

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

FAMILY SUPPORT SERVICES OF WEST HAWAII AND SUBSIDIARY

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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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Family Support Services of West Hawaii (a nonprofit organization) and subsidiary, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of Family Support Services of West Hawaii as of June 30, 2022 and 2021, and the respective changes in its net assets and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Family Support Services of West Hawaii and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Support Services of West Hawaii's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Family Support Services of West Hawaii's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Support Services of West Hawaii's ability to continue as a going concern for a reasonable period of time.

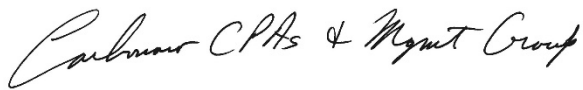
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic 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 1, 2022, on our consideration of the Family Support Services of West Hawaii’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Family Support Services of West Hawaii’s internal control over financial reporting and compliance.



Kailua-Kona, Hawaii
December 1, 2022

FAMILY SUPPORT SERVICES OF WEST HAWAII AND SUBSIDIARY

Consolidated Statements of Financial Position
As of June 30, 2022 and 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2)	\$ 521,809	\$ 714,536
Accounts Receivable - Grants and Contracts (Note 2)	793,722	465,424
Prepaid Expenses	11,640	19,335
Total Current Assets	1,327,171	1,199,295
 PROPERTY AND EQUIPMENT (Note 2)		
Vehicles	290,135	275,696
Equipment - Restricted	142,751	142,751
Leasehold Improvements	108,883	108,883
	541,769	527,330
 Accumulated Depreciation	(420,187)	(415,137)
Net Property and Equipment	121,582	112,193
 OTHER ASSETS		
Investments (Note 4)		
Vanguard Balanced Index Fund - Building	39,474	45,123
Vanguard Balanced Index Fund	76,759	87,743
Vanguard Equities	712	1,038
Total Investments	116,945	133,904
 Security Deposits	11,854	15,975
Total Other Assets	128,799	149,879
 TOTAL ASSETS	\$ 1,577,552	\$ 1,461,367

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

FAMILY SUPPORT SERVICES OF WEST HAWAII AND SUBSIDIARY

Consolidated Statements of Financial Position
As of June 30, 2022 and 2021

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 24,453	\$ 48,048
Accrued Payroll Expenses	<u>120,981</u>	<u>97,983</u>
Total Current Liabilities	145,434	146,031
NET ASSETS (Note 2)		
Net Assets Without Donor Restrictions	1,338,586	1,239,438
Board Designated Net Assets Without Donor Restrictions	28,800	28,800
Net Assets With Donor Restrictions	<u>64,732</u>	<u>47,098</u>
Total Net Assets	<u>1,432,118</u>	<u>1,315,336</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,577,552</u></u>	<u><u>\$ 1,461,367</u></u>

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

FAMILY SUPPORT SERVICES OF WEST HAWAII AND SUBSIDIARY

Consolidated Statements of Activities and Changes in Net Assets

For the Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor	With Donor	Total 2022	Without Donor	With Donor	Total 2021
	Restriction	Restriction		Restriction	Restriction	
REVENUE						
Government Contracts - State and County	\$ 919,734	\$ -	\$ 919,734	\$ 873,688	\$ -	\$ 873,688
Federal Contracts and Pass-through Funds	1,663,766	-	1,663,766	1,457,050	-	1,457,050
Grants from Foundations	104,500	47,293	151,793	123,341	-	123,341
In-Kind Revenue (Note 3)	59,461	-	59,461	57,742	1,719	59,461
Program Service Fees	53,839	-	53,839	50,621	-	50,621
Contributions and Other Income	48,230	5,138	53,368	10,649	42,476	53,125
Gain on Sale of Fixed Assets	14,500	-	14,500	5,000	-	5,000
Interest Income	338	-	338	158	-	158
Unrealized Gains (Losses)	(16,959)	-	(16,959)	26,348	-	26,348
Pass-through Funding	-	-	-	50,000	-	50,000
Net Assets Released from Restriction	34,797	(34,797)	-	142,739	(142,739)	-
TOTAL REVENUE	2,882,206	17,634	2,899,840	2,797,336	(98,544)	2,698,792
EXPENSES						
Program Services	2,367,761	-	2,367,761	2,226,957	-	2,226,957
Management and General	403,840	-	403,840	401,308	-	401,308
Fundraising	11,457	-	11,457	11,961	-	11,961
TOTAL EXPENSES	2,783,058	-	2,783,058	2,640,226	-	2,640,226
CHANGES IN NET ASSETS	\$ 99,148	\$ 17,634	\$ 116,782	\$ 157,110	\$ (98,544)	\$ 58,566
Net Assets, Beginning of Year	1,268,238	47,098	1,315,336	1,111,128	145,642	1,256,770
Net Assets, End of Year	\$ 1,367,386	\$ 64,732	\$ 1,432,118	\$ 1,268,238	\$ 47,098	\$ 1,315,336

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

FAMILY SUPPORT SERVICES OF WEST HAWAII AND SUBSIDIARY

Consolidated Statements of Functional Expenses
For the Years Ended June 30, 2022 and 2021

	Supporting Services				Supporting Services			
	Program Services	Management and General	Fundraising	Total 2022	Program Services	Management and General	Fundraising	Total 2021
Wages	\$ 1,163,283	\$ 249,498	\$ 4,096	\$ 1,416,877	\$ 1,040,809	\$ 249,498	\$ 3,741	\$ 1,294,048
Payroll Taxes and Benefits (Note 6)	331,724	70,771	1,547	404,042	340,438	70,771	1,580	412,789
Outside Services	266,684	1,165	107	267,956	232,979	1,018	94	234,091
Occupancy	149,155	17,451	-	166,606	143,241	16,759	-	160,000
Supplies	143,309	13,702	1,907	158,918	160,149	15,313	2,131	177,593
In-Kind Expense (Note 3)	59,461	-	-	59,461	59,461	-	-	59,461
Training, Travel and Conference	50,785	3,997	-	54,782	35,273	2,776	-	38,049
Equipment and Vehicle Expense	39,916	8,559	-	48,475	25,246	5,414	-	30,660
Insurance	40,522	4,502	-	45,024	40,031	4,447	-	44,478
Depreciation	40,986	-	-	40,986	32,256	-	-	32,256
Telephone	24,307	1,955	-	26,262	26,554	2,136	-	28,690
Professional Fees	5,227	20,948	-	26,175	4,888	19,591	-	24,479
Utilities	18,629	3,365	-	21,994	15,482	2,796	-	18,278
Project Expenses	21,211	-	-	21,211	3,460	-	-	3,460
Dues and Membership	3,861	5,683	-	9,544	3,529	5,195	-	8,724
Mileage Reimbursement	7,683	158	43	7,884	7,712	159	43	7,914
Direct Fundraising Expense	-	-	3,240	3,240	-	-	3,144	3,144
Fees	-	1,711	109	1,820	-	3,197	204	3,401
Postage, Printing and Advertising	350	375	408	1,133	877	942	1,024	2,843
Client Assistance	357	-	-	357	1,164	-	-	1,164
Other Expenses	311	-	-	311	3,408	-	-	3,408
Pass-through Expense	-	-	-	-	50,000	-	-	50,000
Bad Debt Expense	-	-	-	-	-	1,296	-	1,296
Total Expenses	\$ 2,367,761	\$ 403,840	\$ 11,457	\$ 2,783,058	\$ 2,226,957	\$ 401,308	\$ 11,961	\$ 2,640,226

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

FAMILY SUPPORT SERVICES OF WEST HAWAII AND SUBSIDIARY

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Government Agencies	\$ 2,255,202	\$ 2,368,055
Cash Received from Nongovernmental Contracts, Grantors, Donors and Other Receipts	205,161	176,466
Cash Received from Progm Service Fees	53,839	50,621
Cash Received for Pass-through	-	50,000
Interest Income	338	158
Cash Paid to Employees and Vendors	(2,671,392)	(2,510,383)
Cash Paid for Pass-through	-	(50,000)
Net Cash (Used) Provided by Operating Activities (Note 5)	(156,852)	84,917
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Fixed Assets	14,500	5,000
Purchase of Property and Equipment	(50,375)	(24,534)
Net Cash Used by Investing Activities	(35,875)	(19,534)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	-	(41,715)
Net Cash Used by Financing Activities	-	(41,715)
Net (Decrease) Increase in Cash for the Year	(192,727)	23,668
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	714,536	690,868
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 521,809	\$ 714,536

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

FAMILY SUPPORT SERVICES OF WEST HAWAII AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2022 and 2021

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. These consolidated financial statements include the financial statements of Island Therapeutic Specialists (ITS), a limited liability corporation organized in July 2013 under the laws of the State of Hawaii acquired by FSSWH in 2016. Collectively, FSSWH and ITS are referred to as the “Organization”.

The Organization’s mission is to support families and communities in providing love and care for our children. In fulfilling this mission, the Organization operates programs that assist and support families with children. Funding for the programs is primarily through government contracts and various foundation grants. The Organization operates facilities and programs in Kailua-Kona, Waimea, Hilo, and Ka‘u on the Big Island of Hawaii.

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 consolidated 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, 2022 and 2021.

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 were no refundable advances balance at June 30, 2022 and 2021.

FAMILY SUPPORT SERVICES OF WEST HAWAII AND SUBSIDIARY
Notes to the Consolidated Financial Statements
June 30, 2022 and 2021

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates: The preparation of consolidated 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, 2022 and 2021.

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 the Organization. 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, 2022 and 2021.

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 consolidated financial statements.

FAMILY SUPPORT SERVICES OF WEST HAWAII AND SUBSIDIARY
Notes to the Consolidated Financial Statements
June 30, 2022 and 2021

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

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:

	2022	2021
FISH Speech	\$ 11,049	\$ 3,863
Money Matters	8,642	-
Promising Minds - Data Culture	8,000	-
Dental Supplies	3,360	-
Keiki Outdoor Play Space	3,000	-
No Kid Hungry	2,942	1,524
Promising Minds	2,779	12,823
Techie for the Keiki	1,259	1,211
Fatherhood	701	771
Youth Mentoring	-	3,300
Early Head Start	-	606
Perpetual Endowment Principal	23,000	23,000
Total	\$ 64,732	\$ 47,098

Income Taxes: FSSWH 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 consolidated financial statements. ITS does not file its own return and income or losses are passed through to the parent, which are exempt from federal and state income taxes.

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 consolidated 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 consolidated 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 2022. 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 2019.

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, 2022 and 2021, the Organization recognized \$59,461 in donated rent for the facilities in Kealakehe and Greenwell.

FAMILY SUPPORT SERVICES OF WEST HAWAII AND SUBSIDIARY

Notes to the Consolidated Financial Statements

June 30, 2022 and 2021

Note 4. FAIR VALUE MEASUREMENTS

The Organization 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 consolidated 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 2022	Quoted	Significant	Significant Non-	Assets	Total 2021	Quoted	Significant	Significant Non-
		Prices:	Other Inputs:	Observable			Prices:	Other Inputs:	Observable
		Level 1	Level 2	Inputs: Level 3			Level 1	Level 2	Inputs: Level 3
Stocks	\$ 70,452	\$ 70,452	\$ -	\$ -	Stocks	\$ 80,758	\$ 80,758	\$ -	\$ -
Bonds	46,493	46,493	-	-	Bonds	53,146	53,146	-	-
Total	<u>\$ 116,945</u>	<u>\$ 116,945</u>	<u>\$ -</u>	<u>\$ -</u>	Total	<u>\$ 133,904</u>	<u>\$ 133,904</u>	<u>\$ -</u>	<u>\$ -</u>

Note 5. RECONCILIATION OF CHANGES IN NET ASSETS WITH NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES

	2022	2021
Changes in Net Assets	\$ 116,782	\$ 58,566
Add in Depreciation	40,986	32,256
Unrealized Gain (Loss) on Investments	16,959	(26,348)
Gain on Sale of Fixed Assets	(14,500)	(5,000)
Bad Debt Expense	-	1,296
Change in Accounts Receivable - Grants and Contracts	(328,298)	37,317
Change in Prepaid Expenses	7,695	(457)
Change in Security Deposits	4,121	(1,155)
Change in Accounts Payable	(23,595)	16,403
Change in Accrued Payroll Expenses	22,998	(27,961)
Net Cash (Used) Provided by Operating Activities	<u>\$ (156,852)</u>	<u>\$ 84,917</u>

FAMILY SUPPORT SERVICES OF WEST HAWAII AND SUBSIDIARY
Notes to the Consolidated Financial Statements
June 30, 2022 and 2021

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 years ended June 30, 2022 and 2021, the 401(k) retirement plan contributions made by the Organization were \$46,711 and \$57,590 respectively.

Note 7. LINE OF CREDIT

The Organization has a line of credit with the Bank of Hawaii with a maximum borrowing of \$150,000 at a rate of the bank's base rate plus 2.5%. The line of credit expires in September 2023 and has a \$-0- balance as of June 30, 2022 and 2021, respectively.

Note 8. CONCENTRATIONS

For the fiscal years ending June 30, 2022 and 2021, the Organization received 89% and 86% 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. No leases contain contingent rental payments, and some leases contain renewal or purchase options. Rental expense was \$122,895 and \$132,288 for the years ended June 30, 2022 and 2021, respectively. The following schedule shows the non-cancelable portion of lease obligations to the Organization:

2023	\$ 34,345
2024	<u>7,387</u>
Total	<u><u>\$ 41,732</u></u>

Note 10. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 1, 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.

FAMILY SUPPORT SERVICES OF WEST HAWAII AND SUBSIDIARY

Notes to the Consolidated Financial Statements June 30, 2022 and 2021

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, 2022	\$ 521,809
Less those unavailable for general expenditures within one year due to:	
Restricted by donor with purpose restriction	(41,732)
Perpetual endowment principle	<u>(23,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 457,077</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:

	<u>2022</u>	<u>2021</u>
Fully Insured Deposits	\$ 250,000	\$ 250,000
Uninsured and Uncollateralized	<u>271,809</u>	<u>464,536</u>
Total	<u>\$ 521,809</u>	<u>\$ 714,536</u>

Note 14. RECLASSIFICATION

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

FAMILY SUPPORT SERVICES OF WEST HAWAII AND SUBSIDIARY
Notes to the Consolidated Financial Statements
June 30, 2022 and 2021

Note 15. 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, 2021 (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 Family Support Services of West Hawaii's financial statements, but expect ASU 2016-02 to add significant right-of-use assets and lease liabilities to the statements of financial position.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU provides financial statement users with improved information about expected credit losses on financial instruments and other commitments to extend credit. The amendments affect trade receivables, loans, debt securities, net investments in leases, off-balance sheet credit exposures, reinsurance receivables, and certain other financial assets that have the contractual right to receive cash. ASU 2016-13 is effective for Family Support Services of West Hawaii's fiscal year ending June 30, 2024. Management is currently evaluating the impact that the adoption of this provision will have on the financial statements.

FAMILY SUPPORT SERVICES OF WEST HAWAII AND SUBSIDIARY

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

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	\$ 7,897
Total U.S. Department of Agriculture passed-through programs			7,897
United States Department of Health and Human Services:			
Early Head Start (Year 3)	93.600	09CH01089302	1,068,505
Early Head Start (Year 4)	93.600	09CH01089303	228,031
COVID-19 Early Head Start - CARES	93.600	09CH01089302C3	811
COVID-19 Early Head Start - CRRSA	93.600	09HE00031101C5	17,033
COVID-19 Early Head Start - ARP	93.600	09HE00031101C6	38,511
Subtotal Department of Health and Human Services direct programs			<u>1,352,891</u>
Passed through the State of Hawaii, Department of Human Services:			
Temporary Assistance for Needy Families	93.558	DHS-22-POS-0014 SA#1	146,784
Promoting Safe and Stable Families	93.556	DHS-22-POS-0014 SA#1	108,492
COVID-19 Child Care and Development Block Grant - ARP	93.575	2101HICSC6	10,000
Childcare Mandatory and Matching Funds of the Child Care and Development Block Grant	93.596	DHS-22-CCPO-0039	<u>14,141</u>
Subtotal Department of Human Services passed-through programs			<u>279,417</u>
Total U.S. Department of Health and Human Services programs			1,632,308
United States Department of Education			
Passed through the State of Hawaii, Department of Education			
COVID-19 Early Intervention Services - ARP (Kona)	84.181A	ASO Log 22-020	14,194
COVID-19 Early Intervention Services - ARP (North)	84.181A	ASO Log 22-021	<u>9,367</u>
Total U.S. Department of Education passed-through programs			<u>23,561</u>
Total expenditures of federal awards			<u><u>\$ 1,663,766</u></u>

The accompanying notes are an integral part of this schedule.

FAMILY SUPPORT SERVICES OF WEST HAWAII AND SUBSIDIARY
Notes to the Schedule of Expenditures of Federal Awards
For the year ended June 30, 2022

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, 2022.

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 consolidated 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.

Note C. SUBRECIPIENT PASS THROUGH AWARDS

No Federal awards were passed through to subrecipients.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Family Support Services of West Hawaii (a nonprofit organization), which comprise statement financial position as of June 30, 2022, and the related statements of activities, and cash flows for the year ended and the related notes to the financial statements, and have issued our report thereon dated December 1, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Family Support Services of West Hawaii's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 Family Support Services of West Hawaii's internal control.

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

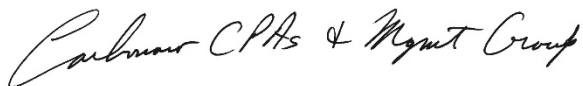
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Family Support Services of West Hawaii's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kailua-Kona, Hawaii
December 1, 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

Opinion on Each Major Federal Program

We have audited Family Support Services of West Hawaii's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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 the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Family Support Services of West Hawaii and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Family Support Services of West Hawaii's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Family Support Services of West Hawaii's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Family Support Services of West Hawaii's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Family Support Services of West Hawaii's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Family Support Services of West Hawaii's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Family Support Services of West Hawaii's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Family Support Services of West Hawaii's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Carlman CPAs & Mgmt Group

Kailua-Kona, Hawaii
December 1, 2022

FAMILY SUPPORT SERVICES OF WEST HAWAII AND SUBSIDIARY

Schedule of Findings and Questioned Costs
For the year ended June 30, 2022

A. SUMMARY OF AUDIT RESULTS

Consolidated 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 consolidated 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:			
Early Head Start (Year 3)	93.600	09CH01089302	\$ 1,068,505
Early Head Start (Year 4)	93.600	09CH01089303	228,031
COVID-19 Early Head Start - CARES	93.600	09CH01089302C3	811
COVID-19 Early Head Start - CRRSA	93.600	09HE00031101C5	17,033
COVID-19 Early Head Start - ARP	93.600	09HE00031101C6	38,511
Total U.S. Department of Health and Human Services direct programs			<u><u>\$ 1,352,891</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

None