Residential Youth Services & Empowerment
(A Not-for-Profit Organization)

Financial Statements and Report

As of and for the Year Ended
December 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Residential Youth Services & Empowerment
Honolulu, HI

Opinion

We have audited the financial statements of Residential Youth Services & Empowerment ("the Organization"), which comprise the statement of financial position as of December 31, 2022, 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, 2022, 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 audit in accordance with auditing standards generally accepted in the United States of America (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.

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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' 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 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 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 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.

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 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 September 13, 2023, 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.

Linked Accounting, LLP

Linked Accounting, LLP
Honolulu, Hawaii
September 13, 2023

Residential Youth Services & Empowerment
Statement of Financial Position
December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current assets			
Cash, cash equivalents, and restricted cash	$ 2,475,107	$ 478,371	$ 2,953,478
Accounts receivable, net	341,368	-	341,368
Grant receivables	110,409	-	110,409
Prepaid expenses	70,214	-	70,214
Investments	9,870	-	9,870
Total current assets	3,006,968	478,371	3,485,339
Noncurrent assets			
Property and equipment, net	318,375	-	318,375
Security deposits	12,350	-	12,350
Right of use assets	177,641	-	177,641
Total noncurrent assets	508,366	-	508,366
Total assets	$ 3,515,334	$ 478,371	$ 3,993,705
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	$ 14,631	$ -	$ 14,631
Accrued payroll	91,933	-	91,933
Accrued vacation	47,311	-	47,311
Insurance payable	21,472	-	21,472
Deferred revenue	64,929	-	64,929
Rents in trust - VOCA	2,897	-	2,897
Operating lease liabilities, current	67,649	-	67,649
Total current liabilities	310,822	-	310,822
Noncurrent liabilities			
Operating lease liabilities, net of current	109,992	-	109,992
Total liabilities	420,814	-	420,814
Without donor restrictions	3,094,520	-	3,094,520
With donor restrictions	-	478,371	478,371
Total net assets	3,094,520	478,371	3,572,891
Total liabilities and net assets	$ 3,515,334	$ 478,371	$ 3,993,705

See accompanying notes to financial statements and independent auditors’ report.

Residential Youth Services & Empowerment
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS			
Contributions	$ 387,588	$ 30,065	$ 417,653
Fundraising revenue	267,947	-	267,947
Grants	3,731,318	443,390	4,174,708
Other income	791,267	-	791,267
Investment income	6,325	-	6,325
Net realized and unrealized gain/(loss) on investments	(1,110)	-	(1,110)
Net assets released from restriction:			
Satisfaction of program restriction	129,200	(129,200)	-
Total revenue	5,312,535	344,255	5,656,790
EXPENSES			
Program services	3,668,751	-	3,668,751
Supporting activities			
Management and general	223,432	-	223,432
Fundraising	111,485	-	111,485
Total supporting activities	334,917	-	334,917
Total expenses	4,003,668	-	4,003,668
Change in net assets	1,308,867	344,255	1,653,122
Net assets, beginning of the year	1,785,653	134,116	1,919,769
Net assets, end of the year	$ 3,094,520	$ 478,371	$ 3,572,891

See accompanying notes to financial statements and independent auditors' report.

Residential Youth Services & Empowerment
Statement of Cash Flows
Year Ended December 31, 2022

Cash Flows From Operating Activities:	
Change in net assets	$ 1,653,122
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	42,115
Net unrealized (gain)/loss on long-term investments	1,110
Changes in operating assets and liabilities:	
Accounts receivable	(16,822)
Grants receivable	(77,600)
Prepaid expenses	(24,776)
Security deposit	(400)
Accounts payable	(14,563)
Accrued payroll	24,577
Accrued vacation	4,560
Insurance payable	8,860
Deferred revenue	49,016
Rents in trust - VOCA	1,457
Net cash provided by operating activities	1,650,656
Cash Flows From Investing Activities:	
Purchase of furniture & equipment	(168,072)
Purchase of investments	(215,461)
Proceeds from sale of investments	659,571
Net cash provided by investing activities	276,038
Cash Flows From Financing Activities:	-
Net increase in cash, cash equivalents, and restricted cash	1,926,694
Cash and Cash Equivalents:	
Cash, cash equivalents, and restricted cash at beginning of year	1,026,784
Cash, cash equivalents, and restricted cash at end of year	$ 2,953,478

See accompanying notes to financial statements and independent auditors' report.

Residential Youth Services & Empowerment
Statement of Functional Expenses
Year Ended December 31, 2022

	Program Activities	Supporting Activities: Management and General	Supporting Activities: Fundraising	Supporting Activities: Supporting Subtotal	Total Expenses
Personnel Expenses:					
Salaries & wages	$ 1,409,726	$ 46,655	$ 36,947	$ 83,601	$ 1,493,327
Payroll taxes	242,396	5,413	4,287	9,700	252,096
Employee benefits	145,029	-	-	-	145,029
Total personnel expenses	1,797,151	52,068	41,233	93,301	1,890,452
Operating Expenses:					
Program activities	1,273,351	-	-	-	1,273,351
Rent expense	389,431	2,244	-	2,244	391,675
Professional services	-	128,928	-	128,928	128,928
Office expenses	44,913	21,911	10,812	32,723	77,636
Repairs & maintenance	55,539	3,127	1,869	4,996	60,535
Depreciation	42,115	-	-	-	42,115
Auto	35,773	-	-	-	35,773
Insurance	19,094	2,958	3,568	6,526	25,620
Event expenses	-	-	41,100	41,100	41,100
Telephone & internet	7,343	511	484	995	8,338
Printing	161	-	1,878	1,878	2,039
Bank charges	-	1,302	-	1,302	1,302
Dues & subscription	3,497	7,699	-	7,699	11,196
Taxes & licenses	383	-	10,541	10,541	10,924
Travel	-	2,684	-	2,684	2,684
Total operating expenses	1,871,600	171,364	70,252	241,616	2,113,216
Total expenses	$ 3,668,751	$ 223,432	$ 111,485	$ 334,917	$ 4,003,668

See accompanying notes to financial statements and independent auditors' report.

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 at-risk 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.

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("GAAP").

Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of 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.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits. As of December 31, 2022, our cash deposits exceeded federally insured balances by $1,133,719. To date, we have not experienced losses in any of these accounts.

Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of our mission.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

At December 31, 2022 the Organization held $500,000 in certificates of deposit that were set to mature by April 3, 2023. These deposits were fully insured at December 31, 2022.

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

Cash and Cash Equivalents (Continued)

The Organization 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.

Receivables and Credit Policies

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2022, the Organization's allowance for doubtful accounts and bad debt expense was $2,005.

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.

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.

Investments

The Organization records investment purchases at cost on the date of donation. Donated investments are recorded at fair market value on date of donation. Thereafter, investments are reported at their fair market value in the statement of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

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

Property and Equipment

The Organization records property and equipment additions over $2,500 at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 27.5 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

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 2022.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-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, or both.

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

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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 are 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.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received.

Donated services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provide various services, some of which are not recognized as contributions in the financial statements since the recognition criteria were not met.

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

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional fees, office expenses, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

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).

Accounting Standard Updates Recently Adopted

The Organization elected to change its method of accounting for leases as of January 1, 2022 due to the adoption of Accounting Standard Update (ASU) No. 2016-02, Leases, and related updates, which established ASC Topic 842, Leases. The new standard is based on the principle that entities should recognize assets and liabilities arising from leases. The new standard's primary change is the requirement for entities to recognize a lease liability for payments and a right-of-use (“ROU”) asset representing the right to use the leased asset during the term on most operating lease arrangements. We adopted the standard effective January 1, 2022, the first day of fiscal year 2022.

We elected the package of practical expedients which permits the Organization to not reassess under the new standard the prior conclusions about lease identification, lease classification, or initial direct costs. In addition, we reassessed whether existing land easements which were previously not accounted for as leases are or contain leases under the new guidance. We have elected to combine non-lease and lease components when accounting for leases. The Organization has made a policy election to exclude short-term leases, those with an original term of less than twelve months, from recognition and measurement under ASC 842. As such, we have not recognized an ROU asset or lease liability for these leases. Additional information and disclosures required by this new standard are contained in Note 6.

We adopted ASC 842 using the modified retrospective method as of the adoption date. As a result of electing the modified retrospective approach, we have not restated prior year financial statements to conform to the new guidance. Our operating lease portfolio primarily includes office space and office equipment leases.

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

Accounting Standard Updates Recently Adopted (Continued)

As a result of adoption of ASC 842, as of January 1, 2022 we recorded operating lease right-of-use-assets of $184,147 and operating lease liabilities of $184,147.

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following balance as of December 31, 2022:

Financial assets at year end:		
Cash and cash equivalents	$	2,953,478
Accounts receivable		341,368
Grant receivable		110,409
Investments		9,870
Total financial assets		3,415,125
Less amounts not available to be used for general expenditures:		
Net assets with donor restrictions		(478,371)
Total financial assets available to meet cash needs for general expenditure	$	2,936,754

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.

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.

As of December 31, 2022, the Organization's investments consisted of mutual funds. Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-ended mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

At December 31, 2022, the fair value measurements reportable by Residential Youth Services & Empowerment consisted of investments in mutual funds of $9,870 for which Level 1 valuation inputs were required. There were no investments for which Level 2 and Level 3 valuation inputs were required.

4. Property and Equipment

Property and equipment consist of the following at December 31, 2022:

	Estimated Useful Lives	
Leasehold improvements	15-27.5	$ 76,410
Vehicles	7	250,934
Furniture and equipment	5	81,777
		409,121
Less accumulated depreciation		(90,746)
		$ 318,375

Depreciation expense for the year ended December 31, 2022 was $42,115.

5. Pension Plan

The organization offers a SIMPLE IRA plan as part of the employee benefits package. During the year ended December 31, 2022, 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, 2022 amounted to $35,382 and is included in employee benefits on the Statement of Functional Expenses.

6. Leases

Pursuant to ASC 842, an operating lease right-of-use ("ROU") asset and liability were recognized at January 1, 2022 based on the present value of lease payments over the remaining lease term. The ROU asset represents the Company's right to use the underlying office space asset for the lease term, and the lease liability represents the Company's obligation to make lease payments arising from the lease. Generally, the implicit rate of interest in arrangements is not readily determinable and the Company utilizes its incremental borrowing rate in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and excludes lease incentives.

Operating leases:
The Company rents office space and a printer under a non-cancellable lease expiring through November 2025, with monthly payments of $138 to $5,499. Discount rate on leases was 5% (the implicit rate of interest in the underlying agreement).

Leased assets and liabilities consisted of the following at December 31, 2022:

Assets:		
Operating lease ROU assets	$	177,641
Liabilities:		
Current operating lease liabilities	$	67,649
Long term operating lease liabilities		109,992
Total lease liabilities:	$	177,641

6. Leases (Continued)

The supplemental balance sheet information related to leases for the period is as follows:

Right of Use Asset		
Right of use asset, Jan 1, 2022	$	184,147
Amortization of right of use asset		(6,507)
Right of use asset, December 31, 2022	$	177,641
Weighted-average remaining lease term (In Years):		
Operating leases		2.9
Weighted-average Discount Rate:		
Operating leases		5.0%

The following table presents as of December 31, 2022, the annual maturities of our lease liabilities:

2023	$	67,649
2024		67,649
2025		60,489
Total future lease payments		195,787
Less interest portion		(18,146)
Present value of lease liabilities		177,641
Less current portion		(67,649)
Long term lease obligations	$	109,992

The table below presents information for lease costs related to our operating lease at December 31:

Operating lease costs:		
Amortization of leased assets	$	6,507
Interest on lease liabilities		653
Total operating lease costs	$	7,160

7. Line of Credit

The Organization maintains a business line of credit with First Hawaiian Bank. The bank requires that the Organization 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 credit limit is $200,000 and has a variable interest rate tied to the US prime rate. The balance of the line of credit as of December 31, 2022 is $0.

8. Net Assets With Donor Restrictions

Donor restricted assets are restricted for the following programs as of December 31, 2022:

Residential Facility - Leeward Oahu	$	335,086
Adolescent Behavioral Health		57,019
AUW ALICE Initiative		47,461
Outreach and Shelter for Homeless Youth		26,733
4 for $40 Workforce Development		12,072
	$	478,371

9. Concentrations

The Organization received approximately 54% of its grant revenue from United States Department of Housing and Urban Development for the year ended December 31, 2022.

10. Income Tax Positions

The Organization adopted the provisions of ASC 740, *Income Taxes*, on January 1, 2009. As required by the uncertain tax position guidance in ASC 740, the Organization recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position after an audit. At the adoption date, the Organization applied the uncertain tax position guidance in ASC 740 to all tax positions for which the statute of limitations has remained open. As a result of the implementation of the uncertain tax position guidance in ASC 740, the Organization has not recognized additional liability for unrecognized tax benefits nor any interest and penalties as of December 31, 2022. Management does not anticipate that this will change significantly in the next twelve months.

The Organization files income tax returns in the U.S. federal jurisdiction. Tax regulations within each jurisdiction are subject to interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2019.

11. Contingencies

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.

12. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through September 13, 2023, the date the financial statements were available to be issued.

Supplemental Information

Residential Youth Services & Empowerment
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Federal Expenditures: Amount From Direct Awards	Federal Expenditures: Amount From Pass-Through Awards	Federal Expenditures: Total	Subrecipients Awarded Amount
U.S. Department of Housing and Urban Development	Youth Homeless Demonstration Program	14.276	N/A	$ 2,030,421	$ -	$ 2,030,421	$ 464,430
(Alternative Structures International)	Youth Homeless Demonstration Program	14.276	N/A	-	-	-	-
		14.276	TOTAL	2,030,421	-	2,030,421	464,430
	Emergency Solutions Grant Program	14.231	N/A	-	359,529	359,529	-
U.S. Department of Health and Human Services Administration for Children and Families Family and Youth Services Bureau (FYSB)	Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Streeet Youth	93.557	90YO2423-01-00	133,926	-	133,926	-
U..S. Department of Justice (State of Hawaii Department of the Attorney General)	Crime Victim Assistance	16.575	2018-V2-GX-0015	-	269,157	269,157	-
		Total Federal Expenditures		$ 2,164,347	$ 628,686	$ 2,793,033	$ 464,430

Residential Youth Services & Empowerment
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes grant activity of Residential Youth Services & Empowerment ("the Organization") under programs of federal government for the year ended December 31, 2022. 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 preparation of, the basic financial statements.

2. 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.

3. Indirect Cost Rate

The Organization did not elect the 10% de minimis indirect cost rate of the Uniform Guidance.

4. Subrecipients

The Organization had the following subrecipients:

Kinai Eha	$ 139,368
We Are Oceania	122,551
Hawaii Health & Harm Reduction Center	71,162
Hale Kipa	65,074
Partners in Development Foundation	53,042
Waikiki Health	6,653
Achieve Zero	4,976
Legal Aid Society of Hawaii	1,605
	$ 464,430

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
Honolulu, 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 (a nonprofit organization) ("the Organization"), which comprise the statement of financial position as of December 31, 2022, 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 13, 2023.

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 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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.

Linked Accounting, LLP

Linked Accounting, LLP
Honolulu, Hawaii
September 13, 2023

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
Honolulu, Hawaii

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Residential Youth Services & Empowerment's ("the Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2022. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion the Organization's complied, in all material respects, with the 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, 2022.

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 the Organization'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 the Organization'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 the Organization's compliance.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 each 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 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 each major federal program as a whole.

In performing an audit in accordance with 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. 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.

Linked Accounting, LLP

Linked Accounting, LLP
Honolulu, Hawaii
September 13, 2023

Residential Youth Services & Empowerment
Schedule of Findings and Questioned Costs
Year Ended December 31, 2022

Section 1 – Summary of Audit Results

Financial Statements

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

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	None noted

5. Type of auditors' 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 a 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 qualify as a low-risk auditee: — No

Section II – Financial Statements Findings

No matters are reported for the fiscal year ended December 31, 2022.

Section III – Federal Award Findings and Questioned Costs

No matters are reported for the fiscal year ended December 31, 2022.

Residential Youth Services & Empowerment
Schedule of Findings and Questioned Costs – Prior Year
Year Ended December 31, 2022

Section II – Financial Statements Findings

No matters are reported for the fiscal year ended December 31, 2021.

Section III – Federal Award Findings and Questioned Costs

2021-001 – No Approval of Disbursements Before Checks Processed

Criteria:
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:
Of the disbursements tested, none of the disbursements had written approval to be paid.

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.

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

Status:
Resolved.