

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

AUDITED COMBINED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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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) and affiliate, which comprise the combined statements of financial position as of June 30, 2021 and 2020, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 audits 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 opinions.

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 affiliate as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 15, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 January 17, 2022, 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 the 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.

Carbonaro CPAs and Management Group

Kailua-Kona, Hawaii
January 17, 2022

FAMILY SUPPORT SERVICES OF WEST HAWAII

Combined Statements of Financial Position
As of June 30, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2)	\$ 714,536	\$ 690,868
Accounts Receivable - Grants and Contracts (Note 2)	465,424	504,037
Prepaid Expenses	<u>19,335</u>	<u>18,878</u>
Total Current Assets	1,199,295	1,213,783
PROPERTY AND EQUIPMENT (Note 2)		
Vehicles	275,696	282,224
Equipment - Restricted	142,751	133,954
Leasehold Improvements	<u>108,883</u>	<u>108,883</u>
	527,330	525,061
Accumulated Depreciation	<u>(415,137)</u>	<u>(405,146)</u>
Net Property and Equipment	112,193	119,915
OTHER ASSETS		
Investments (Note 4)		
Vanguard Balanced Index Fund - Building	45,123	36,161
Vanguard Balanced Index Fund	87,743	70,316
Vanguard Equities	<u>1,038</u>	<u>1,079</u>
Total Investments	133,904	107,556
Security Deposits	<u>15,975</u>	<u>14,820</u>
Total Other Assets	<u>149,879</u>	<u>122,376</u>
TOTAL ASSETS	<u><u>\$ 1,461,367</u></u>	<u><u>\$ 1,456,074</u></u>

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

FAMILY SUPPORT SERVICES OF WEST HAWAII

Combined Statements of Financial Position
As of June 30, 2021 and 2020

LIABILITIES AND NET ASSETS

	2021	2020
CURRENT LIABILITIES		
Accounts Payable	\$ 48,048	\$ 31,645
Accrued Payroll Expenses	97,983	125,944
Current Portion of Note Payable (Note 12)	-	13,718
Total Current Liabilities	146,031	171,307
NON-CURRENT LIABILITIES		
Note Payable (Note 12)	-	27,997
Total Non-Current Liabilities	-	27,997
NET ASSETS (Note 2)		
Net Assets Without Donor Restrictions	1,239,438	1,082,328
Board Designated Net Assets Without Donor Restrictions	28,800	28,800
Net Assets With Donor Restrictions	47,098	145,642
Total Net Assets	1,315,336	1,256,770
TOTAL LIABILITIES AND NET ASSETS	\$ 1,461,367	\$ 1,456,074

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

FAMILY SUPPORT SERVICES OF WEST HAWAII

Combined Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restriction	With Donor Restriction	Total 2021	Without Donor Restriction	With Donor Restriction	Total 2020
REVENUE						
Government Contracts - State and County	\$ 873,688	\$ -	\$ 873,688	\$ 1,045,955	\$ -	\$ 1,045,955
Federal Contracts and Pass-through Funds	1,457,050	-	1,457,050	1,539,507	-	1,539,507
Grants from Foundations	123,341	-	123,341	49,455	185,650	235,105
Contributions and Other Income	10,649	42,476	53,125	86,496	7,229	93,725
In-Kind Revenue (Note 3)	57,742	1,719	59,461	71,531	-	71,531
Pass-through Funding	50,000	-	50,000	-	-	-
Program Service Fees	50,621	-	50,621	43,029	-	43,029
Unrealized Gains	26,348	-	26,348	8,343	-	8,343
Gain on Sale of Fixed Assets	5,000	-	5,000	-	-	-
Interest Income	158	-	158	101	-	101
Net Assets Released from Restriction	142,739	(142,739)	-	189,204	(189,204)	-
TOTAL REVENUE	2,797,336	(98,544)	2,698,792	3,033,621	3,675	3,037,296
EXPENSES						
Program Services	2,226,753	-	2,226,753	2,560,395	-	2,560,395
Management and General	401,512	-	401,512	406,906	-	406,906
Fundraising	11,961	-	11,961	14,082	-	14,082
TOTAL EXPENSES	2,640,226	-	2,640,226	2,981,383	-	2,981,383
CHANGES IN NET ASSETS	\$ 157,110	\$ (98,544)	\$ 58,566	\$ 52,238	\$ 3,675	\$ 55,913
Net Assets, Beginning of Year	1,111,128	145,642	1,256,770	1,058,890	141,967	1,200,857
Net Assets, End of Year	\$ 1,268,238	\$ 47,098	\$ 1,315,336	\$ 1,111,128	\$ 145,642	\$ 1,256,770

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

FAMILY SUPPORT SERVICES OF WEST HAWAII

Combined Statements of Functional Expenses
For the Years Ended June 30, 2021 and 2020

	Supporting Services					Supporting Services			
	Program Services	Management and General	Fundraising	Total 2021		Program Services	Management and General	Fundraising	Total 2020
Wages	\$ 1,040,809	\$ 249,498	\$ 3,741	\$ 1,294,048	\$ 1,243,058	\$ 250,650	\$ 1,000	\$ 1,494,708	
Payroll Taxes and Benefits (Note 6)	340,438	70,771	1,580	412,789	391,735	69,128	257	461,120	
Outside Services	232,979	1,018	94	234,091	334,700	-	163	334,863	
Supplies	160,149	15,313	2,131	177,593	129,602	21,556	3,065	154,223	
Occupancy	143,241	16,759	-	160,000	134,787	14,723	-	149,510	
In-Kind Expense (Note 3)	59,461	-	-	59,461	71,531	-	-	71,531	
Pass-through Expense	50,000	-	-	50,000	-	-	-	-	
Insurance	40,031	4,447	-	44,478	42,843	-	-	42,843	
Training, Travel and Conference	35,273	2,776	-	38,049	45,553	9,262	-	54,815	
Depreciation	32,256	-	-	32,256	31,207	-	-	31,207	
Equipment and Vehicle Expense	25,246	5,414	-	30,660	46,048	12	-	46,060	
Telephone	26,554	2,136	-	28,690	32,833	3,527	-	36,360	
Professional Fees	4,888	19,591	-	24,479	1,117	21,052	-	22,169	
Utilities	15,482	2,796	-	18,278	15,706	2,898	-	18,604	
Dues and Membership	3,529	5,195	-	8,724	7,125	2,038	-	9,163	
Mileage Reimbursement	7,712	159	43	7,914	8,862	5,186	42	14,090	
Project Expenses	3,460	-	-	3,460	19,226	-	-	19,226	
Other Expenses	3,408	-	-	3,408	470	5,285	-	5,755	
Fees	(204)	3,401	204	3,401	2,858	1,322	267	4,447	
Direct Fundraising Expense	-	-	3,144	3,144	-	-	9,031	9,031	
Postage, Printing and Advertising	877	942	1,024	2,843	185	267	257	709	
Bad Debt Expense	-	1,296	-	1,296	-	-	-	-	
Client Assistance	1,164	-	-	1,164	949	-	-	949	
Total Expenses	\$ 2,226,753	\$ 401,512	\$ 11,961	\$ 2,640,226	\$ 2,560,395	\$ 406,906	\$ 14,082	\$ 2,981,383	

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

FAMILY SUPPORT SERVICES OF WEST HAWAII

Combined Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Government Agencies	\$ 2,368,055	\$ 2,662,262
Cash Received from Nongovernmental Contracts, Grantors, Donors and Other Receipts	176,466	328,830
Cash Received from Progrm Service Fees	50,621	43,029
Cash Received for Pass-through	50,000	-
Interest Income	158	101
Cash Paid to Employees and Vendors	(2,510,383)	(2,842,465)
Cash Paid for Pass-through	(50,000)	-
	84,917	191,757
Net Cash Provided by Operating Activities (Note 5)	84,917	191,757
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Fixed Assets	5,000	-
Purchase of Property and Equipment	(24,534)	-
	(19,534)	-
Net Cash Used by Investing Activities	(19,534)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	(41,715)	(13,050)
	(41,715)	(13,050)
Net Cash Used by Financing Activities	(41,715)	(13,050)
Net Increase in Cash for the Year	23,668	178,707
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	690,868	512,161
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 714,536	\$ 690,868

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

FAMILY SUPPORT SERVICES OF WEST HAWAII
Notes to the Combined Financial Statements
June 30, 2021 and 2020

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 Specialists (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 Specialists are referred to as the Organization.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting: The Organizations' financial statements are prepared on the accrual basis of accounting according to generally accepted accounting principles. Under this method of accounting, revenue is recognized when earned rather than when received, and expenses are recognized when incurred rather than when paid. For contributions and donations, revenue is recognized when the gift is received. 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 combined statements of cash flows, cash is defined as demand deposits, petty cash on hand and savings accounts. The Organization considers cash equivalents to be all unrestricted highly liquid investments with an initial maturity of three months or less.

Accounts Receivable: Accounts receivable represent 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, 2021 and 2020.

Refundable Advances: Conditional contribution revenue is recognized when earned which is as conditions are fulfilled. However, funds received that are not earned as of year-end are recorded as a liability under refundable advances. There was no refundable advances balance at June 30, 2021 and 2020.

FAMILY SUPPORT SERVICES OF WEST HAWAII
Notes to the Combined Financial Statements
June 30, 2021 and 2020

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.

Functional Expenses: The financial statements include a statement of functional expenses. Functional expenses are allocated to program related and administrative functions. Expense allocations are generally computed based on the number of employees or contractors performing program or administrative functions.

Net Assets: Net assets, revenues, gains and losses are classified based on the existence of or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets without donor restrictions include all resources that are not subject to donor-imposed stipulations or contributions with donor-imposed restrictions that are met during the same year as the contribution is made. Net assets without donor restrictions denoted as property and equipment represent equity in such property and equipment. They are available for support of all organizational operations and services. Net assets without donor restrictions may be designated by the board of directors for specific purpose at any time. Board designated net assets without donor restrictions were \$28,800 as of June 30, 2021 and 2020.

Net Assets With Donor Restrictions: Net assets with donor restrictions include amounts that the donor subjects to restrictions in perpetuity and amounts subject to legal or donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time. Contributions with restriction are reported as increases in net assets with donor restriction. When the restriction is met, the amount is reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions. If a donation with restrictions is received and the purpose is met during the year, it is reported as net assets without restrictions.

Net assets with donor restrictions through perpetuity are also included in the net assets with donor restrictions. These net assets 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 to be 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. Net assets with donor restrictions through perpetuity were \$23,000 as of June 30, 2021 and 2020.

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 2021 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, 2021 and 2020

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets with donor restrictions represent restricted grants and funds received from foundations and donors for which the restrictions have not yet been fulfilled and consist of the following at June 30:

	2021	2020
Promising Minds	\$ 12,823	\$ 1,924
FISH Speech	3,863	11,325
Youth Mentoring	3,300	-
Early Head Start	2,130	5,005
Techie for the Keiki	1,211	2,979
Fatherhood	771	1,292
Castle Grant	-	59,240
Newborn Enhanced Support Team	-	38,828
West Hawaii Rural Access	-	2,049
Perpetual Endowment Principal	23,000	23,000
Total	\$ 47,098	\$ 145,642

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 2021. 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 2018.

Note 3. DONATED SERVICES

Under *FASB ASC 958*, in-kind contributions of donated services that create or enhance non-financial assets or that require specialized skills provided by individuals possessing those skills, and which would typically need to be purchased if not provided by donation, are recognized and recorded at their fair values in the period received. During the years ended June 30, 2021 and 2020, the Organization recognized \$59,461 and \$71,531, respectively, in donated rent for the facilities in Kealakehe and Greenwell.

FAMILY SUPPORT SERVICES OF WEST HAWAII
Notes to the Combined Financial Statements
June 30, 2021 and 2020

Note 4. FAIR VALUE MEASUREMENTS

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 2021	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non-Observable Inputs: Level 3	Assets	Total 2020	Quoted Prices: Level 1	Significant Other Inputs: Level 2
Stocks	\$ 80,758	\$ 80,758	\$ -	\$ -	Stocks	\$ 64,965	\$ 64,965	\$ -
Bonds	53,146	53,146	-	-	Bonds	42,591	42,591	-
Total	<u>\$ 133,904</u>	<u>\$ 133,904</u>	<u>\$ -</u>	<u>\$ -</u>	Total	<u>\$ 107,556</u>	<u>\$ 107,556</u>	<u>\$ -</u>

Note 5. RECONCILIATION OF CHANGE IN NET ASSETS WITH NET CASH PROVIDED BY OPERATING ACTIVITIES

	2021	2020
Changes in Net Assets	\$ 58,566	\$ 55,913
Add in Depreciation	32,256	31,207
Unrealized Gain on Investments	(26,348)	(8,343)
Gain on Sale of Fixed Assets	(5,000)	-
Bad Debt Expense	1,296	-
Change in Accounts Receivable - Grants and Contracts	37,317	76,800
Change in Prepaid Expenses	(457)	1,965
Change in Security Deposits	(1,155)	-
Change in Accounts Payable	16,403	5,289
Change in Accrued Payroll Expenses	(27,961)	28,926
Net Cash Provided by Operating Activities	<u>\$ 84,917</u>	<u>\$ 191,757</u>

FAMILY SUPPORT SERVICES OF WEST HAWAII
Notes to the Combined Financial Statements
June 30, 2021 and 2020

Note 6. 401(k) PLAN

The Organization has a retirement plan with Fish Investments in which there is no limit on employee contributions and the Organization matches up to 3%. For the year ended June 30, 2021 and 2020, the 401(k) retirement plan contributions made by the Organization were \$57,590 and \$50,091 respectively.

Note 7. 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 \$150,000. The line of credit expires in September 2022 and has a \$-0- balance as of June 30, 2021 and 2020, respectively.

Note 8. CONCENTRATIONS

For the fiscal years ending June 30, 2021 and 2020, the Organization received 88% and 85% 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 9. 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 \$132,288 and \$122,730 for the years ended June 30, 2021 and 2020, respectively. The following schedule shows the non-cancelable portion of lease obligations to Family Support Services of West Hawaii:

2022	\$ 28,694
2023	<u>15,983</u>
Total	<u>\$ 44,677</u>

Note 10. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 17, 2022, the date the financial statements were available to be issued. There are no recognized subsequent events, events that provide additional evidence about conditions that existed at the statement of net position date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the statement of net position date, which are necessary to disclose to keep the financial statements from being misleading.

Subsequent to year end, the COVID-19 pandemic was still ongoing. The United States economy was negatively affected and the financial markets have experienced significant losses due to the outbreak. At the time these financial statements were available to be issued, the situation remained very volatile and the full effect of the pandemic on the operations of the Organization could not be determined.

FAMILY SUPPORT SERVICES OF WEST HAWAII
Notes to the Combined Financial Statements
June 30, 2021 and 2020

Note 11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Management's policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Financial Assets at June 30, 2021	\$ 714,536
Less those unavailable for general expenditures within one year due to:	
Restricted by donor with purpose restriction	(24,098)
Perpetual endowment principle	<u>(23,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 667,438</u></u>

In addition to the financial assets available above, the Organization has the ability to borrow on the line of credit noted in Note 7.

Note 12. NOTE PAYABLE

In May 2019, the Organization entered into an agreement with the Bank of Hawaii to purchase four vehicles they had previously leased at fair market value. The loan calls for monthly principal and interest payments of \$1,291 and bears interest at 5%. The loan is secured by the vehicles and matures in May 2023. During the year ended June 30, 2021, the principal and accrued interest were paid in full.

Note 13. DEPOSITS WITH FINANCIAL INSTITUTIONS

The Organization maintains its cash accounts at one financial institution. The balance at times may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per financial institution. Management acknowledges the possibility of risk in this arrangement; however, the size and longevity of the depository institution minimizes such risk. The following represents a summary of deposits as of June 30:

	2021	2020
Fully Insured Deposits	\$ 250,000	\$ 250,000
Uninsured and Uncollateralized	464,536	440,868
Total	<u><u>\$ 714,536</u></u>	<u><u>\$ 690,868</u></u>

Note 14. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, *Leases*, which supersedes FASB Accounting Standards Codification (ASC) Topic 840, *Leases*, and makes other conforming amendments to U.S. GAAP. ASU 2016-02, requires, among other changes to the lease accounting guidance, lessees to recognize most leases on the balance sheet via a right-of-use asset and lease liability as well as additional qualitative and quantitative disclosures. ASU 2016-02 is effective for entity fiscal years beginning after December 15, 2022 (as amended in November 2019 by ASU 2019-10), but permits early adoption, and mandates a modified retrospective transition method. The provisions are effective for the Organization's fiscal year ending June 30, 2023. Management is currently evaluating the impact that the adoption of these provisions will have on the financial statements.

FAMILY SUPPORT SERVICES OF WEST HAWAII
Notes to the Combined Financial Statements
June 30, 2021 and 2020

Note 14. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 985): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, effective for annual periods beginning after June 15, 2021 with early application permitted. The provisions are effective for the Organization's fiscal year ending June 30, 2022. Management is currently evaluating the impact that the adoption of these provisions will have on the financial statements.

Note 15. RECLASSIFICATION

Certain items included in the 2020 financial statements have been reclassified to conform to current year presentations. These reclassifications had no effect on Net Assets.

FAMILY SUPPORT SERVICES OF WEST HAWAII

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2021

Federal Grantor / Pass-through Grantor/ Program Title	Assistance Listing	Grant Number	Federal Expenditures
United States Department of Agriculture			
Passed through the State of Hawaii, Office of Education, Hawaii Child Nutrition Program:			
Child and Adult Care Food Program	10.558	Agreement # 2135-1	<u>\$ 4,758</u>
Total U.S. Department of Agriculture passed-through programs			4,758
United States Department of Health and Human Services:			
Early Head Start (Year 2)	93.600	09CH01089302	1,029,799
Early Head Start (Year 3)	93.600	09CH01089303	164,179
COVID-19 Early Head Start - CARES	93.600	09CH01089302C3	29,341
COVID-19 Early Head Start - CRRSA	93.600	09HE00031101C5	<u>10,957</u>
Subtotal Department of Health and Human Services direct programs			1,234,276
Passed through the State of Hawaii, Department of Human Services:			
Temporary Assistance for Needy Families	93.558	DHS-16-POS-3051, SA5	<u>204,316</u>
Total U.S. Department of Health and Human Services programs			1,438,592
United States Department of Treasury			
Passed through the State of Hawaii, Department of Human Services, Hawaii Community Foundation:			
Coronavirus Relief Fund	21.019	Grant ID #106459	<u>13,700</u>
Total U.S. Department of Treasury passed-through programs			<u>13,700</u>
Total expenditures of federal awards			<u><u>\$ 1,457,050</u></u>

The accompanying notes are an integral part of this schedule.

FAMILY SUPPORT SERVICES OF WEST HAWAII
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2021

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, 2021.

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 the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate: The Organization has not elected to use the 10% de minimis cost rate.

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, 2021, 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 January 17, 2022.

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 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.

Carbonaro CPAs and Management Group

Kailua-Kona, Hawaii
January 17, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *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, 2021. 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, 2021.

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.

Purpose of this Report

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 and Management Group

Kailua-Kona, Hawaii
January 17, 2022

FAMILY SUPPORT SERVICES OF WEST HAWAII

Schedule of Findings and Questioned Costs
For the year ended June 30, 2021

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**

Any audit findings disclosed that are required to be reported in accordance with section 200.516 of the Uniform Guidance? **No**

The programs tested as the major program:

Federal Grantor / Pass-through Grantor/ Program Title	Assistance Listing	Grant Number	Federal Expenditures
United States Department of Health and Human Services:			
Head Start	93.600	09CH01089302	\$ 1,029,799
Head Start	93.600	09CH01089303	164,179
COVID-19 Early Head Start - CARES	93.600	09CH01089302C3	29,341
COVID-19 Early Head Start - CRRSA	93.600	09HE00031101C5	10,957
Total Department of Health and Human Services direct programs			<u><u>\$ 1,234,276</u></u>

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

Not Applicable.