaries and Wages	26,604	63,849	15,962	106,415	22,676	54,421	13,605	90,702
Professional Fees	20,329	27,953	2,541	50,823	8,706	11,971	1,088	21,765
Merchant Service Fees	20,952	8,730	5,238	34,920	18,034	7,514	4,508	30,056
Fundraising & Event Fees	-	-	28,386	28,386	-	-	41,034	41,034
In-Kind Expense (Note 9)	11,748	-	-	11,748	12,514	-	-	12,514
Administration Expenses	3,974	3,577	397	7,948	5,714	5,143	571	11,428
General Excise Taxes (Note 2)	-		6,211	6,211	-	-	-	-
Insurance	-	3,946	-	3,946	-	1,550	-	1,550
Printing and Reproduction	804	603	603	2,010	1,018	763	763	2,544
Meals and Entertainment	-	-	1,903	1,903	-	-	477	477
Office Supplies	2	2	-	4	291	261	29	581
Total Expenses	$ 874,729	$ 108,660	$ 61,241	$ 1,044,630	$ 154,380	$ 81,623	$ 62,075	$ 298,078

The accompanying notes and independent accountants' review report are an integral part of these financial statements.

Kona Hospital Foundation

Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions	$ 621,115	$ 540,927
Cash Received from Investments	169,454	159,806
Cash from Fundraising Events	36,555	43,595
Cash Paid to Employees and Vendors	(1,044,630)	(278,985)
Net Cash (Used) Provided by Operating Activities (Note 8)	(217,506)	465,343
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Proceeds (Purchase) of Investments and Reinvestment of Earnings	155,508	(628,703)
Net Cash Provided (Used) by Investing Activities	155,508	(628,703)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net Decrease in Cash and Cash Equivalents	(61,998)	(163,360)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	400,376	563,736
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 338,378	$ 400,376

The accompanying notes and independent accountants' review report are an integral part of these financial statements.

Kona Hospital Foundation

Notes to the Financial Statements
December 31, 2025 and 2024

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 Hawaiʻi for the purpose of providing funding for improvements and equipment at the Kona Community Hospital (Hospital), located in Kealakekua on the Big Island of Hawaiʻi. The Foundation is a nonprofit corporation 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 $250,000 as of December 31, 2025 and 2024. In addition, the Securities Investor Protection Corporation (SIPC) protects the Foundation's cash balance of $266,212 in the investment account.

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, 2025 and 2024 as the office equipment was fully depreciated.

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 $790,316 and $85,427 for the years ended December 31, 2025 and 2024, respectively.

Advertising Costs: Advertising costs are expensed as incurred. The Foundation incurred advertising costs of $31 and $-0- in the years ended December 31, 2025 and 2024, respectively.

Leases: The Foundation has elected the short-term lease exemption and therefore does not recognize a right-of-use asset or lease liability for this arrangement. Lease payments are expensed as incurred. The Foundation applies a risk-free discount rate consistent with the period of the lease term when measuring any lease liabilities; however, no such liabilities existed as of year-end.

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 obligations 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 that 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: Hawaiʻi general excise tax is imposed on fundraising income from sales activities at four percent, which amounted to $6,211 and $-0- for the years ended December 31, 2025 and 2024.

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, 2025 and 2024.

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. These net assets may include amounts invested in property and equipment, which reflect the Foundation's equity in those assets. All net assets without donor restrictions are available to support the Foundation's ongoing operations and programs.
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> *Net assets with donor restrictions* 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.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(concluded)*

The following are the net assets with donor restrictions as of December 31:

	2025	2024
Beneficial Interest in Perpetual Trust (Note 3)	$ 1,230,000	$ 1,435,000
Cancer Center	203,538	202,438
Giving Tuesday (Baby Bassinets)	32,700	-
Foundation Needs (Education Funds)	14,497	-
Surgical Services	5,000	-
Bedside Tables for OB	1,683	20,000
Monitors	600	-
Imaging Machine	312	-
Surgical 12" C-CRM	-	152,252
Ultrasound Machine	-	21,660
Donor/Grant Software and Bylaws Update	-	13,507
Total	$ 1,488,330	$ 1,844,857

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-profit tax-exempt corporation. This trust is irrevocable and each year the Foundation shall receive distributions from the trust. The Foundation received distributions in the amount of $49,824 and $48,990 for the years ended December 31, 2025 and 2024, respectively. 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 ASC 958, *Presentation of Financial statement of Not-for-Profit Entitie*s, 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 future distributions using a five-year moving average and discounted at a rate using a five-year average of the 30-year Treasury bill as follows as of December 31:

	2025	2024
Five year average distribution	$ 48,028	$ 46,872
Five year average 30-year Treasury Bill Rate	3.90%	3.27%

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 as of December 31:

	2025	2024
Balance, Beginning of Year	$ 1,435,000	$ 1,650,000
Change in Valuation of Perpetual Trust	(205,000)	(215,000)
Balance, End of Year	$ 1,230,000	$ 1,435,000

Note 4. RELATED PARTY AND COMMITMENTS

Foundation supports the Hospital, which is therefore considered a related party. During 2025**,** a member of the Foundation's Board of Directors, who resigned during the year, was the spouse of an individual who served on the Hospital's Board of Directors.

During the year 2024, the Foundation received requests from Kona Community Hospital for funds for various projects and equipment. The Board of Trustees review the requests and vote for approval. The funds are sent when an invoice is received from Kona Community Hospital for reimbursement. As of December 31, 2025 and 2024, the Board has approved $1,654,651 and $727,825 for future projects and equipment which will come from funds either with donor restrictions or without donor restrictions.

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:

	2025	2024
Cash and Cash Equivalents	$ 338,378	$ 400,376
Investments in Marketable Securities (Note 10)	3,557,269	3,493,756
Financial Assets at December 31,	3,895,647	3,894,132
Less those unavailable to general expenditures within one year due to:		
Restricted by donor with purpose restriction	258,330	409,857
Financial assets available to meet cash needs for general expenditures within one year	$ 3,637,317	$ 3,484,275

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 2022. 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 CHANGES IN NET ASSETS WITH NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES

	2025	2024
Changes in Net Assets	$ (203,485)	$ 483,110
Unrealized (Gain) on Investments	(219,021)	(239,346)
Change in Valuation of Perpetual Trust (Note 3)	205,000	215,000
Adjustments to reconcile:		
Change in Prepaid Event Rent	-	6,579
Net Cash (Used) Provided by Operating Activities	$ (217,506)	$ 465,343

Note 9. DONATED SERVICES, GOODS AND FACILITIES AND PRIOR-PERIOD ERROR

The Foundation follows ASC 958 *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. 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 Foundation did not receive any donated services for the years ended December 31, 2025 and 2024.

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. During 2025, the Foundation determined that in-kind contributions and the related in-kind expenses from noncash donated items for fundraising purposes were not recorded in the 2024 financial statements. As a result, the 2024 comparative financial statements have been restated to reflect the recognition of these amounts. The correction increased in-kind contribution revenue and the corresponding expenses by $12,514 for the year ended December 31, 2024. The correction had no impact on the changes in net assets for that year. During 2025, there were $11,748 donated items received for fundraising purposes.

Note 10. INVESTMENTS IN MARKETABLE SECURITIES

As of December 31, 2025 and 2024, the Foundation had and continues to have investments in marketable securities in a diversified portfolio that included mutual funds, Exchange Trade and Closed End Funds, U.S. Government Securities, and Certificates of Deposits. The Foundation follows 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.

Kona Hospital Foundation

Notes to the Financial Statements
December 31, 2025 and 2024

Note 10. INVESTMENTS IN MARKETABLE SECURITIES *(continued)*

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:

	2025			2024		
Assets:	Cost	Cumulative Unrealized Gain (Loss)	Quoted Prices: Level 1	Cost	Cumulative Unrealized Gain (Loss)	Quoted Prices: Level 1
Mutual Funds - Equity	$ 1,111,250	$ 115,722	$ 1,226,972	$ 1,467,259	$ (120,704)	$ 1,346,555
Exchange Trade Funds and Closed End Funds	1,070,679	498,599	1,569,278	930,085	362,865	1,292,950
Government Securities	644,632	25,389	670,021	694,526	18,215	712,741
Certificate of Deposits	89,730	1,268	90,998	139,680	1,830	141,510
Total	$ 2,916,291	$ 640,978	$ 3,557,269	$ 3,231,550	$ 262,206	$ 3,493,756

Realized gains on the sale of investments amounted to $51,099 and $49,385 for the years ended December 31, 2025 and 2024, respectively. Cumulative unrealized gains amounted to $640,978 and $262,206 for the years ended December 31, 2025 and 2024.

The Foundation’s investment is protected by Securities Investor Protection Corporation (SIPC) up to $500,000, including $250,000 for claims for cash as mentioned in Note 2.

Note 11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 12, 2026 the date the financial statements were available to be issued. Subsequent to year end, leadership of the Hospital informed the Foundation that the West Hawaiʻi Region Foundation (WHRF) has been designated as the Hospital’s official foundation. While this designation does not affect the Foundation’s financial position as of the statement of financial position date, it may influence the Foundation’s future fundraising activities and its relationship with the Hospital. The Foundation is actively engaging with Hospital leadership and WHRF to realign its efforts and mission in a manner that supports continued collaboration and ongoing support of the Hospital. No adjustments have been made to the accompanying financial statements as a result of this subsequent event.