

FAMILY SUPPORT SERVICES OF WEST HAWAII
(A Hawaii Non-Profit Corporation)

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	3
Statement of Activities	5
Statement of Functional Expenses	6
Statements of Changes in Net Assets	7
Statements of Cash Flows	8
Notes to the Financial Statements	9
Schedule of Expenditures of Federal Awards	14
Notes to the Schedule of Expenditures of Federal Awards	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	18
Schedule of Findings and Questioned Costs	20

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Family Support Services of West Hawaii
Kailua-Kona, Hawaii 96740

Report on the Financial Statements

We have audited the accompanying financial statements of Family Support Services of West Hawaii (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013, and the related statements of activities, functional expenses, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Support Services of West Hawaii as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Family Support Services of West Hawaii financial statements, and our report dated January 23, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2013, on our consideration of Family Support Services of West Hawaii's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Family Support Services of West Hawaii's internal control over financial reporting and compliance.

Carbonaro CPAs & Associates, Inc

Hilo, Hawaii
November 16, 2013

FAMILY SUPPORT SERVICES OF WEST HAWAII

Statements of Financial Position As of June 30, 2013 and 2012

ASSETS

CURRENT ASSETS	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents	\$ 64,978	\$ 83,762
Accounts Receivable - Grants and Contracts (Note 2)	377,032	586,999
Prepaid Expenses	<u>24,269</u>	<u>28,058</u>
Total Current Assets	466,279	698,819
 PROPERTY AND EQUIPMENT (Note 2)		
Vehicles	367,425	367,425
Equipment - Restricted	119,885	116,078
Leasehold Improvements	<u>108,883</u>	<u>108,883</u>
	596,193	592,386
 Accumulated Depreciation	<u>(411,262)</u>	<u>(358,564)</u>
Net Property and Equipment	184,931	233,822
 OTHER ASSETS		
Investments (Note 4)		
Vanguard Balanced Index Fund-Building	32,771	29,213
Vanguard Balanced Index Fund	13,327	88,179
Security Deposits	<u>12,237</u>	<u>13,233</u>
Total Other Assets	<u>58,335</u>	<u>130,625</u>
 TOTAL ASSETS	 <u><u>\$ 709,545</u></u>	 <u><u>\$ 1,063,266</u></u>

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

FAMILY SUPPORT SERVICES OF WEST HAWAII

Statements of Financial Position
As of June 30, 2013 and 2012

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	2013	2012
Accounts Payable	\$ 36,015	\$ 74,189
Accrued Payroll, Vacation, Taxes and Worker's Compensation	85,243	59,490
Line of Credit (Note 9)	-	300,000
Deferred Revenue (Note 2)	-	20,000
Total Current Liabilities	<u>121,258</u>	<u>453,679</u>
NET ASSETS (Note 3)		
Unrestricted Net Assets	520,152	546,395
Temporarily Restricted Net Assets	45,135	40,192
Permanently Restricted Net Assets	<u>23,000</u>	<u>23,000</u>
Total Net Assets	<u>588,287</u>	<u>609,587</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 709,545</u>	<u>\$ 1,063,266</u>

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

FAMILY SUPPORT SERVICES OF WEST HAWAII

Statement of Activities

For the Year Ended June 30, 2013

(With Comparative Totals for the Year Ended June 30, 2012)

	2013				2012
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
PUBLIC SUPPORT					
Government Contracts - State and County	\$ 187,291	\$ -	\$ -	\$ 187,291	\$ 232,818
Federal Contracts and Pass Through Funds	3,030,139			3,030,139	3,498,718
	3,217,430	-	-	3,217,430	3,731,536
CONTRIBUTIONS AND REVENUE					
Grants from Foundations and Others	42,660	63,988		106,648	190,681
Contributions	58,189	33,845		92,034	90,654
Interest Income	302	300		602	1,406
Unrealized Gains	4,363	4,344		8,707	6,605
	105,514	102,477	-	207,991	289,346
Total Public Support, Contributions and Revenue	3,322,944	102,477	-	3,425,421	4,020,882
Net Assets Released from Restrictions	97,534	(97,534)	-	-	-
EXPENSES					
Programs:					
Early Childhood	1,963,641			1,963,641	2,381,938
Healthy Start	696,109			696,109	795,474
Youth Development	231,603			231,603	344,656
Other Programs	188,332			188,332	133,204
Total Programs	3,079,685			3,079,685	3,655,272
Fundraising	18,196			18,196	23,965
Supporting Activities	348,840			348,840	454,853
Total Expenses	3,446,721	-	-	3,446,721	4,134,090
Change in Net Assets	\$ (26,243)	\$ 4,943	\$ -	\$ (21,300)	\$ (113,208)

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

FAMILY SUPPORT SERVICES OF WEST HAWAII

Statement of Functional Expenses
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	2013				2012
	Program Services	Supporting Activities	Fundraising	Total	Total
Wages	\$1,853,639	\$ 173,425	\$ 9,128	\$2,036,192	\$2,516,308
Payroll Taxes and Benefits	518,099	55,212	2,906	576,217	706,857
Occupancy	174,048	52,435	-	226,483	260,854
Supplies	104,102	5,822	3,881	113,805	150,889
Equipment and Vehicle Expense	63,026	-	-	63,026	70,590
Training and Conference (Travel Incl.)	56,932	1,731	1,039	59,702	121,871
Mileage Reimbursement	52,470	325	-	52,795	48,815
Depreciation	52,697	-	-	52,697	47,868
Outside Services	38,555	11,248	-	49,803	10,103
Professional Fees	28,186	19,825	-	48,011	25,762
Utilities	33,283	9,397	1,044	43,724	52,261
Telephone	38,003	1,601	-	39,604	42,026
Project Expenses	21,671	-	-	21,671	16,282
Fees	18,672	-	-	18,672	15,549
Bad Debt Expense	-	17,819	-	17,819	-
Insurance	15,104	-	-	15,104	13,922
Postage, Printing and Advertising	8,173	-	-	8,173	12,706
Dues and Membership	2,410	-	-	2,410	6,847
Client Assistance	366	-	-	366	12,472
Other Expenses	249	-	-	249	-
Direct Fundraising Expense	-	-	198	198	1,848
In-kind Expense	-	-	-	-	260
Total Expenses	<u>\$3,079,685</u>	<u>\$ 348,840</u>	<u>\$ 18,196</u>	<u>\$ 3,446,721</u>	<u>\$4,134,090</u>

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

FAMILY SUPPORT SERVICES OF WEST HAWAII

Statements of Changes in Net Assets For the Year Ended June 30, 2013 and 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Assets</u>
Net Assets, June 30, 2011	\$ 630,786	\$ 69,009	\$ 23,000	\$ 722,795
Change in Net Assets	<u>(84,391)</u>	<u>(28,817)</u>	<u>-</u>	<u>(113,208)</u>
Net Assets, June 30, 2012	\$ 546,395	\$ 40,192	\$ 23,000	\$ 609,587
Change in Net Assets	<u>(26,243)</u>	<u>4,943</u>	<u>-</u>	<u>(21,300)</u>
Net Assets, June 30, 2013	<u>\$ 520,152</u>	<u>\$ 45,135</u>	<u>\$ 23,000</u>	<u>\$ 588,287</u>

FAMILY SUPPORT SERVICES OF WEST HAWAII

Statements of Cash Flows
As of June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Government Agencies	\$ 3,389,578	\$ 3,724,858
Cash Received from Nongovernmental Contracts, Grantors, Donors and Other Receipts	198,682	281,335
Interest Income	602	1,406
Cash Paid for Interest	(17,237)	(13,699)
Cash Paid to Employees and Vendors	<u>(3,366,604)</u>	<u>(4,056,766)</u>
Net Cash Provided (Used) by Operating Activities (Note 8)	205,021	(62,866)
CASH FLOWS USED BY INVESTING ACTIVITIES		
Proceeds from Sale of Investments	80,001	-
Purchase of Property and Equipment	<u>(3,806)</u>	<u>(28,372)</u>
Net Cash Provided (Used) by Investing Activities	76,195	(28,372)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Net Proceeds (Repayment) from Line of Credit	<u>(300,000)</u>	175,000
Net Cash Provided (Used) by Financing Activities	(300,000)	175,000
Net Increase (Decrease) in Cash for the Year	<u>(18,784)</u>	<u>83,762</u>
CASH BALANCE, BEGINNING OF YEAR	<u>83,762</u>	<u>-</u>
CASH BALANCE, END OF YEAR	<u><u>\$ 64,978</u></u>	<u><u>\$ 83,762</u></u>

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

FAMILY SUPPORT SERVICES OF WEST HAWAII

Notes to the Financial Statements June 30, 2013

Note 1. ORGANIZATION

Family Support Services of West Hawaii was incorporated in April, 1981 as a non-profit corporation under the laws of the State of Hawaii. The Organization's mission is to support families and communities in providing love and care for our children. In fulfilling this mission, the Organization operates programs that assist and support families with children. Funding for the programs is primarily through government contracts and various foundation grants. Family Support Services of West Hawaii operates facilities and programs in Kailua-Kona, Waimea, Hilo, and Ka'u on the Big Island of Hawaii.

Family Support Services of West Hawaii is exempt from Federal income taxes pursuant to Internal Revenue Code section 501(c)(3), and exempt from State income taxes under Section 237-23(b) of the Hawaii Revised Statutes. Therefore, no provision for Federal or State income taxes is required for the financial statements.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue and Expense Recognition: Family Support Services of West Hawaii uses the accrual method of accounting. Under this method of accounting, exchange 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. For grants, revenue is recognized as the applicable requirements are fulfilled.

Property and Equipment: Property and equipment are stated at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which range from 3 to 15 years. The Organization capitalizes expenses over \$1,000 and a useful life of more than one year. Donated property and equipment are recorded as revenue at their estimated fair value. Such donations are reported as unrestricted revenue unless the donor has restricted the donated asset to a specific purpose.

Assets purchased with contract funds revert back to the grantee organization upon termination of their intended use. However, management intends to use the assets for their intended purposes for the life of the assets and the likelihood of the assets ever having to be returned to the grantors is remote.

Cash and Cash Equivalents: For the purpose of the statement of cash flows, cash is defined as demand deposits, petty cash on hand and savings accounts.

Accounts Receivable: Accounts Receivable represents revenue earned and not yet received from grants and contracts. Account receivables are written off when management determined they will not be collected. Management analyzes the allowance for doubtful based on the current make up of the accounts receivable balance and past history. Based on this analysis management has determined an allowance for doubtful accounts is not necessary as of June 30, 2013.

Deferred Revenue: Deferred revenue represents funds received from government and foundation contracts which were not yet earned. Most of the contracts allow for these funds to be used and thus, earned in the subsequent year. There was no deferred revenue balance at June 30, 2013.

FAMILY SUPPORT SERVICES OF WEST HAWAII

Notes to the Financial Statements June 30, 2013

Note 3. NET ASSETS

Family Support Services of West Hawaii has conformed to FASB ASC 958-210-45-9 "Not for profit entities, Classifications of Net Assets". Accordingly, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Temporarily restricted net assets represent restricted grants and funds received from foundations and donors for which the restriction had not yet been fulfilled and consist of the following at June 30, 2013:

Fatherhood initiative	\$	14,914
ECE - First Foods		10,142
Christmas and Emerg Fund		5,131
Capacity Building Program		5,000
ECE - R.I.F.		4,550
ECE - Learn and Play Group		2,705
ECE - CSEFEL		1,820
YD - Council Kona		873
		<hr/>
Total	\$	<u>45,135</u>

Permanently restricted net assets of \$23,000 represent endowment funds received from donors subject to the restrictions of gift instruments requiring the principal to be maintained intact and only the investment income is used to provide sustainable funding of programs and services which support the mission of Family Support Services of West Hawaii. Investment income from certain endowment funds is restricted for specified purposes.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) applies to nonprofit organizations in Hawaii. UPMIFA updates the prudence standard for the management and investment of charitable funds, and it amends the provisions governing the release and modification of restrictions on charitable funds. Management has evaluated the provisions of the standard and has concluded that the adoption of UPMIFA in fiscal year 2013 did not have a significant effect on the Organization's financial statements.

FAMILY SUPPORT SERVICES OF WEST HAWAII

Notes to the Financial Statements June 30, 2013

Note 4. INVESTMENTS

Family Support Services of West Hawaii has conformed to FASB's 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 judgment or estimates, such as those associated with discounted cash flow methodologies and appraisals.

Fair values of assets measured on a recurring basis are as follows, there are no liabilities or other assets measured at fair value on a recurring or non-recurring basis.

Assets	Total 6/30/2013	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non- Observable Inputs: Level 3
Stocks	\$ 27,658	\$ 27,658	\$ -	\$ -
Bonds	<u>18,440</u>	<u>18,440</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 46,098</u>	<u>\$ 46,098</u>	<u>\$ -</u>	<u>\$ -</u>

Note 5. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 6. 401(k) PLAN

The Organization has a retirement plan with Mutual of America in which there is no limit on employee contributions and the Organization match up to 3% for July 2011 – March 2012. The match was suspended on April 1, 2012 and then reinstated in July 2012. For the year ended June 30, 2013, the 401(k) retirement plan contributions by the Organization were \$17,722.

FAMILY SUPPORT SERVICES OF WEST HAWAII

Notes to the Financial Statements June 30, 2013

Note 7. USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

	2013	2012
Change in Net Assets	\$ (21,300)	\$(113,208)
Add in Depreciation	52,697	47,868
Unrealized Gain on Investments	(8,707)	(6,605)
Bad Debt Expense	17,819	-
Change in Accounts Receivable	192,148	(26,678)
Change in Prepaid Expenses	3,789	57,501
Change in Security Deposits	996	(100)
Change in Accounts Payable	(38,174)	(85,642)
Change in Accrued Expenses	25,753	43,998
Change in Deferred Revenue	(20,000)	20,000
Net Cash (Provided) Used by Operating Activities	<u>\$ 205,021</u>	<u>\$ (62,866)</u>

Note 9. LINE OF CREDIT

Family Support Services of West Hawaii has secured a line of credit with the Bank of Hawaii with an interest rate of 7% and a maximum borrowing of \$350,000. The line of credit expires on September 1, 2014 and is renewed during the normal course of business. The line of credit was used from time to time during the year and as of June 30, 2013, had a zero balance.

Note 10. CONCENTRATIONS

During the year ended June 30, 2013, the Organization received approximately 94% of its revenue directly from government contracts, most of which are awarded by the State of Hawaii. Significant reductions, if any, could have an adverse effect on the Organization's ability to continue operations. The ultimate determination of amounts received under these programs generally is based upon allowable units of service delivered to and audited by the government. Until such audits have been completed and a final settlement has been reached, there exists a contingency to refund any amount received in excess of allowable costs.

FAMILY SUPPORT SERVICES OF WEST HAWAII

Notes to the Financial Statements June 30, 2013

Note 11. FUTURE LEASE PAYMENTS

The Organization leases facilities in several locations in order to fulfill its mission. In addition, the Organization entered into certain operating leases for equipment and vehicles. Rental expense was \$207,689 for the year ended June 30, 2013. The following schedule shows the non-cancelable portion of lease obligations to Family Support Services of West Hawaii.

2014	\$ 154,936
2015	\$ 114,798
2016	\$38,548

Note 12. FINANCIAL STATEMENT PRESENTATION

The financial statements include certain prior-year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Note 13. INCOME TAXES

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2013. The Organization files its Forms 990 in the U.S. federal jurisdiction and the office of the state's Attorney General for the State of Hawai'i. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2009.

Note 14. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 16, 2013, the date the financial statements were available to be issued.

FAMILY SUPPORT SERVICES OF WEST HAWAII

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013**

Federal Grantor / Pass-through Grantor/ Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
United States Department of Education:			
Passed through the State of Hawaii, Department of Health:			
Fiscal Office of Parents and Children Together			
Infant and Toddler Development Services	^ 84.181	* ASO LOG 13-079	\$ 224,121
Infant and Toddler Development Services	^ 84.181	* ASO LOG 09-017	95,136
Infant and Toddler Development Services	^ 84.181	* ASO LOG 13-080	459,759
Subtotal Department of Education pass-through programs			<u>779,016</u>
Passed through Keiki O Ka 'Aina Preschool:			
Native Hawaiian Education Act	84.362	KOKA	<u>88,276</u>
Total Department of Education pass-through programs			867,292
United States Department of Agriculture			
Passed through the State of Hawaii, Office of Education, Hawaii Child Nutrition Programs			
Child and Adult Care Food Program	10.558	Agreement # 2135-1	6,600
Passed through the State of Hawaii, WIC Service Branch			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.577	12-133	<u>42,762</u>
Total Department of Agriculture programs			49,362
United States Department of Health and Human Services:			
Direct Programs:			
Early Head Start	93.600	09CH9076/04	<u>931,194</u>
Subtotal Department of Health and Human Services direct programs			931,194
Passed through the State of Hawaii, Department of Human Services:			
Child Care and Development Fund	93.575	DHS-08-BEDDD-5045	91,193
Enhanced Healthy Start	93.558	DHS-09-POS-9036	327,688
Passed through the State of Hawaii, Department of Health:			
Big Island Perinatal Health Disparities Program	93.926	* ASO LOG 09-163	455,648
Maternal, Infant and Early Childhood Home Visiting Program	^ 93.505	ASO LOG 13-083	47,675
Maternal, Infant and Early Childhood Home Visiting Program	^ 93.505	ASO LOG 12-084	9,000
Passed through the Hawaii Youth Services Network:			
Transitional Living Program	93.550	09CX5058	19,136
Street Outreach Program	93.557	90YO2080/03	21,730
Teen Pregnancy Prevention Partnership of the Pacific	93.297	1 TP1AH000002-01-00	63,221
Passed through the Office of Youth Services:			
Truancy	93.667	DHS-12-OYS-241	<u>64,769</u>
Subtotal Department of Health and Human Services pass-through programs			<u>1,100,060</u>
Total Department of Health and Human Services programs			2,031,254
United States Corporation for National and Community Service:			
Passed through The Research Corporation of the University Of Hawaii:			
HIPPY AmeriCorps	94.006	06AFHHI0010012	82,231
Total expenditures of federal awards			<u><u>\$ 3,030,139</u></u>
* Major Program			
^ Clusters			

FAMILY SUPPORT SERVICES OF WEST HAWAII

Notes to Schedule of Expenditures of Federal Awards For the year ended June 30, 2013

Note A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Family Support Services of West Hawaii programs of the federal government for the year ended June 30, 2013.

The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Family Support Services of West Hawaii it is not intended to and does not present the financial position, changes in net assets, or cash flows of Family Support Services of West Hawaii.

Note B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: Expenditures reported on these schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Family Support Services of West Hawaii
Kailua-Kona, Hawaii

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Family Support Services of West Hawaii (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Family Support Services of West Hawaii's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Family Support Services of West Hawaii's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

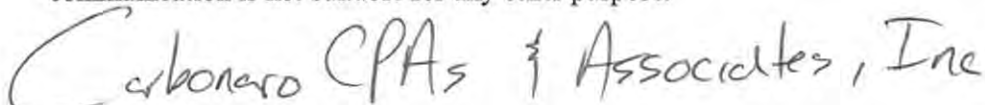
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Family Support Services of West Hawaii's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carbonero CPAs & Associates, Inc

Hilo, Hawaii

November 16, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Trustees of
Family Support Services of West Hawaii
Kailua-Kona, Hawaii

Report on Compliance for Each Major Federal Program

We have audited Family Support Services of West Hawaii's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Family Support Services of West Hawaii's major federal programs for the year ended June 30, 2013. Family Support Services of West Hawaii's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Family Support Services of West Hawaii's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Family Support Services of West Hawaii's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Family Support Services of West Hawaii's compliance.

Opinion on Each Major Federal Program

In our opinion, Family Support Services of West Hawaii complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items. Our opinion on each major federal program is not modified with respect to these matters.

Family Support Services of West Hawaii's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Family Support Services of West Hawaii's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Family Support Services of West Hawaii is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Family Support Services of West Hawaii's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Family Support Services of West Hawaii's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Carbonero CPAs & Associates, Inc

Hilo, Hawaii
November 16, 2013

FAMILY SUPPORT SERVICES OF WEST HAWAII

Schedule of Findings and Questioned Costs For the year ended June 30, 2013

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of Auditor's report issued: **Unmodified**

Internal control over financial reporting:

- Significant Deficiencies **No**
- Material Weaknesses **No**

Noncompliance which is material to the financial statements noted: **No**

Federal Awards

Internal control over Major Programs:

- Significant Deficiencies **No**
- Material Weaknesses **No**

Type of auditor's report issued in regards to major program compliance: **Unmodified**

The programs tested as the major programs were:

	Federal CFDA Number	Grant Number
United States Department of Health and Human Services:		
Big Island Perinatal Health Disparities Program	93.926	* ASO LOG 09-163
United States Department of Education		
Infant and Toddler Development Services	84.181	* ASO LOG 13-079
Infant and Toddler Development Services	84.181	* ASO LOG 09-017
Infant and Toddler Development Services	84.181	* ASO LOG 13-080

The threshold for distinguishing major programs was **\$300,000**

Auditee qualified as a low-risk auditee **Yes**

B. FINANCIAL STATEMENT FINDINGS

None noted.

C. FINDINGS AND QUESTIONS COSTS - MAJOR FEDERAL AWARD PROGRAM

None noted.

D SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None