

FAMILY SUPPORT SERVICES OF WEST HAWAII
(A Hawaii Nonprofit Corporation)

AUDITED COMBINED FINANCIAL STATEMENTS
(With Independent Auditor's Report)

FOR THE YEAR ENDED JUNE 30, 2016
(With comparative totals for the year ended June 30, 2015)

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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 combined financial statements of Family Support Services of West Hawaii (a nonprofit organization) and affiliates, which comprise the combined statements of financial position as of June 30, 2016, and the related combined statements of activities, functional expenses, changes in net assets, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Family Support Services of West Hawaii and affiliates as of June 30, 2016, 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.

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Report on Summarized Comparative Information

We have previously audited Family Support Services of West Hawaii financial statements, and our report dated October 10, 2015, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards on page 14 is presented for purposes of additional analysis and is not a required part of the combined 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 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 December 15, 2016, on our consideration of Family Support Services of West Hawaii and affiliates' internal control over combined 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 combined financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over combined 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 and affiliates' internal control over combined financial reporting and compliance.

Carlson CPA's

Hilo, Hawaii
December 15, 2016

FAMILY SUPPORT SERVICES OF WEST HAWAII

Statements of Financial Position As of June 30, 2016 and 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2)	\$ 295,795	\$ 245,591
Accounts Receivable - Grants and Contracts (Note 2)	336,802	429,392
Prepaid Expenses	<u>20,344</u>	<u>20,633</u>
Total Current Assets	652,941	695,616
 PROPERTY AND EQUIPMENT (Note 2)		
Vehicles	331,405	318,940
Equipment - Restricted	133,954	133,954
Leasehold Improvements	<u>108,883</u>	<u>108,883</u>
	574,242	561,777
 Accumulated Depreciation	<u>(491,425)</u>	<u>(459,739)</u>
Net Property and Equipment	82,817	102,038
 OTHER ASSETS		
Investments (Note 4)		
Vanguard Balanced Index Fund-Building	26,788	24,724
Vanguard Balanced Index Fund	48,434	47,255
Vanguard Equities	<u>534</u>	<u>-</u>
Total Investments	75,756	71,979
 Security Deposits	<u>12,696</u>	<u>13,442</u>
Total Other Assets	<u>88,452</u>	<u>85,421</u>
 TOTAL ASSETS	 <u><u>\$ 824,210</u></u>	 <u><u>\$ 883,075</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, 2016 and 2015

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 26,297	\$ 54,728
Accrued Payroll Expenses	<u>112,218</u>	<u>128,619</u>
Total Current Liabilities	138,515	183,347
 NET ASSETS (Note 3)		
Unrestricted	569,837	567,714
Board Designated	<u>28,000</u>	<u>28,000</u>
Total Unrestricted	597,837	595,714
 Temporarily Restricted	64,858	81,014
Permanently Restricted	<u>23,000</u>	<u>23,000</u>
Total Net Assets	<u>685,695</u>	<u>699,728</u>
 TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 824,210</u></u>	<u><u>\$ 883,075</u></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, 2016

(With Comparative Totals for the Year Ended June 30, 2015)

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
PUBLIC SUPPORT					
Government Contracts - State and County	\$ 149,386	\$ 12,000	\$ -	\$ 161,386	\$ 126,349
Federal Contracts and Pass-through Funds	2,305,594	-	-	2,305,594	2,390,093
	<u>2,454,980</u>	<u>12,000</u>	<u>-</u>	<u>2,466,980</u>	<u>2,516,442</u>
CONTRIBUTIONS AND REVENUE					
Grants from Foundations and Others	29,000	82,269	-	111,269	111,923
Contributions	87,747	1,000	-	88,747	71,053
Interest Income	212	-	-	212	117
Gain on Asset Disposal	-	-	-	-	6,400
Unrealized Gains	3,243	-	-	3,243	3,306
	<u>120,202</u>	<u>83,269</u>	<u>-</u>	<u>203,471</u>	<u>192,799</u>
Total Public Support, Contributions and Revenue	2,575,182	95,269	-	2,670,451	2,709,241
Net Assets Released from Restrictions	111,425	(111,425)	-	-	-
EXPENSES					
Programs:					
Early Childhood	1,815,273	-	-	1,815,273	1,781,799
Healthy Start	356,067	-	-	356,067	384,225
Youth Development	80,527	-	-	80,527	115,069
Other Programs	39,509	-	-	39,509	58,688
Total Programs	<u>2,291,377</u>	<u>-</u>	<u>-</u>	<u>2,291,377</u>	<u>2,339,781</u>
Fundraising	11,074	-	-	11,074	16,441
Management and General	382,033	-	-	382,033	368,525
Total Expenses	<u>2,684,484</u>	<u>-</u>	<u>-</u>	<u>2,684,484</u>	<u>2,724,747</u>
Change in Net Assets	<u>\$ 2,123</u>	<u>\$ (16,156)</u>	<u>\$ -</u>	<u>\$ (14,033)</u>	<u>\$ (15,506)</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, 2016 (With Comparative Totals for the Year Ended June 30, 2015)

	2016				2015
	Program Services	Management and General	Fundraising	Total	Total
Wages	\$1,287,726	\$ 248,110	\$ 8,350	\$1,544,186	\$1,561,590
Payroll Taxes and Benefits	363,986	69,162	1,843	434,991	465,713
Supplies	132,330	10,045	-	142,375	108,011
Occupancy	123,944	15,419	-	139,363	145,727
Outside Services	73,556	1,372	-	74,928	85,442
Training, Travel and Conference	61,446	4,776	-	66,222	49,992
Equipment and Vehicle Expense	56,274	104	-	56,378	52,277
Insurance	37,996	-	-	37,996	31,597
Telephone	31,398	819	-	32,217	27,691
Mileage Reimbursement	27,212	760	-	27,972	36,009
Professional Fees	5,917	18,429	-	24,346	27,954
Utilities	19,755	3,749	-	23,504	30,017
Client Assistance	22,933	-	-	22,933	9,030
Depreciation	19,221	-	-	19,221	49,795
Postage, Printing and Advertising	8,758	3,240	-	11,998	11,119
Project Expenses	10,585	-	-	10,585	9,759
Dues and Membership	2,616	1,818	-	4,434	6,247
Fees	75	4,011	-	4,086	4,913
Other Expenses	3,194	219	-	3,413	1,400
Bad Debt Expense	2,455	-	-	2,455	9,820
Direct Fundraising Expense	-	-	881	881	644
Total Expenses	<u>\$2,291,377</u>	<u>\$ 382,033</u>	<u>\$ 11,074</u>	<u>\$ 2,684,484</u>	<u>\$ 2,724,747</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 Years Ended June 30, 2016 and 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
Net Assets, June 30, 2014	\$ 606,221	\$ 86,013	\$ 23,000	\$ 715,234
Change in Net Assets	(10,507)	(4,999)	-	(15,506)
Net Assets, June 30, 2015	<u>\$ 595,714</u>	<u>\$ 81,014</u>	<u>\$ 23,000</u>	<u>\$ 699,728</u>
Change in Net Assets	2,123	(16,156)	-	(14,033)
Net Assets, June 30, 2016	<u>\$ 597,837</u>	<u>\$ 64,858</u>	<u>\$ 23,000</u>	<u>\$ 685,695</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Government Agencies	\$ 2,547,572	\$ 2,499,872
Cash Received from Nongovernmental Contracts, Grantors, Donors and Other Receipts	200,016	182,976
Interest Income	212	117
Cash Paid to Employees and Vendors	<u>(2,697,062)</u>	<u>(2,634,846)</u>
Net Cash Provided by Operating Activities (Note 7)	50,738	48,119
CASH FLOWS USED BY INVESTING ACTIVITIES		
Proceeds from Sale of Fixed Assets	-	6,400
Purchase of Investments	<u>(534)</u>	<u>(14,998)</u>
Net Cash Used by Investing Activities	(534)	(8,598)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net Increase in Cash for the Year	50,204	39,521
CASH BALANCE, BEGINNING OF YEAR	<u>245,591</u>	<u>206,070</u>
CASH BALANCE, END OF YEAR	<u><u>\$ 295,795</u></u>	<u><u>\$ 245,591</u></u>

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

FAMILY SUPPORT SERVICES OF WEST HAWAII

Notes to the Combined financial Statements June 30, 2016

Note 1. ORGANIZATION

Family Support Services of West Hawaii (FSSWH) was incorporated in April, 1981 as a non-profit corporation under the laws of the State of Hawaii. The FSSWH's mission is to support families and communities in providing love and care for our children. In fulfilling this mission, the FSSWH 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 operate facilities and programs in Kailua-Kona, Waimea, Hilo, and Ka'u on the Big Island of Hawaii.

Island Therapeutic (ITS) is a limited liability corporation organized in July 2013 under the laws of the State of Hawaii. Family Support Services of West Hawaii acquired ITS during 2016. Intercompany transactions have been incorporated into the combined financial statements. Collectively, Family Support Services of West Hawaii and Island Therapeutic are referred to as the Organization.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue and Expense Recognition: The Organization 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 \$5,000 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 determines they will not be collected. Management analyzes the allowance for doubtful accounts 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, 2016 and 2015.

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, 2016 and 2015.

FAMILY SUPPORT SERVICES OF WEST HAWAII

Notes to the Combined Financial Statements June 30, 2016

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates: The preparation of combined 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 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:

	2016	2015
Newborn Enhanced Support Team	\$ 32,175	\$ 37,429
Fatherhood Initiative	13,223	32,527
ECE - First Foods	13,040	5,912
ECE Marshallese	4,961	1,610
ECE - R.I.F.	840	1,098
ECE - Learn and Play Group	619	2,314
ECE - CSEFEL	-	124
Total	<u>\$ 64,858</u>	<u>\$ 81,014</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 2016 did not have a significant effect on the Organization's combined financial statements.

FAMILY SUPPORT SERVICES OF WEST HAWAII

Notes to the Combined Financial Statements June 30, 2016

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 combined 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 6/30/2016	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non- Observable Inputs: Level 3	Assets	Total 6/30/2015	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non- Observable Inputs: Level 3
Stocks	\$ 45,667	\$ 45,667	\$ -	\$ -	Stocks	\$ 43,052	\$ 43,052	\$ -	\$ -
Bonds	30,089	30,089			Bonds	28,927	28,927		
Total	<u>\$ 75,756</u>	<u>\$ 75,756</u>	<u>\$ -</u>	<u>\$ -</u>	Total	<u>\$ 71,979</u>	<u>\$ 71,979</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 matches up to 3%. For the year ended June 30, 2016 and 2015, the 401(k) retirement plan contributions by the Organization were \$24,526 and \$21,720, respectively.

FAMILY SUPPORT SERVICES OF WEST HAWAII

Notes to the Combined Financial Statements June 30, 2016

Note 7. RECONCILIATION OF CHANGE IN NET ASSETS WITH NET CASH PROVIDED BY OPERATING ACTIVITIES

	2016	2015
Change in Net Assets	\$ (14,033)	\$ (15,506)
Add in Depreciation	19,221	49,795
Unrealized Gain on Investments	(3,243)	(3,306)
Gain on Disposal	-	(6,400)
Bad Debt Expense	11,998	9,820
Change in Accounts Receivable - Grants and Contracts	80,592	(16,570)
Change in Prepaid Expenses	289	6,760
Change in Security Deposits	746	(825)
Change in Accounts Payable	(28,431)	4,088
Change in Accrued Payroll Expenses	(16,401)	20,263
Net Cash Provided by Operating Activities	<u>\$ 50,738</u>	<u>\$ 48,119</u>

Note 8. LINE OF CREDIT

Family Support Services of West Hawaii has secured a line of credit with the Bank of Hawaii with a maximum borrowing of \$200,000. The line of credit expires in September 2017 and has a zero balance as of June 30, 2016 and 2015, respectively.

Note 9. CONCENTRATIONS

During the year ended June 30, 2016 and 2015, the Organization received approximately 92% and 93%, respectively, of its revenue 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.

Note 10. COMBINED FINANCIAL STATEMENT PRESENTATION

The combined 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 combined financial statements for the year ended June 30, 2015, from which the summarized information was derived.

FAMILY SUPPORT SERVICES OF WEST HAWAII

Notes to the Combined Financial Statements June 30, 2016

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 \$120,734 and \$124,506 for the year ended June 30, 2016 and 2015, respectively. The following schedule shows the non-cancelable portion of lease obligations to Family Support Services of West Hawaii:

2017	\$ 17,554
2018	\$ 16,123
2019	\$ 13,468

Note 12. INCOME TAXES

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 combined financial statements.

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 combined 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 combined 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 2016. 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 2013.

Note 13. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 15, 2016, the date the combined 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, 2016**

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:			
Infant and Toddler Development Services	84.181	ASO LOG 13-079	\$ 270,696
Infant and Toddler Development Services	84.181	ASO LOG 13-080	513,161
			<hr/>
Total U.S. Department of Education pass-through programs			783,857
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	6,934
			<hr/>
Total U.S. Department of Agriculture programs			6,934
United States Department of Health and Human Services:			
Early Head Start	93.600	09CH9144-02-01	1,079,946
			<hr/>
Subtotal Department of Health and Human Services direct programs			1,079,946
Passed through the State of Hawaii, Department of Human Services:			
Child Care and Development Fund	93.575	DHS-08-BESSD-5045	95,429
Home Visiting Services (formerly Enhanced Healthy Start)	93.558	DHS-09-POS-9036	198,583
			<hr/>
Subtotal Department of Human Services passed through programs			294,012
Passed through the State of Hawaii, Department of Health:			
Affordable Care Act -			
Maternal, Infant and Early Childhood Home Visiting Program	93.505	X02MC19403-01-00	80,000
Passed through National Association of County and City Health Officials:			
Reducing Disparities in Breastfeeding through Peer and Professional Support (Breastfeeding) Project	93.524	3U38OT000172-03S1	25,016
Passed through the Hawaii Youth Services Network:			
Transitional Living Program	93.550	09CX6978	20,773
Basic Center Program	93.623	90CY6418-01-00	4,636
Teen Pregnancy Prevention Partnership of the Pacific	93.297	1 TP1AH000002-01-00	10,420
			<hr/>
Subtotal Department of Health and Human Services pass-through programs			434,857
			<hr/>
Total U.S. Department of Health and Human Services programs			1,514,803
			<hr/>
Total expenditures of federal awards			\$ 2,305,594

FAMILY SUPPORT SERVICES OF WEST HAWAII

Notes to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2016

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, 2016.

The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 combined 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.

Indirect Cost Rate: The Center has a negotiated indirect cost rate of 13%.

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 combined financial statements of Family Support Services of West Hawaii (a nonprofit organization), which comprise the combined statement of financial position as of June 30, 2016, and the related combined statements of activities, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated December 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined 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 combined 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.

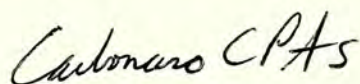
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in black ink that reads "Calomero CPAs". The signature is written in a cursive, flowing style.

Hilo, Hawaii
December 15, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *UNIFORM GUIDANCE*

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 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, 2016. 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 *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carbonaro CPAs

Hilo, Hawaii
December 15, 2016

FAMILY SUPPORT SERVICES OF WEST HAWAII

Schedule of Findings and Questioned Costs For the year ended June 30, 2016

A. SUMMARY OF AUDIT RESULTS

Combined 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 combined 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:		
Early Head Start	93.600	09CH914401 & 02

The threshold for distinguishing between Type A and Type B programs was **\$750,000**

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