

**Residential Youth Services & Empowerment RYSE
(A Non-Profit Corporation)**

**FINANCIAL STATEMENTS
with
ADDITIONAL INFORMATION
AND SINGLE AUDIT REPORT**

Year Ended December 31, 2021

AND

INDEPENDENT AUDITOR'S REPORT

**Residential Youth Services & Empowerment RYSE
(A Non-Profit Corporation)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Residential Youth Services & Empowerment RYSE
Kailua, Hawaii

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Residential Youth Services & Empowerment RYSE (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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 Residential Youth Services & Empowerment RYSE as of December 31, 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Residential Youth Services & Empowerment RYSE 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Residential Youth Services & Empowerment RYSE's ability to continue as a going concern for one year after the date that 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 GAAS 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 GAAS, 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 Residential Youth Services & Empowerment RYSE'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 Residential Youth Services & Empowerment RYSE'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.

Other 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 is presented for purpose of additional analysis 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* (Uniform Guidance), 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 auditing standards generally accepted in the United States of America. In our opinion, the Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2022, on our consideration of Residential Youth Services & Empowerment RYSE'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 Residential Youth Services & Empowerment RYSE'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 Residential Youth Services & Empowerment RYSE's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Residential Youth Services & Empowerment RYSE's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 11, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "James D Jennings CPA". The signature is written in a cursive style.

Honolulu, Hawaii
November 30, 2022

Residential Youth Services & Empowerment RYSE
STATEMENT OF FINANCIAL POSITION
December 31 2021

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash, cash equivalents, and restricted cash | \$ 892,667 | \$ 134,116 | \$ 1,026,783 |
| Accounts receivable | 324,546 | - | 324,546 |
| Grant receivables | 32,809 | - | 32,809 |
| Other receivables | - | - | - |
| Prepaid expenses | 45,438 | - | 45,438 |
| Investments | 455,090 | - | 455,090 |
| Pledge receivable, net | - | - | - |
| Total current assets | <u>1,750,550</u> | <u>134,116</u> | <u>1,884,666</u> |
| Noncurrent Assets | | | |
| Property and equipment | 192,418 | - | 192,418 |
| Security deposits | 11,950 | - | 11,950 |
| Right of use assets | 64,083 | - | 64,083 |
| Total noncurrent assets | <u>268,451</u> | <u>-</u> | <u>268,451</u> |
| Total assets | <u>\$ 2,019,001</u> | <u>\$ 134,116</u> | <u>\$ 2,153,117</u> |
| LIABILITIES AND NET ASSETS | | | |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 29,194 | \$ - | \$ 29,194 |
| Accrued payroll | 67,356 | - | 67,356 |
| Accrued vacation | 42,751 | - | 42,751 |
| Insurance payable | 12,612 | - | 12,612 |
| Deferred revenue | 15,913 | - | 15,913 |
| Rents in trust - VOCA | 1,440 | - | 1,440 |
| Lease liability - short term | 62,195 | - | 62,195 |
| Total current liabilities | <u>231,461</u> | <u>-</u> | <u>231,461</u> |
| Long Term Liability | | | |
| Lease liability | 1,888 | - | 1,888 |
| Total liabilities | <u>233,349</u> | <u>-</u> | <u>233,349</u> |
| NET ASSETS | | | |
| Without donor restrictions | 1,785,652 | - | 1,785,652 |
| With donor restrictions | - | 134,116 | 134,116 |
| Total net assets | <u>1,785,652</u> | <u>134,116</u> | <u>1,919,768</u> |
| Total liabilities and net assets | <u>\$ 2,019,001</u> | <u>\$ 134,116</u> | <u>\$ 2,153,117</u> |

See notes to financial statements.

Residential Youth Services & Empowerment RYSE
STATEMENT OF ACTIVITIES
For the Year Ended December 31 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|----------------------|
| REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS | | | |
| Contributions | \$ 573,483 | \$ 103,458 | \$ 676,941 |
| Grants | 2,407,986 | - | 2,407,986 |
| PPP Loan Forgiveness | | - | - |
| Other Income | 13,191 | - | 13,191 |
| Investment income | 204 | - | 204 |
| Net realized and unrealized gain/(loss) on investments | 113 | - | 113 |
| Net assets released from restriction: | | | |
| Satisfaction of program restriction | <u>334,257</u> | <u>(334,257)</u> | <u>-</u> |
| Total revenue and net assets released from restrictions | <u>3,329,234</u> | <u>(230,799)</u> | <u>3,098,435</u> |
| EXPENSES | | | |
| Program services | <u>2,430,693</u> | <u>-</u> | <u>2,430,693</u> |
| Total program services | <u>2,430,693</u> | <u>-</u> | <u>2,430,693</u> |
| Supporting activities | | | |
| Management and general | 188,010 | - | 188,010 |
| Fundraising | <u>90,485</u> | <u>-</u> | <u>90,485</u> |
| Total supporting activities | <u>278,495</u> | <u>-</u> | <u>278,495</u> |
| Total expenses | <u>2,709,188</u> | <u>-</u> | <u>2,709,188</u> |
| Change in net assets | 620,046 | (230,799) | 389,247 |
| Net assets, beginning of the year | <u>1,165,606</u> | <u>364,915</u> | <u>1,530,521</u> |
| Net assets, end of the year | <u>\$ 1,785,652</u> | <u>\$ 134,116</u> | <u>\$ 1,919,768</u> |

See notes to financial statements.

Residential Youth Services & Empowerment RYSE
STATEMENT OF CASH FLOWS
December 31 2021

| | |
|---|---------------------|
| Cash Flows From Operating Activities: | |
| Change in net assets | \$ 389,247 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation expense | 30,002 |
| Net unrealized (gain)/loss on long-term investments | (113) |
| Changes in operating assets and liabilities: | |
| Accounts receivable | (86,174) |
| Grants receivable | 63,791 |
| Other receivables | 17,555 |
| Prepaid expenses | (45,440) |
| Pledge receivable | 165,000 |
| Security deposit | 1,600 |
| Accounts payable | (48,342) |
| Accrued payroll | (4,459) |
| Insurance payable | 12,612 |
| Deferred revenue | 15,913 |
| Rents in trust - VOCA | <u>1,440</u> |
| Net cash provided by operating activities | <u>512,632</u> |
| Cash Flows From Investing Activities: | |
| Purchase of investments | <u>(210,283)</u> |
| Net cash used in investing activities | <u>(210,283)</u> |
| Cash Flows From Financing Activities: | |
| Net cash used for financing activities | <u>-</u> |
| Net increase in cash, cash equivalents, and restricted cash | 302,349 |
| Cash and Cash Equivalents: | |
| Cash, cash equivalents, and restricted cash at beginning of year | <u>724,434</u> |
| Cash, cash equivalents, and restricted cash at end of year | <u>\$ 1,026,783</u> |

See notes to financial statements.

Residential Youth Services & Empowerment RYSE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31 2021

| | Program Activities | Supporting Activities | | Supporting Subtotal | Total Expenses |
|--|-----------------------|---------------------------|------------------|------------------------|---------------------|
| | | Management and General | Fundraising | | |
| Compensation and related expenses: | | | | | |
| Salaries & wages | \$ 1,124,525 | \$ 73,956 | \$ 58,567 | \$ 132,523 | \$ 1,257,048 |
| Payroll taxes | 202,089 | 4,513 | 3,574 | 8,087 | 210,176 |
| Employee benefits | <u>120,526</u> | <u>4,265</u> | <u>3,182</u> | <u>7,447</u> | <u>127,973</u> |
| | | | | | |
| Total compensation and related expenses | <u>1,447,140</u> | <u>82,734</u> | <u>65,323</u> | <u>148,057</u> | <u>1,595,197</u> |
| | | | | | |
| Operating Expenses: | | | | | |
| Program Activities | 533,582 | - | - | - | 533,582 |
| Rent expense | 290,509 | 2,244 | - | 2,244 | 292,753 |
| Professional Services | - | 74,693 | - | 74,693 | 74,693 |
| Office expenses | 38,537 | 18,801 | 9,277 | 28,078 | 66,615 |
| Repairs & Maintenance | 42,823 | 2,411 | 1,441 | 3,852 | 46,675 |
| Depreciation | 30,002 | - | - | - | 30,002 |
| Auto | 27,852 | - | - | - | 27,852 |
| Insurance | 12,237 | 1,837 | 1,837 | 3,674 | 15,911 |
| Event expenses | - | - | 7,598 | 7,598 | 7,598 |
| Telephone & Internet | 6,068 | 422 | 400 | 822 | 6,890 |
| Printing | 395 | - | 4,608 | 4,608 | 5,003 |
| Bank charges | - | 3,577 | - | 3,577 | 3,577 |
| Dues & Subscription | 501 | 1,103 | - | 1,103 | 1,604 |
| Taxes & Licenses | 1,047 | 1 | 1 | 2 | 1,049 |
| Travel | <u>-</u> | <u>187</u> | <u>-</u> | <u>187</u> | <u>187</u> |
| | | | | | |
| Total operating expenses | <u>983,553</u> | <u>105,276</u> | <u>25,162</u> | <u>130,438</u> | <u>1,113,991</u> |
| | | | | | |
| Total expenses | <u>\$ 2,430,693</u> | <u>\$ 188,010</u> | <u>\$ 90,485</u> | <u>\$ 278,495</u> | <u>\$ 2,709,188</u> |

See notes to financial statements.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2021

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of activities

Residential Youth Services & Empowerment (the “organization”) is a nonprofit organization whose purpose is to provide the continuum of support that empowers Hawaii’s street youth to move beyond homelessness. The organization implements this mission by providing an access center to supplement resources that will empower and encourage Hawaii’s at-risk youth to make positive change, as well as provide shelter to transition these youth into independent living.

Summary of Significant Accounting Policies

Basis of accounting

The organization’s financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Residential Youth Services & Empowerment RYSE accordingly reflects all significant receivables, payables, and other liabilities.

Newly adopted accounting pronouncements

In June 2018, FASB issued *ASU No. 2018-08, topic 958: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining transactions to be contributions or exchange transactions. Furthermore, if identified as a contribution, clarify if there are conditions or barriers to be entitled to those funds. Exchange transactions will follow *ASU No. 2014-09*. For the year ended December 31, 2021, Residential Youth Services & Empowerment RYSE adopted the provisions of *ASU No. 2018-08*. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

In February 2016, FASB issued *ASU 2016-02, or Accounting Standard Update 2016-02*. This update provided the much anticipated new guidance for lease accounting through the release of ASC 842, a new section of the accounting standards codification which ultimately superseded ASC 840. Under the new guidance, organization is required to reflect its minimum lease payments on the statement of financial position, this includes any leases qualified as operating lease. For the year ended December 31, 2021, Residential Youth Services & Empowerment RYSE adopted the provision of *ASU No. 2016-02*. Any related presentation and disclosure have been updated accordingly.

Financial statement presentation

The organization follows the presentation requirements of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958, Not-for-Profit Entities, formerly Statements of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit organization. Under ASC No. 958, the organization is required to report information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions as described below:

Net assets without donor restrictions – net assets available for use in general activities of the organization. They are not subject to any donor or grantor restrictions. Contributions and/or grants are considered without restrictions if the donor does not impose or specify any restrictions.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2021

1. Nature of Activities and Summary of Significant Accounting Policies – (Continued)

Financial statement presentation – (Continued)

Net assets with donor restrictions – net assets subject to donor/grantor-imposed restrictions. Some donor/grantor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor/grantor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. Donor/grantor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, and/or both.

Cash and cash equivalents

For purposes of the financial statements, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. However, cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are considered cash and cash equivalents-restricted.

Investments

The organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of assets, liabilities and net assets. Net investment return/(loss) is reported in the statements of revenue and expenses and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Revenue recognition

Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), purpose restricted net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of revenues and expenses as net assets released from restrictions. Restricted contributions whose restrictions are met entirely in the same reporting period are recorded as contributions without donor restrictions.

Contribution, grant, other, and pledge receivable

Contribution, grant and other

Grant and contribution receivable are uncollateralized amounts due from government, other non-profit organizations and individual donors at year-end. Amounts listed in grant and contribution receivable are due based on the implied terms listed in the individual grant or contribution contract.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2021

1. Nature of Activities and Summary of Significant Accounting Policies – (Continued)

Contribution, grant, other, and pledge receivable – (Continued)

Pledge receivable

Pledge or unconditional promises to give are recognized as assets and contribution revenue in the period the pledge is either received or are accepted by both parties, the organization and the contributor on a revenue agreement. Conditional promises to give are recognized when the conditions/barriers on which they depend are substantially met.

Pledges that are to be collected within one year are recorded at net realizable value. Pledges that are expected to be collectable in future years are recorded at fair value of their estimated future cash flows as of the date of the promise to give through the use of an expected present value calculation that discounts the risk adjusted cash flow by an estimated risk-free interest rate.

Government grant awards

Government grant awards are received from and through the State of Hawaii and United States Federal Government departments. Revenue related to cost-reimbursement awards is recognized when reimbursable expenditures have been incurred, and upon meeting the legal and contractual requirements of the funding source. Revenue related to performance awards are recognized when services have been rendered. These revenues are considered exchange transactions and are therefore recorded as unrestricted revenue. Funding received in advance of expenditures is recorded as deferred revenue in the statement of financial position. Expenditures of government grant awards are to be used for the purpose specified by the funding source.

Property and equipment

Residential Youth Services & Empowerment has adopted the practice of capitalizing all expenditures for fixed assets in excess of \$2,500 per item. Property and equipment are stated at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from three to 30 years.

Donated property and equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent of donor stipulations regarding how long those donated assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The organization reclassifies restricted net assets to unrestricted net assets at that time. No property and equipment were donated during fiscal year 2021.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2021

1. Nature of Activities and Summary of Significant Accounting Policies – (Continued)

Functional allocation of expenses

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function is charged to program and supporting activities on the basis of periodic time and expenses studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization. The expenses that are allocated include salaries and wages, benefits, payroll taxes, professional services, office expenses, insurance, printing, telephone and internet, rent, and dues and subscriptions, which are allocated on the basis of estimates of time and effort.

Income tax status

The organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, since the organization has been classified as an organization that is not a private foundation under Section 509(a)(2), certain financial and other assistance provided to the organization would qualify for the charitable contribution deduction under Section 170(b)(1)(A).

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and cash equivalents

Residential Youth Services & Empowerment RYSE has some amounts of cash that are restricted. The restricted cash is for purposes stated in the grant contract with two different foundations. The restrictions include providing funding to other foundations or utilize the funds in a particular program that the organization has to provide in order to utilize the funds that are available.

3. Investments

Accounting Standards Codification (ASC) No. 820, *Fair Value Measurements*, establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation methodologies used to measure fair value. The hierarchy gives the highest propriety to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). There are three levels of the fair value hierarchy under ASC 820.

Level 1 inputs consist of unadjusted quoted prices for identical assets or liabilities in active markets that the reporting entity has the ability to access at the measurement date.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2021

3. Investments – (Continued)

Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the assets and liabilities, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs are unobservable and significant to the fair value measurement. The fair value measurement of an asset or liability within this fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Employed valuation methodologies need to maximize the use of observable inputs and minimize the use of unobservable inputs. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At December 31, 2021, the fair value measurements reportable by Residential Youth Services & Empowerment consisted of investments in mutual funds for which Level 1 valuation inputs were required. There were no investments for which Level 2 and Level 3 valuation inputs were required.

| | 2021 | | | Total fair value |
|---------------------------------|--|---|--|---------------------|
| | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | |
| Money market funds | \$ 455,090 | \$ - | \$ - | \$ 445,090 |
| Mutual funds | - | - | - | - |
| Total investments at fair value | \$ 455,090 | \$ - | \$ - | \$ - |

4. Contribution, grants and other receivable

Contribution, Grant and other receivables consisted of the following:

| | Without Donor Restriction | With Donor Restriction | Total |
|--|------------------------------|---------------------------|------------|
| Due within one year | \$ 357,355 | \$ - | \$ 357,355 |
| Total grant and contribution receivable | \$ 357,355 | \$ - | \$ 357,355 |

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2021

5. Liquidity and availability

Residential Youth Services & Empowerment's financial assets available within one year of December 31, 2021, for general expenditures are as follows:

| | | |
|---|-----------|------------------|
| Cash and cash equivalents | \$ | 1,026,783 |
| Investments | | 445,090 |
| Grant and contribution receivable | | 357,355 |
| Pledge receivable | | - |
| | | <u>1,829,228</u> |
| Less net assets with donor restrictions | | <u>-</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$</u> | <u>1,829,228</u> |

As of December 31, 2021, the organization does not have any endowment funds.

6. Property and equipment

As of December 31, 2021, the organization's property and equipment consisted of the following asset categories:

| | <u>Estimated Useful life</u> | <u>Amount</u> |
|-------------------------------|------------------------------|-------------------|
| Leasehold improvements | 15 - 27.5 | \$ 76,410 |
| Vehicles | 7 | 106,380 |
| Furniture and equipment | 5 | <u>58,259</u> |
| | | 241,049 |
| Less accumulated depreciation | | <u>(48,631)</u> |
| | | <u>\$ 192,418</u> |

The depreciation expense for the year ended December 31, 2021 was \$30,002.

7. Pension Plan

The organization offers a SIMPLE IRA plan as part of the employee benefits package. During the year ended December 31, 2021, the organization made annual contributions of up to one percent (1%) of an eligible employee's annual salary to that employee's individual retirement account. Pension expense in December 31, 2021 amounted to \$26,909 and is included in employee benefits on the Statement of Functional Expenses.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2021

8. Leasing activities

On February 15, 2019, the organization entered into a lease agreement for its use of a RICOH multifunction printer, on a 60-month lease. Due to the adoption of ASC 842, the organization recognized a right of usage asset of \$3,435 and the lease liability of the equal amount related to the leased printer.

Furthermore, the organization entered into a lease agreement on September 10, 2020 for its use of a rental property located in Honolulu (Nehoa Lease). The property consists of 7 bedrooms, 5 bathrooms and a utility room. The lease will end on September 10, 2022. The adoption of ASC 842 requires the organization to recognized a right of usage asset in the amount of \$60,648 and the lease liability of the equal amount related to the lease agreement.

The organization entered into another lease agreement on October 6, 2020 for its use of a rental property located in Honolulu (Rycroft Lease). The property consists of 5 bedrooms, 2 bathrooms and several appliances. The lease agreement with Urban Real Estate Brokerage firm had expired on September 30, 2021, in which case the subsequent rental extension automatically converted the lease into a month-to-month rental agreement. The total rent expense related to the operation for the year ended December 31, 2021 is \$150,016. The future minimum lease payments required under lease agreements are as follow:

| | <u>Minimum lease payments</u> | |
|-------------------------------|-------------------------------|---------------|
| Year ending December 31, 2022 | \$ | 63,261 |
| 2023 | | 1,661 |
| 2024 | | <u>277</u> |
| | \$ | <u>65,199</u> |

9. Line of credit

The organization maintains a business line of credit with First Hawaiian Bank. The bank requires that Residential Youth Services & Empowerment RYSE collateralize the organization's assets for the use of this line of credit. The amount drawn on the account is restricted to be used exclusively for program activities of the organization. The balance of the line of credit as of December 31, 2021 is \$0.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2021

10. Net assets with donor restrictions

Net assets with donor restrictions – release from restrictions

As of December 31, 2021, net assets released from restrictions consisted of:

| | |
|--|-------------------|
| Net Asset released from donor restriction | |
| Program restrictions met | <u>\$ 334,257</u> |
| Total restricted net assets released from restrictions | <u>\$ 334,257</u> |

Net assets with donor restrictions – available for restricted activities

As of December 31, 2021 net assets available for restricted activities:

| | |
|--|-------------------|
| Net Assets with donor restrictions consisted of the following: | |
| Program services | <u>\$ 134,116</u> |
| Total Net Assets with donor restrictions available | <u>\$ 131,116</u> |

11. Concentration of risk

Residential Youth Services & Empowerment RYSE maintains its cash and cash equivalents in several financial institutions base in Hawaii. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. On December 31, 2021, aggregate cash balances in excess of FDIC limits was \$316,700.

As indicated in the accompanying financial statements, the organization received approximately 37% of its grant revenue from United States Department of Housing and Urban Development for the year ended December 31, 2021.

12. Subsequent events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 30, 2022, the date the financial statements was available to be issued.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

| <u>Federal Agency (Pass-Through Agency)</u> | <u>Federal Program</u> | <u>CFDA Number</u> | <u>Other Award Number</u> | <u>Federal Expenditures</u> | | | <u>Subrecipients Awarded Amount</u> |
|--|--|------------------------|-------------------------------|--|--|---------------------|---|
| | | | | <u>Amount From Direct Awards</u> | <u>Amount From Pass-Through Awards</u> | <u>Total</u> | |
| <u>U.S. Department of Housing and Urban Development</u> (Alternative Structures International) | Youth Homeless Demonstration Program | 14.276 | HI0117Y9C011899 | \$ 709,570 | \$ - | \$ 709,570 | \$ 218,303 |
| | Youth Homeless Demonstration Program | 14.276 | N/A | - | 92,773 | 92,773 | - |
| | | 14.276 | TOTAL | 709,570 | 92,773 | 802,343 | 218,303 |
| <u>U.S. Department of Health and Human Services</u> Administration for Children and Families Family and Youth Services Bureau (FYSB) | Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth | 93.557 | 90YO2423-01-00 | 21,804 | - | 21,804 | - |
| | <u>U.S. Department of Justice</u> (State of Hawaii Department of the Attorney General) | 16.575 | 2018-V2-GX-0015 | - | 391,805 | 391,805 | - |
| Total Federal Expenditures | | | | <u>\$ 731,374</u> | <u>\$ 484,578</u> | <u>\$ 1,215,952</u> | <u>\$ 218,303</u> |

See notes to financial statements.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2021

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Residential Youth Services & Empowerment RYSE under programs of the federal government for the year ended December 31, 2021. The information in this 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 basic financial statements.

B. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

C. Indirect Cost Rate

Residential Youth Services & Empowerment RYSE did not elect the 10% de minimis indirect cost rate of the Uniform Guidance.

D. Subrecipients

Residential Youth Services & Empowerment RYSE had the following subrecipients.

| | |
|---------------------------------------|-------------------|
| We Are Oceania | \$ 73,318 |
| Partners in Development Foundation | 47,724 |
| Kinai Eha | 29,149 |
| Hale Kipa | 28,459 |
| Waikiki Health | 12,646 |
| Hawaii Health & Harm Reduction Center | 12,327 |
| Achieve Zero | 11,702 |
| Legal Aid Society of Hawaii | <u>2,978</u> |
| | <u>\$ 218,303</u> |

**RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2021**

PRIOR YEAR FINANCIAL STATEMENTS FINDINGS

None noted.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.



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

To the Board of Directors
Residential Youth Services & Empowerment RYSE
Kailua, Hawaii

Report on Compliance for Each Major Federal Program

We have audited Residential Youth Services & Empowerment RYSE's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Residential Youth Services & Empowerment RYSE's major federal programs for the year ended December 31, 2021. Residential Youth Services & Empowerment RYSE's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Residential Youth Services & Empowerment RYSE's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Residential Youth Services & Empowerment RYSE's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Residential Youth Services & Empowerment RYSE's compliance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Residential Youth Services & Empowerment RYSE'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.

A handwritten signature in black ink that reads "James O Jennings CPA". The signature is written in a cursive style with a clear "CPA" at the end.

Honolulu, Hawaii
November 30, 2022



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

To the Board of Directors
Residential Youth Services & Empowerment RYSE
Kailua, Hawaii

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 Residential Youth Services & Empowerment RYSE (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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 November 30, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Residential Youth Services & Empowerment RYSE's internal control over financial reporting (internal control) as a basis for designing 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 Residential Youth Services & Empowerment RYSE's internal control. Accordingly, we do not express an opinion on the effectiveness of Residential Youth Services & Empowerment RYSE'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.

Opinion on Each Major Federal Program

In our opinion, Residential Youth Services & Empowerment RYSE 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 December 31, 2021.

Report on Internal Control over Compliance

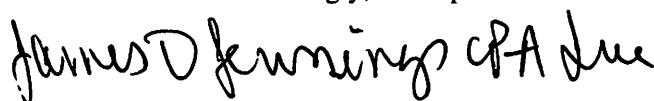
Management of Residential Youth Services & Empowerment RYSE is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Residential Youth Services & Empowerment RYSE's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Residential Youth Services & Empowerment RYSE's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be significant deficiencies.

Residential Youth Services & Empowerment RYSE's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Residential Youth Services & Empowerment RYSE's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Honolulu, Hawaii
November 30, 2022

**RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2021**

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

1. The auditor's report expresses an unmodified opinion on the financial statements of Residential Youth Services & Empowerment RYSE

2. *Internal control over financial reporting:*

Material weakness identified None noted

Significant deficiency identified None noted

3. Noncompliance material to financial statements noted None noted

Federal Awards

4. *Internal control over major programs:*

Material weakness identified None noted

Significant deficiency identified Yes

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? None noted

7. The programs tested as major program included:

US Department of Housing and Urban Development
Youth Homeless Demonstration Program 14.276

8. Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

9. Residential Youth Services & Empowerment RYSE qualify as a low-risk auditee: No

SECTION II – FINANCIAL STATEMENTS FINDINGS

None noted.

**RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2021**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2021-001 – No Documented Approval of Disbursements Before Checks Processed

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Youth Homeless Demonstration Program
Assistance Listing Number: 14.276
Award Period:

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or Specific Requirement:

According to the Code of Federal Regulations,. 200 CFR 200.303 requires the Organization to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Organization is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. One of those requirements is to have a knowledgeable person of federal cost approve disbursement before being paid.

Condition:

The disbursements tested none of them had written approval to be paid.

Questioned Costs:

No questioned costs.

Context:

We test 40 disbursements of which none had written proof of review or approval to be processed.

Cause:

Management visually/verbally reviewed disbursement before processing but did not realize they needed to document that review and approval process.

Effect:

Unnecessary or unapproved expenses could be processed and charged to federal programs.

Repeat Finding:

No

Recommendation:

Management should take the extra time needed to document their approval process as required by federal regulations.

Views of Responsible Officials and Planned Corrective Action:

Management agrees with the finding 2021-001 – No documented approval of disbursements before checks were processed. RYSE has already taken steps to document approval of expenses prior to payment by program manager. The grant administrator and executive director will be a second level check for documented approval prior to payment of expenses.