

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

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INDEPENDENT AUDITOR'S REPORT

To Management and 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, 2014, 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, 2014, 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 November 16, 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, 2013, 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 February 28, 2015, 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 & Management Group

Hilo, Hawaii
February 28, 2015

FAMILY SUPPORT SERVICES OF WEST HAWAII

Statements of Financial Position
As of June 30, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 206,070	\$ 64,978
Accounts Receivable - Grants and Contracts (Note 2)	422,642	377,032
Prepaid Expenses	<u>27,393</u>	<u>24,269</u>
Total Current Assets	656,105	466,279
PROPERTY AND EQUIPMENT (Note 2)		
Vehicles	342,247	367,425
Equipment - Restricted	133,954	119,885
Leasehold Improvements	<u>108,883</u>	<u>108,883</u>
	585,084	596,193
Accumulated Depreciation	<u>(433,251)</u>	<u>(411,262)</u>
Net Property and Equipment	151,833	184,931
OTHER ASSETS		
Investments (Note 4)		
Vanguard Balanced Index Fund-Building	38,158	32,771
Vanguard Balanced Index Fund	15,517	13,327
Security Deposits	<u>12,617</u>	<u>12,237</u>
Total Other Assets	<u>66,292</u>	<u>58,335</u>
TOTAL ASSETS	<u><u>\$ 874,230</u></u>	<u><u>\$ 709,545</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, 2014 and 2013

LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 50,640	\$ 36,015
Accrued Payroll Expenses	108,356	85,243
Total Current Liabilities	<u>158,996</u>	<u>121,258</u>
NET ASSETS (Note 3)		
Unrestricted	578,221	520,152
Board Designated	28,000	-
Total Unrestricted	<u>606,221</u>	<u>520,152</u>
Temporarily Restricted	86,013	45,135
Permanently Restricted	23,000	23,000
Total Net Assets	<u>715,234</u>	<u>588,287</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 874,230</u>	<u>\$ 709,545</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, 2014

(With Comparative Totals for the Year Ended June 30, 2013)

	2014				2013 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
PUBLIC SUPPORT					
Government Contracts - State and County	\$ 156,607	\$ -	\$ -	\$ 156,607	\$ 187,291
Federal Contracts and Pass Through Funds	2,646,614	-	-	2,646,614	3,030,139
	<u>2,803,221</u>	<u>-</u>	<u>-</u>	<u>2,803,221</u>	<u>3,217,430</u>
CONTRIBUTIONS AND REVENUE					
Grants from Foundations and Others	8,450	96,936	-	105,386	106,648
Contributions	103,900	11,623	-	115,523	92,034
Interest Income	196	-	-	196	602
Gain on Asset Disposal	4,200	-	-	4,200	-
Unrealized Gains	3,846	3,731	-	7,577	8,707
	<u>120,592</u>	<u>112,290</u>	<u>-</u>	<u>232,882</u>	<u>207,991</u>
Total Public Support, Contributions and Revenue	2,923,813	112,290	-	3,036,103	3,425,421
Net Assets Released from Restrictions	71,412	(71,412)	-	-	-
EXPENSES					
Programs:					
Early Childhood	1,947,742	-	-	1,947,742	1,963,641
Healthy Start	312,877	-	-	312,877	696,109
Youth Development	205,602	-	-	205,602	231,603
Other Programs	54,520	-	-	54,520	188,332
Total Programs	<u>2,520,741</u>	<u>-</u>	<u>-</u>	<u>2,520,741</u>	<u>3,079,685</u>
Fundraising	18,754	-	-	18,754	18,196
Supporting Activities	369,661	-	-	369,661	348,840
Total Expenses	<u>2,909,156</u>	<u>-</u>	<u>-</u>	<u>2,909,156</u>	<u>3,446,721</u>
Change in Net Assets	<u>\$ 86,069</u>	<u>\$ 40,878</u>	<u>\$ -</u>	<u>\$ 126,947</u>	<u>\$ (21,300)</u>

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, 2014
 (With Comparative Totals for the Year Ended June 30, 2013)

	2014			Total	2013 Total
	Program Services	Supporting Activities	Fundraising		
Wages	\$1,317,688	\$ 250,831	\$ 13,202	\$1,581,721	\$2,036,192
Payroll Taxes and Benefits	375,912	89,176	4,693	469,781	576,217
Outside Services	172,372	-	-	172,372	49,803
Occupancy	150,318	17,996	-	168,314	226,483
Supplies	126,796	5,762	445	133,003	113,805
Training, Travel and Conference	87,079	720	-	87,799	59,702
Equipment and Vehicle Expense	59,657	3,795	-	63,452	63,026
Depreciation	49,677	-	-	49,677	52,697
Mileage Reimbursement	40,431	-	-	40,431	52,795
Utilities	36,137	-	-	36,137	43,724
Professional Fees	32,406	-	-	32,406	48,011
Telephone	30,532	-	-	30,532	39,604
Insurance	13,929	-	-	13,929	15,104
Project Expenses	12,213	-	-	12,213	21,671
Postage, Printing and Advertising	5,869	-	-	5,869	8,173
Fees	4,735	-	-	4,735	18,672
Dues and Membership	3,204	-	-	3,204	2,410
Bad Debt Expense	-	1,381	-	1,381	17,819
Other Expenses	1,084	-	-	1,084	249
Client Assistance	702	-	-	702	366
Direct Fundraising Expense	-	-	414	414	198
Total Expenses	\$2,520,741	\$ 369,661	\$ 18,754	\$ 2,909,156	\$ 3,446,721

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 Years Ended June 30, 2014 and 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Assets</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>
Net Assets, June 30, 2013	\$ 520,152	\$ 45,135	\$ 23,000	\$ 588,287
Change in Net Assets	<u>86,069</u>	<u>40,878</u>	<u>-</u>	<u>126,947</u>
Net Assets, June 30, 2014	<u>\$ 606,221</u>	<u>\$ 86,013</u>	<u>\$ 23,000</u>	<u>\$ 715,234</u>

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

FAMILY SUPPORT SERVICES OF WEST HAWAII

Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Government Agencies	\$ 2,756,230	\$ 3,389,578
Cash Received from Nongovernmental Contracts, Grantors, Donors and Other Receipts	220,909	198,682
Interest Income	196	602
Cash Paid for Interest	(3,609)	(17,237)
Cash Paid to Employees and Vendors	(2,820,255)	(3,366,604)
Net Cash Provided by Operating Activities (Note 8)	153,471	205,021
CASH FLOWS USED BY INVESTING ACTIVITIES		
Proceeds from Sale of Investments	-	80,001
Proceeds from Sale of Fixed Assets	4,200	-
Purchase of Property and Equipment	(16,579)	(3,806)
Net Cash Provided (Used) by Investing Activities	(12,379)	76,195
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Net Repayment of Line of Credit	-	(300,000)
Net Cash Used by Financing Activities	-	(300,000)
Net Increase (Decrease) in Cash for the Year	141,092	(18,784)
CASH BALANCE, BEGINNING OF YEAR	64,978	83,762
CASH BALANCE, END OF YEAR	\$ 206,070	\$ 64,978

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

FAMILY SUPPORT SERVICES OF WEST HAWAII

Notes to the Financial Statements
June 30, 2014

Note 1. ORGANIZATION

Family Support Services of West Hawaii (the Organization) 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. Accounts receivable 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, 2014.

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, 2014 and 2013.

FAMILY SUPPORT SERVICES OF WEST HAWAII

Notes to the Financial Statements
June 30, 2014

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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
NEST	\$ 38,954	\$ -
Fatherhood initiative	37,331	14,914
Christmas and Emergency Fund	5,378	5,131
ECE - Learn and Play Group	2,395	2,705
ECE - R.I.F.	1,098	4,550
ECE - CSEFEL	815	1,820
YD - Council Kona	32	873
ECE Marshallese	10	-
ECE - First Foods	-	10,142
Capacity Building Program	-	<u>5,000</u>
Total	<u>\$ 86,013</u>	<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 2014 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, 2014

Note 4. INVESTMENTS

Family Support Services of West Hawaii has conformed to *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 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.

	Total	Quoted	Significant	Significant Non-		Total	Quoted	Significant	Significant Non-
Assets	6/30/2014	Prices:	Other Inputs:	Observable	Assets	6/30/2013	Prices:	Other Inputs:	Observable
		Level 1	Level 2	Inputs: Level 3			Level 1	Level 2	Inputs: Level 3
Stocks	\$ 32,205	\$ 32,205	\$ -	\$ -	Stocks	\$ 27,658	\$ 27,658	\$ -	\$ -
Bonds	<u>21,470</u>	<u>21,470</u>			Bonds	<u>18,440</u>	<u>18,440</u>		
Total	<u>\$ 53,675</u>	<u>\$ 53,675</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 the year ended June 30, 2014 and 2013, the 401(k) retirement plan contributions by the Organization were \$18,120 and \$17,722, respectively.

FAMILY SUPPORT SERVICES OF WEST HAWAII

Notes to the Financial Statements
June 30, 2014

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 BY OPERATING ACTIVITIES

	2014	2013
Change in Net Assets	\$ 126,947	\$ (21,300)
Add in Depreciation	49,677	52,697
Unrealized Gain on Investments	(7,577)	(8,707)
Gain on Disposal	(4,200)	-
Bad Debt Expense	1,381	17,819
Change in Accounts Receivable - Grants and Contracts	(46,991)	192,148
Change in Prepaid Expenses	(3,124)	3,789
Change in Security Deposits	(380)	996
Change in Accounts Payable	14,625	(38,174)
Change in Accrued Payroll Expenses	23,113	25,753
Change in Deferred Revenue	-	(20,000)
	\$ 153,471	\$ 205,021
Net Cash Provided by Operating Activities		

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 was used from time to time during the year and as of June 30, 2014 and 2013, had a zero balance.

Note 10. CONCENTRATIONS

During the year ended June 30, 2014, the Organization received approximately 92% 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, 2014

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 \$138,906 for the year ended June 30, 2014. The following schedule shows the non-cancelable portion of lease obligations to Family Support Services of West Hawaii:

2015	\$ 102,102
2016	\$ 34,316

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, 2013, 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 2014. 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 Hawaii. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2011.

Note 14. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 28, 2015, 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, 2014

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			
Special Education - Grants for Infants and Families	84.181	ASO LOG 13-079	\$ 240,626
Special Education - Grants for Infants and Families	84.181	ASO LOG 13-080	<u>485,046</u>
			725,672
Passed through Keiki O Ka 'Aina Preschool: Native Hawaiian Education			
	84.362	KOKA	<u>390</u>
Total Department of Education pass-through programs			726,062
United States Department of Agriculture			
Passed through the State of Hawaii, WIC Service Branch Snap Partnership Grant			
	10.577	12-133	<u>32,973</u>
Total Department of Agriculture programs			32,973
United States Department of Health and Human Services:			
Direct Programs: Head Start			
	93.600	* 09CH9076/049CH9144	<u>1,042,430</u>
			1,042,430
Passed through the State of Hawaii, Department of Human Services: Child Care and Development Block Grant			
	93.575	DHS-08-BEDDD-5045	94,949
Temporary Assistance for Needy Families	93.558	* DHS-09-POS-9036	318,832
Passed through the State of Hawaii, Department of Health: Affordable Care Act Maternal, Infant and Early Childhood Home Visiting Program			
	93.505	ASO LOG 13-083	214,602
Affordable Care Act Maternal, Infant and Early Childhood Home Visiting Program	93.505	ASO LOG 12-084	64,168
Passed through the Hawaii Youth Services Network: Transitional Living for Homeless Youth			
	93.550	09CX5058	20,720
Basic Center Grant	93.623	90CY6418-01-00	5,966
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth			
	93.557	90YO2080/03	5,050
Teenage Pregnancy Prevention Program	93.297	1 TP1AH000002-01-00	40,306
Passed through the Office of Youth Services: Social Services Block Grant			
	93.667	DHS-12-OYS-241	<u>66,139</u>
Subtotal Department of Health and Human Services pass-through programs			<u>830,732</u>
Total Department of Health and Human Services programs			1,873,162
United States Corporation for National and Community Service:			
Passed through The Research Corporation of the University of Hawaii: HIPPIY AmeriCorps			
	94.006	06AFHHI0010012	14,417
Total expenditures of federal awards			<u><u>\$ 2,646,614</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, 2014

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, 2014.

The information in this schedule 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 this schedule 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.



Certified Public Accountants
Member: AICPA
HSCPA

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 Management and Board of Directors of
Family Support Services of West Hawaii
Kailua-Kona, Hawaii 96740

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, 2014, 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 February 28, 2015.

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.

Carbonaro CPAs & Management Group

Hilo, Hawaii
February 28, 2015



Certified Public Accountants
Member: AICPA
HSCPA

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

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

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, 2014. 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, 2014.

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.

Carbonaro CPAs & Management Group

Hilo, Hawaii
February 28, 2015

FAMILY SUPPORT SERVICES OF WEST HAWAII

Schedule of Findings and Questioned Costs
For the year ended June 30, 2014

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:		
Head Start	93.600	09CH9076/049CH9144
Temporary Assistance for Needy Families	93.558	DHS-09-POS-9036

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