

# **FAMILY PROMISE OF HAWAII**

**FINANCIAL STATEMENTS,  
INDEPENDENT AUDITOR'S REPORTS,  
AND SUPPLEMENTARY SCHEDULE  
As of and for the Year Ended December 31, 2023  
With Prior Year Comparative Information**



**FAMILY PROMISE OF HAWAII**

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## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Family Promise of Hawaii:

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Family Promise of Hawaii (Organization), a nonprofit Hawaii corporation, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) 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 Organization and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

#### *Change in Accounting Principle*

As discussed in Note A to the financial statements, during the year ended December 31, 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Our opinion is not modified with respect to this matter.

## Report on the Audit of the Financial Statements (Continued)

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date the financial statements are issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the 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 U.S. GAAS 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 financial statements.

In performing an audit in accordance with U.S. GAAS 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 the Organization'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 the Organization'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.

Report on the Audit of the Financial Statements (Continued)

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by the audit requirements of 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Prior Year Summarized Comparative Information

We have previously audited the Organization's December 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 2, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2024, on our consideration of the Organization'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 the effectiveness of the Organization's 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 Organization's internal control over financial reporting and compliance.

*CW Associates, CPAs*

CW Associates, CPAs  
Honolulu, Hawaii  
September 27, 2024



**FAMILY PROMISE OF HAWAII**  
**STATEMENT OF FINANCIAL POSITION**  
**As of December 31, 2023**  
**(With Prior Year Comparative Information)**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash (including interest-bearing accounts)	\$3,757,507	\$ 3,843,861
Grants and other receivables – net	342,967	230,754
Prepaid expense and other current assets	67,681	23,209
Total current assets	<u>4,168,155</u>	<u>4,097,824</u>
<b>NONCURRENT ASSETS</b>		
Property and equipment – net	30,630	18,190
Operating right-of-use lease assets – net	58,507	87,105
Lease deposits	7,248	-
Other noncurrent assets	63,000	-
Total noncurrent assets	<u>159,385</u>	<u>105,295</u>
<b>TOTAL ASSETS</b>	<u>\$4,327,540</u>	<u>\$ 4,203,119</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,534	\$ 1,802
Accrued liabilities	14,953	60,849
Operating lease liabilities – current	32,080	30,905
Total current liabilities	<u>48,567</u>	<u>93,556</u>
<b>NONCURRENT LIABILITIES</b>		
Operating lease liabilities – noncurrent	33,294	65,374
Total current liabilities	<u>33,294</u>	<u>65,374</u>
<b>TOTAL LIABILITIES</b>	<u>81,861</u>	<u>158,930</u>
<b>NET ASSETS</b>		
Net assets without donor restrictions	1,201,374	1,358,733
Net assets with donor restrictions	3,044,305	2,685,456
Total net assets	<u>4,245,679</u>	<u>4,044,189</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$4,327,540</u>	<u>\$ 4,203,119</u>

See accompanying notes to the financial statements.

**FAMILY PROMISE OF HAWAII**

**STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2023  
(With Prior Year Comparative Information)**

	<u>2023</u>	<u>2022</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Grants without donor restrictions	\$ 1,277,174	\$ 1,026,266
Contributions without donor restrictions	384,448	267,075
Net assets released from donor restrictions	156,651	53,007
Special events – net	66,177	32,661
In-kind contributions	63,000	2,000
Interest income	12,513	17
Other income	1,652	-
Total revenue and support	<u>1,961,615</u>	<u>1,381,026</u>
Expenses		
Program services	1,504,876	1,122,767
Management and general	605,387	403,966
Fundraising	8,711	2,877
Total expenses	<u>2,118,974</u>	<u>1,529,610</u>
Decrease in net assets without donor restrictions	<u>(157,359)</u>	<u>(148,584)</u>
 CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions with donor restrictions	515,500	2,700,600
Net assets released from donor restrictions	<u>(156,651)</u>	<u>(53,007)</u>
Increase in net assets with donor restrictions	<u>358,849</u>	<u>2,647,593</u>
 INCREASE IN NET ASSETS	 201,490	 2,499,009
 NET ASSETS – Beginning of year	 <u>4,044,189</u>	 <u>1,545,180</u>
 NET ASSETS – End of year	 <u>\$4,245,679</u>	 <u>\$ 4,044,189</u>

See accompanying notes to the financial statements.

**FAMILY PROMISE OF HAWAII**  
**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2023**  
**(With Prior Year Comparative Information)**

	Program <u>Services</u>	Management and <u>General</u>	Fund- <u>Raising</u>	2023 <u>Total</u>	2022 <u>Total</u>
Guest services and transportation	\$ 885,073	\$ 1,990	\$ -	\$ 887,063	\$ 350,244
Salaries and wages	456,861	322,051	-	778,912	778,758
Employee benefits	88,848	38,694	-	127,542	139,821
Facilities lease rent	13,603	80,295	-	93,898	72,868
Payroll taxes	45,434	38,212	-	83,646	74,802
Professional fees	3,922	44,782	-	48,704	44,920
Staff and volunteer development	5,951	13,624	3,716	23,291	17,928
Direct costs of special events	-	-	22,668	22,668	2,342
Miscellaneous	2,820	13,395	4,666	20,881	18,786
Supplies	1,683	9,245	40	10,968	3,886
Membership and dues	-	10,565	289	10,854	883
Insurance	-	10,419	-	10,419	7,261
Telephone and communications	388	9,720	-	10,108	12,628
Depreciation	-	8,880	-	8,880	2,661
Advertising	-	2,803	-	2,803	4,164
Occupancy	293	712	-	1,005	-
Total	<u>1,504,876</u>	<u>605,387</u>	<u>31,379</u>	<u>2,141,642</u>	<u>1,531,952</u>
Direct costs of special events reported net with revenue in the statement of activities	<u>-</u>	<u>-</u>	<u>(22,668)</u>	<u>(22,668)</u>	<u>(2,342)</u>
Total expenses	<u>\$1,504,876</u>	<u>\$605,387</u>	<u>\$ 8,711</u>	<u>\$2,118,974</u>	<u>\$ 1,529,610</u>

See accompanying notes to the financial statements.



**FAMILY PROMISE OF HAWAII**

**STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2023  
(With Prior Year Comparative Information)**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 201,490	\$2,499,009
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Depreciation	8,880	2,661
Operating lease payments less straight-line expenses	(2,307)	9,174
Noncash contribution received	(63,000)	-
Loss on disposal of property and equipment	-	915
(Increase) decrease in		
Grants and other receivables – net	(112,213)	308,229
Prepaid expenses and other current assets	(44,472)	(10,892)
Increase (decrease) in		
Accounts payable	(268)	(15,742)
Accrued liabilities	(45,896)	26,122
Net cash provided (used) by operating activities	<u>(57,786)</u>	<u>2,819,476</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(21,320)	(14,921)
Increase in lease deposits	(7,248)	5,442
Net cash used by investing activities	<u>(28,568)</u>	<u>(9,479)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(86,354)</b>	<b>2,809,997</b>
CASH – Beginning of year	<u>3,843,861</u>	<u>1,033,864</u>
CASH – End of year	<u>\$3,757,507</u>	<u>\$3,843,861</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Noncash investing activity for addition of operating lease right-of-use asset	\$ -	\$ 87,105
Noncash financing activity for addition of operating lease liability	\$ -	\$ 96,279
Noncash contributions received	\$ 63,000	\$ -

See accompanying notes to the financial statements.

## FAMILY PROMISE OF HAWAII

### NOTES TO THE FINANCIAL STATEMENTS

**As of and for the Year Ended December 31, 2023  
(With Prior Year Comparative Information)**

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Organization and Activity

Family Promise of Hawaii (Organization) was organized in the State of Hawaii as a nonprofit corporation in March 2006. Its mission is to develop services and facilities for the homeless of Hawaii, including providing or making available to those who are homeless, food, clothing, and temporary shelter. During the day, families are able to find shelter and care at the Network and Family Centers in Honolulu. The Organization goes beyond its mission by helping families secure housing, helping them reach financial goals, and helping them provide for the health and well-being of their children. Revenue and support is funded primarily through government grants and donations from the community.

##### Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

*Net Assets without Donor Restrictions* consist of net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

*Net Assets with Donor Restrictions* consist of net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity (none in 2023 and 2022).

The financial statements include certain prior year comparative information, which is not in sufficient detail to constitute a complete presentation in accordance with U.S. GAAP. Accordingly, such prior year comparative information should be read in conjunction with the financial statements of the Organization as of and for the year ended December 31, 2022 from which the information was derived.

##### Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to credit risk include cash and grants and other receivables. Cash on deposit with financial institutions exceeded the related federal deposit insurance by approximately \$2,096,600 and \$2,665,300 at December 31, 2023 and 2022, respectively. Management evaluates the credit standings of the financial institutions to ensure that such deposits are adequately safeguarded, as required by federal regulations. Grants and other receivables, which have been reduced by estimated allowances for doubtful accounts (\$0 at December 31, 2023 and 2022), are determined to be collectible or uncollectible based on an assessment by management of the facts and circumstances related to the individual accounts, including historical experience, an assessment of current and future economic conditions, and a review of subsequent collections.

## FAMILY PROMISE OF HAWAII

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of and for the Year Ended December 31, 2023  
(With Prior Year Comparative Information)

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, it is reasonably possible that such estimates may change within the near term, and such differences could be material to the financial statements.

##### Property and Equipment

Property and equipment is stated at cost or, if contributed, at estimated fair market value at the date of contribution. Depreciation is provided using the straight-line method over the shorter of estimated useful life of six years or the term of the lease for leasehold improvements, five years for furniture and fixtures and vehicles, and three years for software. Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Major improvements and expenditures for property and equipment in excess of \$1,000 are capitalized. Repairs and maintenance are expensed as incurred.

##### Leases

Leases are evaluated as operating or finance leases upon commencement, and are accounted for accordingly. Specifically, a lease contains an explicitly or implicitly identified asset, the Organization retains substantially all of the economic benefits from the use of the underlying asset, and directs how and for what purpose the asset is used during the term of the lease in exchange for consideration. The Organization assesses whether a contract is or contains a lease at inception of the contract. See Note F for a summary of leases.

The Organization accounts for its leases in accordance with Accounting Standards Codification (ASC) 842: *Leases*. In accordance with ASC Topic 842, an operating lease right-of-use asset and operating lease liability are recognized at the present value of future lease payments. The Organization recognizes the right-of-use asset and operating lease liability if such amounts are material to the financial statements.

The lease term used to calculate the right-of-use asset and operating lease liability at the commencement of a lease includes the impacts of options to extend or terminate the lease. Existing economic conditions; the nature, length, and term of the lease agreement; and the expected condition of the leased asset at the end of the lease term are factors in assessing the probability of an option to extend or terminate a lease.

The discount rate used to calculate the present value of lease payments is the rate implicit in the lease, when readily determinable, a secured incremental borrowing rate, when not readily determinable, or a risk-free interest rate when a secured incremental borrowing rate is not available.

## FAMILY PROMISE OF HAWAII

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of and for the Year Ended December 31, 2023  
(With Prior Year Comparative Information)

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Leases (continued)

Real estate taxes, insurance, maintenance, and operating expenses applicable to the leased assets are generally obligations of the Organization. When such payments are fixed, they are included in the measurement of the lease liabilities and, when variable, are excluded and recognized in the period in which the obligation for those payments is incurred.

Leases that have a term of twelve months or less upon commencement are considered short-term in nature. Such leases are not included in the statement of financial position and are expensed on a straight-line basis over the lease term. The lease agreements of the Organization do not contain any material residual value guarantees or material restrictive covenants.

##### Revenue and Expense Recognition

Revenue is recognized when the goods or services are provided to the customer and the related performance obligations are satisfied. Revenue from performance obligations satisfied at a point in time include revenue from special events sales of \$10,200 and \$2,955 for the years ended December 31, 2023 and 2022, respectively. The Organization records special events revenue equal to the fair value of direct benefits received by donors, and contribution income for the excess received when the event takes place. There was no revenue from performance obligations satisfied over time for the years ended December 31, 2023 and 2022. Revenue from other than performance obligations included interest income of \$12,513 and \$17 and other income of \$1,652 and \$0 for the years ended December 31, 2023 and 2022, respectively.

Expenses, including advertising expenses of \$2,803 and \$4,164 for the years ended December 31, 2023 and 2022, respectively, are recorded when the related liability is incurred. The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a program or supporting service are charged directly to the program or supporting service using natural expense classifications. Other expenses that are common to several functions are allocated to the various programs and supporting services based on management's estimates including time spent by personnel.

##### Grants

The Organization's revenue from grants is primarily based on agreements with the federal government and private foundations. The Organization recognizes grants as either contributions or exchange transactions depending on whether the transaction is reciprocal or nonreciprocal. The Organization's grants include cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures (including expenditures for property and equipment, which are capitalized and depreciated for financial reporting purposes). Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with the grant provisions. Amounts received prior to incurring the qualifying expenditures are reported as refundable advances (none in 2023 and 2022) in the statement of financial position.

## FAMILY PROMISE OF HAWAII

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended December 31, 2023  
(With Prior Year Comparative Information)**

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Grants (continued)

Qualifying expenditures that have been incurred, but for which reimbursement has not yet been received, are reported in the statement of financial positions as grants receivable. Amounts received from such grants for which the conditions and any restrictions are met in the same reporting period are reported as net assets without donor restrictions. The Organization was awarded cost-reimbursable grants of approximately \$815,400 that have not been recognized as of December 31, 2023, because the qualifying expenditures have not yet been incurred.

Grants classified as exchange transactions are recorded as revenue without donor restrictions when the goods or services are provided as stipulated in the grant or contract agreement, and the performance obligations have been met. There were no grants treated as exchange transactions for the years ended December 31, 2023 and 2022.

##### Donor Contributions

The Organization recognizes contributions when cash or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. The Organization did not receive conditional donor contributions during the years ended December 31, 2023 and 2022.

Contributions are recorded as increases to net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Support is reported when pledged and is considered to be available for unrestricted use unless restricted by the donor. Donor restricted support is reported when pledged as an increase in net assets with donor restrictions. When a restriction is satisfied or expires, net assets with donor restrictions are released to net assets without donor restrictions.

##### Donated Goods and Services

In-kind contributions of cemetery plots (\$63,000 in 2023 and \$0 in 2022) and services (\$0 and \$2,000 for the years ended December 31, 2023 and 2022, respectively) that meet the criteria for recognition are recognized as contributions at the estimated fair market value at the date of donation, and are recorded as expenses or assets in the same amount. Fair market value of the donated goods is based on the retail value of the item or similar item. The fair market value of the donated advertising services was based on the amount that the Organization would have paid for the advertising. Special event in-kind contributions of goods for an auction held by the Organization are presented net of expenses in the statement of activities (See Note E). Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills that are performed by people with those skills and would otherwise be purchased by the Organization. A number of unpaid volunteers have made contributions of their time to the Organization. The value of their time is not reflected in these financial statements because it does not meet the criteria for recognition.

## FAMILY PROMISE OF HAWAII

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of and for the Year Ended December 31, 2023  
(With Prior Year Comparative Information)

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Hawaii General Excise Tax

The State of Hawaii imposes a general excise tax of 4% on the gross receipts of the Organization from certain fundraising activities within Hawaii, plus an additional 0.5% on such gross receipts within the City and County of Honolulu. Hawaii general excise tax expense included in direct cost of special events amounted to \$160 and \$260 for the years ended December 31, 2023 and 2022, respectively.

##### Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and is not a private foundation. Accordingly, qualifying contributions to the Organization are tax deductible.

U.S. GAAP requires uncertain tax positions to be recognized in the financial statements if they are more likely than not to fail upon regulatory examination. Management has evaluated the Organization's tax positions as of and for the years ended December 31, 2023 and 2022, and determined that the Organization had no uncertain tax positions required to be reported in accordance with U.S. GAAP. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

##### Adoption of New Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 changes how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. This ASU introduces a new credit loss methodology. Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also provided additional transparency about credit risk. This change is a shift from the current incurred loss model to the expected loss model. Expected credit losses are recognized at the time the financial asset is originated and adjusted each period for changes in expected lifetime credit losses. Previously, credit losses were recognized when the loss was incurred.

Under CECL, trade accounts receivable are analyzed in a similar fashion as legacy U.S. GAAP, using an aging methodology to estimate CECL, much like the existing methodology. If the selling entity determines collection is probable, the credit loss risk is not zero. The selling entity would apply Topic 326 to estimate CECL on the trade accounts receivable. CECL is different (and thus is accounted for differently) from losses due to other factors, such as the seller's nonperformance, volume rebates, trade allowances, or customer contract modifications. Under Topic 326, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

The Organization adopted this ASU during the year ended December 31, 2023. The impact of the adoption of this ASU was not material to the financial statements and primarily only resulted in enhanced disclosures, as the financial assets of the Organization consists of grants and other receivables due in one year or less.

## FAMILY PROMISE OF HAWAII

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of and for the Year Ended December 31, 2023  
(With Prior Year Comparative Information)

#### NOTE B – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization manages its liquid resources by focusing on fundraising efforts to ensure that it has adequate grants and contributions to fund the programs that it conducts. The Organization prepares annual budgets and monitors actual financial results each month to ensure that it controls costs and remains liquid.

The Organization's policy is to maintain cash balances to provide for its general expenditures, liabilities, and other obligations as they come due. The grants and other receivables are subject to implied time restrictions, but are expected to be collected within one year.

At December 31, 2023 and 2022, the Organization's financial assets that are readily available within one year of the statement of financial position date to meet general expenditures are as follows:

	<u>2023</u>	<u>2022</u>
Cash (including interest-bearing accounts)	\$3,757,507	\$3,843,861
Grants and other receivables – net	342,967	230,754
Total financial assets	4,100,474	4,074,615
Net assets with donor restrictions	<u>(3,044,305)</u>	<u>(2,685,456)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,056,169</u>	<u>\$1,389,159</u>

#### NOTE C – PROPERTY AND EQUIPMENT

At December 31, 2023 and 2022, property and equipment consisted of the following:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$105,500	\$105,500
Furniture and fixtures	53,785	91,736
Vehicles	38,769	38,769
Software	-	24,474
Total	198,054	260,479
Accumulated depreciation	<u>(167,424)</u>	<u>(242,289)</u>
Property and equipment – net	<u>\$ 30,630</u>	<u>\$ 18,190</u>

During the year ending December 31, 2024, the Organization acquired property for approximately \$2,392,500 that will serve as its office and program facilities.

## FAMILY PROMISE OF HAWAII

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

**As of and for the Year Ended December 31, 2023  
(With Prior Year Comparative Information)**

#### NOTE D – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2023 and 2022, net assets with donor restrictions consisted of the following:

	<u>2023</u>	<u>2022</u>
Property acquisition	\$ 1,716,105	\$ 1,500,000
Client rental assistance	519,646	531,835
Personnel costs	511,204	530,000
Workforce development	209,610	68,118
Emergency shelter activities	40,279	37,366
Mana wahine fund	25,000	-
Other donor restricted net assets	19,615	15,291
Volunteer support	2,802	2,802
Computer and other equipment	<u>44</u>	<u>44</u>
 Total net assets with donor restrictions	 <u>\$ 3,044,305</u>	 <u>\$ 2,685,456</u>

#### NOTE E – SPECIAL EVENTS

For the years ended December 31, 2023 and 2022, special events consisted of the following:

	<u>2023</u>	<u>2022</u>
Revenue from special events		
Lunch/Ticket Sales	\$ 10,200	\$ 2,955
In-kind contributions	-	1,958
Monetary contributions	<u>78,645</u>	<u>30,090</u>
Total revenue from special events	88,845	35,003
Direct costs	<u>(22,668)</u>	<u>(2,342)</u>
 Special events – net	 <u>\$ 66,177</u>	 <u>\$ 32,661</u>

#### NOTE F – LEASES

The Organization leases office and program facilities in Honolulu under an operating lease that expires in December 2025. Lease rent expense for office space for the years ended December 31, 2023 and 2022, including common area maintenance costs and taxes, amounted to \$91,481 and \$71,011, respectively.

The Organization also has an operating lease for office copier for approximately \$201 per month that expires in December 2026. For the years ended December 31, 2023 and 2022, lease rent expense amounted to \$2,417 and \$1,857, respectively.



**FAMILY PROMISE OF HAWAII**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**As of and for the Year Ended December 31, 2023  
(With Prior Year Comparative Information)**

NOTE F – LEASES (Continued)

The lease cost components, by lease type, for the years ended December 31, 2023 and 2022, are as follow:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 29,687	\$ 29,687
Short-term lease expense	1,227	1,857
Variable lease cost	<u>62,984</u>	<u>41,324</u>
 Total lease cost	 <u>\$ 93,898</u>	 <u>\$ 72,868</u>

Supplemental financial position and cash flow information related to the operating leases as of and for the years ended December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities	\$ 31,994	\$ 20,513
Weighted-average remaining term	2 years	3 years
Weighted-average discount rate based on risk-free rate	1.37%	1.37%

The following table reconciles the undiscounted cash flows for the operating lease liabilities on the statement of financial position as of December 31, 2023:

Years Ending December 31st	
2024	\$32,700
2025	<u>33,500</u>
Total future minimum lease payments	66,200
Amount representing interests in future payments	<u>(826)</u>
Present value of future minimum lease payments	65,374
Operating lease liability – current	<u>(32,080)</u>
 Operating lease liability – noncurrent	 <u>\$33,294</u>

## **FAMILY PROMISE OF HAWAII**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**As of and for the Year Ended December 31, 2023  
(With Prior Year Comparative Information)**

#### **NOTE G – EMPLOYEE RETIREMENT PLAN**

The Organization sponsors a defined-contribution SIMPLE IRA employee retirement plan covering all of its employees who meet certain eligibility requirements. The Organization may match a portion of employee contributions up to 3% of their respective compensation, up to the maximum allowed under the Internal Revenue Code. Employer contributions to the plan amounted to \$6,747 and \$9,435 for the years ended December 31, 2023 and 2022, respectively.

#### **NOTE H – CONTINGENCIES**

Revenue is derived principally from grants and contributions, the loss of which could have a material adverse effect on the Organization. Amounts received from government grants are subject to audit and adjustment by various government agencies. Any disallowed claim, including amounts already collected, may constitute a liability. Management expects such amounts, if any, to not be material to the financial statements.

The Organization may be subject to legal proceedings, claims, or litigation arising in the ordinary course of business for which it may seek the advice of legal counsel. Management estimates that the cost to resolve such matters, if any, would not be material to the financial statements. However, it is reasonably possible that such estimates may change within the near term.

The Organization operates in the State of Hawaii. Local, national, and international events can have severe, adverse effects on economic conditions in Hawaii. These financial statements do not include the adjustments that would result if the Organization were to account for future losses, as the effects on the financial statements of the Organization from such changes in economic conditions are not presently determinable.

#### **NOTE I – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 27, 2024, which is the date the financial statements were available to be issued, and determined that the Organization did not have any subsequent events requiring adjustment to the financial statements or disclosure in the notes to the financial statements, except as disclosed in Note C to the financial statements.

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**FAMILY PROMISE OF HAWAII**  
**SUPPLEMENTARY INFORMATION**  
**For the Year Ended December 31, 2023**

**FAMILY PROMISE OF HAWAII**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended December 31, 2023**

<u>Federal Grantor/ Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Sub-recipients</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct program				
Continuum of Care Program	14.267 *	HI013D9C012100	\$ 667,628 *	\$ -
Passed through Aloha United Way				
Continuum of Care Program	14.267 *	HI0029L9C012114	65,957 *	-
Total Continuum of Care Program			<u>733,585</u>	<u>-</u>
Passed through City and County of Honolulu				
Emergency Solutions Grant Program (COVID-19)				
Emergency Solutions Grant Program	14.231	CT-DCS-2100121	118,717	-
Emergency Solutions Grant Program	14.231	CT-DCS-2200132	158,485	-
Total Emergency Solutions Grant Program			<u>277,202</u>	<u>-</u>
<i>CDBG Entitlement/Special Purpose Grants Cluster</i>				
Community Development Block Grants	14.218	CT-DCS-2400088	65,256	-
Total CDBG Entitlement/Special Purpose Grants Cluster			<u>65,256</u>	<u>-</u>
Total passed through City and County of Honolulu			<u>342,458</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>1,076,043</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
Passed through State of Hawaii Crime Prevention and Justice Assistance Division				
Crime Victim Assistance	16.575	19-V2-12	193,424	-
Total U.S. Department of Justice			<u>193,424</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
Passed through City and County of Honolulu				
Emergency Food and Shelter Program	97.024	Unknown	86	-
Total U.S. Department of Homeland Security			<u>86</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,269,553</u>	<u>\$ -</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**FAMILY PROMISE OF HAWAII**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended December 31, 2023**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Family Promise of Hawaii (Organization) and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, certain amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements of the Organization.

\* Denotes major program.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The expenditures are recognized following the cost principles contained in the Uniform Guidance, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement. In addition, agency or pass-through numbers are presented where available.

**NOTE C – INDIRECT COST RATES**

The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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**FAMILY PROMISE OF HAWAII**

**REPORTS IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

**For the Year Ended December 31, 2023**



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

Family Promise of Hawaii:

We have audited, 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, the financial statements of Family Promise of Hawaii (Organization), a nonprofit Hawaii corporation, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization'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 or significant deficiencies may exist that were not identified.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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 these Reports

The purpose of these reports 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. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

*CW Associates, CPAs*

CW Associates, CPAs  
Honolulu, Hawaii  
September 27, 2024



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**FAMILY PROMISE OF HAWAII**  
**REPORTS IN ACCORDANCE WITH THE UNIFORM GUIDANCE**  
**For the Year Ended December 31, 2023**



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Family Promise of Hawaii:

Report on Compliance for Each Major Federal Program

*Opinion on Each Major Federal Program*

We have audited Family Promise of Hawaii’s (Organization), a nonprofit Hawaii corporation, compliance with the types of compliance requirements identified as subject to audit in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2023. The Organization’s major federal program is identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

*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 (U.S. GAAS); 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 the Organization 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 the major federal program. Our audit does not provide a legal determination of the Organization’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 the Organization'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 the Organization'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 U.S. GAAS, *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 the Organization's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with U.S. GAAS, *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 the Organization'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 the Organization'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 the Organization'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.

Report on Internal Control over Compliance (continued)

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.

*CW Associates, CPAs*

CW Associates, CPAs  
Honolulu, Hawaii  
September 27, 2024



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**FAMILY PROMISE OF HAWAII**  
**FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2023**

**FAMILY PROMISE OF HAWAII**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended December 31, 2023**

**SUMMARY OF AUDITOR’S RESULTS**

***Financial statements***

Type of auditor's report on the financial statements	<input checked="" type="checkbox"/> Unmodified <input type="checkbox"/> Adverse	<input type="checkbox"/> Qualified <input type="checkbox"/> Disclaimer
Internal control over financial reporting		
Material weaknesses(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Noncompliance material to the financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

***Federal awards***

Internal control over major federal program		
Material weaknesses(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Type of auditor's report on compliance for major federal program	<input checked="" type="checkbox"/> Unmodified <input type="checkbox"/> Adverse	<input type="checkbox"/> Qualified <input type="checkbox"/> Disclaimer
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Identification of major federal award program		
Assistance Listing No. 14.267    Continuum of Care Program		
Dollar threshold used to distinguish between type A and type B programs		\$750,000
Auditee qualified as a low-risk auditee	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

**FINDINGS – FINANCIAL STATEMENT AUDIT**

No matters were reported.

**FINDINGS – FEDERAL AWARDS AUDIT**

No matters were reported.