

**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, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 16, 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 December 7, 2020, 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.

*Carbenaro CPAs and Management Group*

Hilo, Hawaii  
December 7, 2020

FAMILY SUPPORT SERVICES OF WEST HAWAII

Combined Statements of Financial Position  
As of June 30, 2020 and 2019

**ASSETS**

	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents (Note 2)	\$ 690,868	\$ 512,161
Accounts Receivable - Grants and Contracts (Note 2)	504,037	580,837
Prepaid Expenses	<u>18,878</u>	<u>20,843</u>
Total Current Assets	1,213,783	1,113,841
<b>PROPERTY AND EQUIPMENT (Note 2)</b>		
Vehicles	282,224	329,137
Equipment - Restricted	133,954	133,954
Leasehold Improvements	<u>108,883</u>	<u>108,883</u>
	525,061	571,974
Accumulated Depreciation	<u>(405,146)</u>	<u>(420,852)</u>
Net Property and Equipment	119,915	151,122
<b>OTHER ASSETS</b>		
Investments (Note 4)		
Vanguard Balanced Index Fund-Building	36,161	33,407
Vanguard Balanced Index Fund	70,316	64,962
Vanguard Equities	<u>1,079</u>	<u>844</u>
Total Investments	107,556	99,213
Security Deposits	<u>14,820</u>	<u>14,820</u>
Total Other Assets	<u>122,376</u>	<u>114,033</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,456,074</u></u>	<u><u>\$ 1,378,996</u></u>

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

FAMILY SUPPORT SERVICES OF WEST HAWAII

Combined Statements of Financial Position  
As of June 30, 2020 and 2019

**LIABILITIES AND NET ASSETS**

	2020	2019
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 31,645	\$ 26,356
Accrued Payroll Expenses	125,944	97,018
Current Portion of Note Payable (Note 16)	13,718	13,050
Total Current Liabilities	171,307	136,424
 <b>NON-CURRENT LIABILITIES</b>		
Note Payable (Note 16)	27,997	41,715
Total Non-Current Liabilities	27,997	41,715
 <b>NET ASSETS (Note 2)</b>		
Net Assets Without Donor Restrictions	1,082,328	1,030,090
Board Designated Net Assets Without Donor Restrictions	28,800	28,800
Net Assets With Donor Restrictions	145,642	141,967
Total Net Assets	1,256,770	1,200,857
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,456,074</b>	<b>\$ 1,378,996</b>

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

FAMILY SUPPORT SERVICES OF WEST HAWAII

Combined Statements of Activities and Changes in Net Assets  
For the Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restriction	With Donor Restriction	Total 2020	Without Donor Restriction	With Donor Restriction	Total 2019
<b>REVENUE</b>						
Government Contracts - State and County	\$ 1,045,955	\$ -	\$ 1,045,955	\$ 1,329,311	\$ -	\$ 1,329,311
Federal Contracts and Pass-through Funds	1,539,507	-	1,539,507	1,440,236	-	1,440,236
Grants from Foundations and Others	49,455	185,650	235,105	157,435	173,000	330,435
Contributions	129,525	7,229	136,754	91,207	-	91,207
In-Kind Revenue (Note 11)	71,531	-	71,531	59,461	-	59,461
Unrealized Gains	8,343	-	8,343	8,048	-	8,048
Interest Income	101	-	101	65	-	65
Net Assets Released from Restriction	189,204	(189,204)	-	142,324	(142,324)	-
<b>TOTAL REVENUE</b>	<b>3,033,621</b>	<b>3,675</b>	<b>3,037,296</b>	<b>3,228,087</b>	<b>30,676</b>	<b>3,258,763</b>
<b>EXPENSES</b>						
Program Services	2,560,395	-	2,560,395	2,696,365	-	2,696,365
Management and General	406,906	-	406,906	390,514	-	390,514
Fundraising	14,082	-	14,082	15,610	-	15,610
<b>TOTAL EXPENSES</b>	<b>2,981,383</b>	<b>-</b>	<b>2,981,383</b>	<b>3,102,489</b>	<b>-</b>	<b>3,102,489</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 52,238</b>	<b>\$ 3,675</b>	<b>\$ 55,913</b>	<b>\$ 125,598</b>	<b>\$ 30,676</b>	<b>\$ 156,274</b>
Net Assets, Beginning of Year	1,058,890	141,967	1,200,857	933,292	111,291	1,044,583
Net Assets, End of Year	\$ 1,111,128	\$ 145,642	\$ 1,256,770	\$ 1,058,890	\$ 141,967	\$ 1,200,857

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

FAMILY SUPPORT SERVICES OF WEST HAWAII

Combined Statements of Functional Expenses  
For the Years Ended June 30, 2020 and 2019

	Program Services	Supporting Services		Total 2020	Program Services	Supporting Services		Total 2019
		Management and General	Fundraising			Management and General	Fundraising	
Wages	\$1,243,058	\$ 250,650	\$ 1,000	\$1,494,708	\$1,256,411	\$ 237,325	\$ 4,670	\$1,498,406
Payroll Taxes and Benefits (Note 5)	391,735	69,128	257	461,120	403,779	66,043	1,242	471,064
Outside Services	334,700	-	163	334,863	405,517	693	-	406,210
Supplies	129,602	21,556	3,065	154,223	120,830	6,437	464	127,731
Occupancy	134,787	14,723	-	149,510	149,736	14,381	-	164,117
In-kind Expense (Note 11)	71,531	-	-	71,531	59,461	-	-	59,461
Training, Travel and Conference	45,553	9,262	-	54,815	97,417	6,282	-	103,699
Equipment and Vehicle Expense	46,048	12	-	46,060	61,443	-	-	61,443
Insurance	42,843	-	-	42,843	36,256	130	-	36,386
Telephone	32,833	3,527	-	36,360	28,023	2,913	-	30,936
Depreciation	31,207	-	-	31,207	20,459	-	-	20,459
Professional Fees	1,117	21,052	-	22,169	2,070	20,373	-	22,443
Project Expenses	19,226	-	-	19,226	18,181	-	-	18,181
Utilities	15,706	2,898	-	18,604	17,015	3,960	-	20,975
Mileage Reimbursement	8,862	5,186	42	14,090	13,752	2,988	-	16,740
Dues and Membership	7,125	2,038	-	9,163	-	15,425	-	15,425
Direct Fundraising Expense	-	-	9,031	9,031	3,242	-	9,046	12,288
Fees	2,858	1,322	267	4,447	-	3,497	-	3,497
Other Expenses	470	5,285	-	5,755	547	398	-	945
Client Assistance	949	-	-	949	951	-	-	951
Postage, Printing and Advertising	185	267	257	709	1,275	4,949	188	6,412
Bad Debt Expense	-	-	-	-	-	4,720	-	4,720
<b>Total Expenses</b>	<b>\$2,560,395</b>	<b>\$ 406,906</b>	<b>\$ 14,082</b>	<b>\$ 2,981,383</b>	<b>\$ 2,696,365</b>	<b>\$ 390,514</b>	<b>\$ 15,610</b>	<b>\$ 3,102,489</b>

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



FAMILY SUPPORT SERVICES OF WEST HAWAII

Combined Statements of Cash Flows  
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Government Agencies	\$ 2,662,262	\$ 2,972,436
Cash Received from Nongovernmental Contracts, Grantors, Donors and Other Receipts	371,859	421,642
Interest Income	101	65
Cash Paid to Employees and Vendors	<u>(2,842,465)</u>	<u>(3,041,190)</u>
Net Cash Provided by Operating Activities (Note 6)	191,757	352,953
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	<u>-</u>	<u>(56,055)</u>
Net Cash Used by Investing Activities	-	(56,055)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings from Note Payable	-	56,055
Payments on Notes Payable	<u>(13,050)</u>	<u>(1,290)</u>
Net Cash (Used) Provided by Financing Activities	<u>(13,050)</u>	<u>54,765</u>
<b>Net Increase in Cash for the Year</b>	<b>178,707</b>	<b>351,663</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>512,161</u>	<u>160,498</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 690,868</u></u>	<u><u>\$ 512,161</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, 2020 and 2019

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

*Revenue and Expense Recognition:* The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations as described in the American Institute of Certified Public Accountants' "Industry Guide for Audits of Voluntary Health and Welfare Organizations." Accordingly, the financial statements are prepared on the accrual basis of accounting. 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 statement of cash flows, cash is defined as demand deposits, petty cash on hand and savings accounts.

*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, 2020 and 2019.

*Refundable Advance:* 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, 2020 and 2019.

FAMILY SUPPORT SERVICES OF WEST HAWAII  
Notes to the Combined Financial Statements  
June 30, 2020 and 2019

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, 2020 and 2019.

*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 consolidated 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, 2020 and 2019.

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 2020 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, 2020 and 2019

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:

	2020	2019
Castle Grant	\$ 59,240	\$ -
Newborn Enhanced Support Team	38,828	82,847
FISH Speech	11,325	15,000
Early Head Start	5,005	-
Techie for the Keiki	2,979	-
West HI Rural Access	2,049	-
Promising Minds	1,924	2,397
Fatherhood	1,292	-
ECE - First Foods	-	11,791
Agency Project	-	6,932
	\$ 122,642	\$ 118,967
Total		

Note 3. NEW ACCOUNTING PRONOUNCEMENTS

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 - *Revenue from Contracts with Customers (Topic 606)*, as amended, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

The Organization has adopted FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to contributions received in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

The Organization has adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Management believes the new accounting standard has no effect on its financial statements, as it does not have restricted cash.

FAMILY SUPPORT SERVICES OF WEST HAWAII  
Notes to the Combined Financial Statements  
June 30, 2020 and 2019

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 2020	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non-Observable Inputs: Level 3	Assets	Total 2019	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non-Observable Inputs: Level 3
Stocks	\$ 64,965	\$ 64,965	\$ -	\$ -	Stocks	\$ 59,866	\$ 59,866	\$ -	\$ -
Bonds	42,591	42,591			Bonds	39,347	39,347		
Total	<u>\$ 107,556</u>	<u>\$ 107,556</u>	<u>\$ -</u>	<u>\$ -</u>	Total	<u>\$ 99,213</u>	<u>\$ 99,213</u>	<u>\$ -</u>	<u>\$ -</u>

Note 5. 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, 2020 and 2019, the 401(k) retirement plan contributions by the Organization were \$50,091 and \$49,152 respectively.

FAMILY SUPPORT SERVICES OF WEST HAWAII  
Notes to the Combined Financial Statements  
June 30, 2020 and 2019

Note 6. RECONCILIATION OF CHANGE IN NET ASSETS WITH NET CASH PROVIDED BY OPERATING ACTIVITIES

	2020	2019
Change in Net Assets	\$ 55,913	\$ 156,274
Add in Depreciation	31,207	20,459
Unrealized Gain on Investments	(8,343)	(8,048)
Bad Debt Expense	-	4,720
Change in Accounts Receivable - Grants and Contracts	76,800	202,889
Change in Prepaid Expenses	1,965	19,675
Change in Investment Equity	-	10
Change in Security Deposits	-	229
Change in Accounts Payable	5,289	(32,927)
Change in Accrued Payroll Expenses	28,926	(10,328)
Net Cash Provided by Operating Activities	\$ 191,757	\$ 352,953

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 2021 and has a zero balance as of June 30, 2020 and 2019, respectively.

Note 8. CONCENTRATIONS

During the years ended June 30, 2020 and 2019, the Organization received approximately 85% 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 \$122,730 for the year ended June 30, 2020. The following schedule shows the non-cancelable portion of lease obligations to Family Support Services of West Hawaii:

2021	\$	42,881
2022	\$	41,135
2023	\$	27,425
2024	\$	8,448

FAMILY SUPPORT SERVICES OF WEST HAWAII  
Notes to the Combined Financial Statements  
June 30, 2020 and 2019

Note 10. 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 2020. 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 2017.

Note 11. 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, 2020 and 2019, the Organization recognized \$71,531 and \$59,461, respectively, in donated rent for the facilities in Kealakehe and Greenwell.

Note 12. RECLASSIFICATION

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications have no effect on previously reported results of operations and net assets.

Note 13. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 7, 2020, the date the financial statements were available to be issued.

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, 2020 and 2019

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, 2020 (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, 2022. Management is currently evaluating the impact that the adoption of these provisions will have on the financial statements.

Note 15. 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, 2020	\$ 690,868
Less those unavailable for general expenditures within one year due to:	
Restricted by donor with purpose restriction	(122,642)
Financial assets available to meet cash needs for general expenditures within one year	\$ 568,226

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 16. 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. Future minimum principal payments on the loan are as follows as of June 30:

2021	\$	13,718	
2022		14,420	
2023		13,577	
Total	\$	41,715	



FAMILY SUPPORT SERVICES OF WEST HAWAII  
Notes to the Combined Financial Statements  
June 30, 2020 and 2019

Note 17. 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 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:

	<u>2020</u>	<u>2019</u>
Fully Insured Deposits	\$ 250,000	\$ 250,000
Uninsured and Uncollateralized	440,868	262,161
Total	<u>\$ 690,868</u>	<u>\$ 512,161</u>

FAMILY SUPPORT SERVICES OF WEST HAWAII

**Schedule of Expenditures of Federal Awards**  
For the Year Ended June 30, 2020

<b>Federal Grantor / Pass-through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant Number</b>	<b>Federal Expenditures</b>
<b>United States Department of Agriculture</b>			
Passed through the State of Hawaii, Office of Education, Hawaii Child Nutrition Programs:			
Child and Adult Care Food Program	10.558	Agreement # 2135-1	\$ 8,343
Total United States Department of Agriculture passed-through programs			8,343
<b>United States Department of Health and Human Services:</b>			
Head Start	93.600	09CH9144	1,189,032
Subtotal Department of Health and Human Services direct programs			1,189,032
Passed through the State of Hawaii, Department of Human Services:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	DHS-17-CCPO-4062, SA3	96,453
Temporary Assistance for Needy Families	93.558	DHS-16-POS-3051, SA4	190,197
Subtotal Department of Human Services passed-through programs			286,650
Passed through the State of Hawaii, Department of Health:			
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	ASO LOG 14-094	55,482
Subtotal Department of Health and Human Services passed-through programs			342,132
Total US Department of Health and Human Services programs			1,531,164
<b>Total expenditures of federal awards</b>			<b>\$ 1,539,507</b>

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, 2020

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, 2020.

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 minimus cost rate.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF COMBINED  
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, 2020, 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 7, 2020.

**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*

Hilo, Hawaii  
December 7, 2020

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, 2020. 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, 2020.

### ***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.

*Carbenaro CPAs and Management Group*

Hilo, Hawaii  
December 7, 2020

FAMILY SUPPORT SERVICES OF WEST HAWAII

Schedule of Findings and Questioned Costs  
For the year ended June 30, 2020

**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
<b>United States Department of Health and Human Services:</b>		
Head Start	93.600	09CH9144

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