

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

**Financial Statements and
Independent Auditors' Report**

**As of and For the Year Ended
December 31, 2023
(With Summarized Comparative Totals for 2022)**



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Residential Youth Services & Empowerment

Report on the Audit of the Financial Statements

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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 Auditors' 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 auditors' 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.

Report on Summarized Comparative Information

We have previously audited the Residential Youth Services & Empowerment's December 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 July 19, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Linford Accounting, LLP".

Honolulu, Hawaii
July 19, 2024

**Residential Youth Services & Empowerment
Statements of Financial Position
December 31, 2023 and 2022**

ASSETS		
	2023	2022
Current Assets		
Cash and cash equivalents	\$ 1,885,642	\$ 2,953,478
Accounts receivable, net	661,227	341,368
Grants receivable	3,500	110,409
Other receivable	13,332	-
Investments, fair value	731,796	9,870
Prepaid expenses	86,268	70,214
Total current assets	3,381,765	3,485,339
Noncurrent Assets		
Property and equipment, net	1,167,854	318,375
Security deposits	12,350	12,350
Right of use assets, net	378,920	177,641
Total noncurrent assets	1,559,124	508,366
Total assets	\$ 4,940,889	\$ 3,993,705
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 26,014	\$ 14,631
Accrued payroll and related liabilities	214,056	139,244
Insurance payable	21,708	21,472
Rent in Trust - VOCA	3,100	2,897
Deferred revenues	1,544	64,929
Operating lease liabilities, current	130,800	67,649
Total current liabilities	397,222	310,822
Noncurrent Liabilities		
Operating lease liabilities, net of current	248,120	109,992
Total liabilities	645,342	420,814
Net Assets		
Without donor restrictions	3,981,739	3,094,520
With donor restrictions	313,808	478,371
Total net assets	4,295,547	3,572,891
Total liabilities and net assets	\$ 4,940,889	\$ 3,993,705

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

Residential Youth Services & Empowerment
Statement of Activities
Year Ended December 31, 2023 with Summarized Comparative Totals for 2022

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>	
			<u>2023</u>	<u>2022</u>
Revenues				
Contributions	\$ 723,610	\$ -	\$ 723,610	\$ 417,653
Grants	3,495,715	677,403	4,173,118	4,174,708
Program service income	39,529	-	39,529	90,941
Fundraising				
Gross receipts	305,871			
Less direct expenses	<u>(95,465)</u>	210,406	210,406	226,847
Interest income	43,128	-	43,128	6,325
Net realized and unrealized gain/(loss) on investment	167	-	167	(1,110)
Other income	74,152	-	74,152	700,326
Net assets released from restriction:				
Satisfaction of program restriction	<u>841,966</u>	<u>(841,966)</u>	<u>-</u>	<u>-</u>
 Total revenues	 <u>5,428,673</u>	 <u>(164,563)</u>	 <u>5,264,110</u>	 <u>5,615,690</u>
Expenses				
Program services	<u>4,191,819</u>	<u>-</u>	<u>4,191,819</u>	<u>3,668,751</u>
Supporting activities				
Management and general	251,526	-	251,526	223,432
Fundraising	<u>98,109</u>	<u>-</u>	<u>98,109</u>	<u>70,385</u>
 Total supporting activities	 <u>349,635</u>	 <u>-</u>	 <u>349,635</u>	 <u>293,817</u>
 Total expenses	 <u>4,541,454</u>	 <u>-</u>	 <u>4,541,454</u>	 <u>3,962,568</u>
 Change in net assets	 887,219	 (164,563)	 722,656	 1,653,122
 Net assets, beginning of year	 <u>3,094,520</u>	 <u>478,371</u>	 <u>3,572,891</u>	 <u>1,919,769</u>
 Net assets, end of year	 <u>\$ 3,981,739</u>	 <u>\$ 313,808</u>	 <u>\$ 4,295,547</u>	 <u>\$ 3,572,891</u>

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

**Residential Youth Services & Empowerment
Statements of Cash Flows
Year Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 722,656	\$ 1,653,122
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	57,988	42,115
Net unrealized (gain)/loss on long-term investments	6,187	1,110
Net realized loss on disposal of fixed assets	14,676	-
Changes in operating assets and liabilities:		
Accounts receivable	(319,859)	(16,822)
Grants receivable	106,909	(77,600)
Other receivable	(13,332)	-
Prepaid expenses	(16,054)	(24,776)
Security deposits	-	(400)
Accounts payable	11,383	(14,563)
Accrued payroll and related liabilities	74,812	29,137
Insurance payable	236	8,860
Rent in Trust - VOCA	203	49,016
Deferred revenue	(63,385)	1,457
	<u>582,420</u>	<u>1,650,656</u>
Net cash provided by operating activities		
Cash Flows From Investing Activities:		
Purchase of fixed assets	(922,143)	(168,072)
Proceeds from sale of investments	10,102	(215,461)
Purchase of investments	(738,215)	659,571
	<u>(1,650,256)</u>	<u>276,038</u>
Net cash (used in)/ provided by investing activities		
Cash Flows From Financing Activities:	<u>-</u>	<u>-</u>
Net (decrease)/ increase in cash and cash equivalents	<u>(1,067,836)</u>	<u>1,926,694</u>
Cash and Cash Equivalents:		
Beginning of year	<u>2,953,478</u>	<u>1,026,784</u>
End of year	<u>\$ 1,885,642</u>	<u>\$ 2,953,478</u>
Supplemental cash information		
Establishment of right of use asset and lease liability	<u>\$ 250,132</u>	<u>\$ 184,147</u>

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

Residential Youth Services & Empowerment
Statement of Functional Expenses
Year Ended December 31, 2023 with Summarized Comparative Totals for 2022

	Program Services	Supporting Activities		Total Supporting Activities	Total	
		Management and General	Fundraising		2023	2022
Personnel Expenses						
Salaries and wages	\$ 1,972,586	\$ 147,675	\$ 52,485	\$ 200,160	\$ 2,172,746	\$ 1,493,327
Payroll taxes	390,882	-	-	-	390,882	252,096
Employee benefits	192,546	-	-	-	192,546	145,029
Total personnel expenses	2,556,014	147,675	52,485	200,160	2,756,174	1,890,452
Operating Expenses						
Program activities	604,029	-	-	-	604,029	1,255,662
Occupancy	591,940	-	-	-	591,940	386,410
Professional services	73,330	52,457	40,021	92,478	165,808	128,928
Utilities	61,578	-	-	-	61,578	41,237
Depreciation	57,988	-	-	-	57,988	42,115
Repairs & maintenance	43,860	9,000	-	9,000	52,860	60,535
Office expenses	18,776	28,349	1,618	29,967	48,743	36,399
Auto	38,618	-	-	-	38,618	38,574
Equipment rental	32,031	3,840	-	3,840	35,871	5,265
Insurance	25,328	3,166	3,166	6,332	31,660	25,620
Advertising	23,739	-	-	-	23,739	-
Travel	21,625	-	-	-	21,625	2,684
Training	18,683	-	-	-	18,683	17,689
Communications and computer fees	15,151	1,300	-	1,300	16,451	8,338
Dues and subscriptions	-	5,661	819	6,480	6,480	11,196
Miscellaneous	5,537	-	-	-	5,537	7,740
Bank charges	2,483	-	-	-	2,483	1,302
License and fees	1,109	56	-	56	1,165	383
Printing	-	22	-	22	22	2,039
Total operating expenses	1,635,805	103,851	45,624	149,475	1,785,280	2,072,116
Total expenses	\$ 4,191,819	\$ 251,526	\$ 98,109	\$ 349,635	\$ 4,541,454	\$ 3,962,568

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

Residential Youth Services & Empowerment
Notes to Financial Statements
December 31, 2023 and 2022

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 financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. December 31, 2023 and 2022, the Organization had \$750,000 and \$500,000, respectively, of certificates of deposits that are set to mature through February 2024. Certificates of deposits carry interest rates from 5.35% to 5.50%.

Receivables and Credit Policies

Accounts receivables 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. Management found that the collectability of all receivables as of December 31, 2023 were probable; as such, there was no allowance for doubtful accounts provision as of December 31, 2023. At December 31, 2023, the Organization’s allowance for doubtful accounts and bad debt expense was \$2,005.

Residential Youth Services & Empowerment
Notes to Financial Statements
December 31, 2023 and 2022

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

Investments

The Organization records investment purchases at cost on the date of purchase. 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.

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 2023.

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.

Residential Youth Services & Empowerment
Notes to Financial Statements
December 31, 2023 and 2022

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

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.

Revenue and Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services.

The Organization provides program services that generate income from rent income. Performance obligations are satisfied at the point in time at which the services are complete. Revenue is recognized upon completion of distinct performance obligations in the same accounting period in which each specific performance obligation is met. The transaction price is determined for each contract using the stand-alone selling price and applied to each performance obligation as completed.

The Organization report contributions in the donor restricted net asset class if they are received with donor stipulation as to their use and/or time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are released and reclassified to net assets without donor restriction in the statement of activities.

Donor-restricted contributions are initially reported in with donor restriction net asset class, even if it is anticipated such restrictions will be met in the current reporting period.

**Residential Youth Services & Empowerment
Notes to Financial Statements
December 31, 2023 and 2022**

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

Government Grant Awards

Government grant awards are received from and through the State of Hawaii, City and County of Honolulu 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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, and those differences could be material.

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.

Residential Youth Services & Empowerment
Notes to Financial Statements
December 31, 2023 and 2022

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

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash in financial institution believed by them to be creditworthy. At times, amounts on deposit may exceed insured limits. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. As of December 31, 2023 and 2022, the Organization had approximately \$483,000 and \$1,133,000, respectively, in excess of FDIC insurance limits. To date, the Organization has not experienced losses in any of these accounts.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization adopted the provisions of ASC 740, *Income Taxes*, on July 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 have not recognized additional liability for unrecognized tax benefits nor any interest and penalties as of December 31, 2023. Management does not anticipate that this will change significantly in the next twelve months.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Residential Youth Services & Empowerment
Notes to Financial Statements
December 31, 2023 and 2022

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

Leases

The Organization determines if an arrangement is a lease at inception. Contracts containing a lease are further evaluated for classification as an operating or finance lease. In determining the leases classification the Organization assesses among other criteria: (i) 75% or more of the remaining economic life of the underlying asset is a major part of the remaining economic life of that underlying asset; and (ii) 90% or more of the fair value of the underlying asset comprises substantially all of the fair value of the underlying asset. Operating leases are included in operating lease right-of-use (“ROU”) assets, other current liabilities and long-term operating lease liabilities in the Organization’s balance sheets. Finance leases are included in property, plant and equipment, net, other current liabilities, and long-term finance lease liabilities in the Organization’s balance sheets. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. For leases with terms greater than 12 months, the Organization records the ROU asset and liability at commencement date based on the present value of lease payments according to their term.

The Organization uses incremental borrowing rates based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expenses are recognized on a straight-line basis over the lease term or the useful life of the leased asset.

In addition, the carrying amount of the ROU and lease liabilities are remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. ASU 2016-13 provides guidance for estimating credit losses on certain types of financial instruments, including trade receivables, by introducing an approach based on expected losses. The expected loss approach will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. ASU 2016-13 also amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The guidance requires a modified retrospective transition method and early adoption is permitted. The Organization adopted ASU 2016-13 as of January 1, 2023 with no material impact to its financial statements.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 19, 2024, the date the financial statements were available to be issued.

**Residential Youth Services & Empowerment
Notes to Financial Statements
December 31, 2023 and 2022**

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:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,885,642	\$ 2,953,478
Accounts receivable, net	661,227	341,368
Grants receivable	3,500	110,409
Other receivable	13,332	-
	<u>2,563,701</u>	<u>3,405,255</u>
Net assets with donor restrictions	<u>(313,808)</u>	<u>(478,371)</u>
	<u>\$ 2,249,893</u>	<u>\$ 2,926,884</u>

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 priority 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.

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.

Residential Youth Services & Empowerment
Notes to Financial Statements
December 31, 2023 and 2022

3. Investments - (Continued)

As of December 31, 2023, 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, 2023 and 2022, the fair value measurements reportable by Residential Youth Services & Empowerment consisted of investments in mutual funds of \$731,796 and \$9,870, respectively 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

Consisted of the following assets categories as of December 31:

	Estimated Useful Lives	2023	2022
Land	-	\$ 825,387	\$ -
Leasehold improvements	15 - 27.5 years	76,410	76,410
Vehicles	5 years	81,777	81,777
Furniture and equipment	7 years	323,983	250,934
Accumulated depreciation		(139,703)	(90,746)
		\$ 1,167,854	\$ 318,375

Depreciation expense for the years ended December 31, 2023 and 2022 was \$57,988 and 42,115, respectively.

5. Pension Plan

The organization offers a SIMPLE IRA plan as part of the employee benefits package. During the years ended December 31, 2023 and 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, 2023 and 2022 amounted to \$27,357 and \$35,382, respectively and is included in employee benefits on the Statement of Functional Expenses.

**Residential Youth Services & Empowerment
Notes to Financial Statements
December 31, 2023 and 2022**

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 non-cancellable leases expiring through May 2028, with monthly payments ranging from \$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:

	2023	2022
Assets:		
Right of use assets	\$ 474,643	\$ 184,147
Less: Amortization of right of use assets	(95,723)	(6,506)
Right of use assets, net	\$ 378,920	\$ 177,641
Liabilities:		
Operating lease obligations, current	\$ 130,800	\$ 67,649
Operating lease obligations, net of current	248,120	109,992
Total lease liabilities:	\$ 378,920	\$ 177,641

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

	2023	2022
Weighted average lease term in years:	3.4	2.9
Weighted average discount rate:	5%	5%

**Residential Youth Services & Empowerment
Notes to Financial Statements
December 31, 2023 and 2022**

6. Leases (Continued)

The following table presents as of December 31, 2023, the annual maturities of our lease liabilities:

2024	\$ 144,311
2025	114,990
2026	60,000
2027	60,000
2028	<u>20,000</u>
Total future lease payments	399,301
Less interest portion	<u>(20,381)</u>
Present value of lease liabilities	378,920
Less current portion	<u>(130,800)</u>
Long term lease obligations	<u><u>\$ 248,120</u></u>

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

	<u>2023</u>	<u>2022</u>
Operating lease costs:		
Amortization of leased assets	\$ 95,723	\$ 6,506
Interest on lease liabilities	14,828	653
Total operating lease costs	<u><u>\$ 110,551</u></u>	<u><u>\$ 7,159</u></u>

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 \$360,000 and has a variable interest rate tied to the US prime rate. The balance of the line of credit as of December 31, 2023 and 2022 is \$0, respectively.

**Residential Youth Services & Empowerment
Notes to Financial Statements
December 31, 2023 and 2022**

8. Net Assets With Donor Restrictions

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

	2023
Shelter	\$ 82,802
Adolescent Behavioral Health	54,609
AUW ALICE Initiative	50,087
Haleiwa Sewer Project	42,800
Ohana RYSE-ING Community	27,250
Outreach and Shelter for Homeless Youth	21,951
Nursing Aid	20,188
Residential Support	13,589
4 for \$40 Workforce Development	532
	\$ 313,808
	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 49% and 54% of its grant revenue from United States Department of Housing and Urban Development for the years ended December 31, 2023 and 2022, respectively.

10. 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.

Supplementary Information

**Residential Youth Services & Empowerment
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

<u>Federal Grantor/Program Title/Pass Through Agency / Pass Through Number</u>	<u>Assistance Listing Number</u>	<u>Federal Expenditures</u>	<u>Passed to Subrecipients</u>
<u>U.S. Department of Housing and Urban Development (HUD):</u>			
Direct Programs:			
Youth Homeless Demonstration Program	14.276	\$ 2,046,481	\$ 225,698
Pass through from City and County of Honolulu:			
Emergency Solutions Grants Program	14.231	<u>509,660</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development (HUD)		<u>2,556,141</u>	<u>225,698</u>
<u>U.S. Department of Health and Human Service (HHS):</u>			
Direct Program:			
Administration for Children and Families Family and Youth Service Bureau (FYSB) Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557	<u>145,553</u>	<u>-</u>
Total U.S. Department of Health and Human Service (HHS)		<u>145,553</u>	<u>-</u>
<u>U.S. Department of Justice (DOJ):</u>			
Direct Programs:			
Office of Juvenile Justice & Delinquency Prevention	16.049	<u>154,405</u>	<u>-</u>
Pass through from State of Hawaii:			
Victims of Crime Act (VOCA)	16.575	<u>185,933</u>	<u>-</u>
Total U.S. Department of Justice (DOJ)		<u>340,338</u>	<u>-</u>
Total Expenditures of Federal Awards		<u><u>\$ 3,042,032</u></u>	<u><u>\$ 225,698</u></u>

See notes to schedule of expenditures of federal awards.

**Residential Youth Services & Empowerment
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

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, 2023. 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:

We Are Oceania	\$ 97,099
Hawaii Health & Harm Reduction Center	48,000
Hale Kipa	43,167
Partners in Development Foundation	32,747
Achieve Zero	<u>4,685</u>
	<u><u>\$ 225,698</u></u>



**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***

INDEPENDENT AUDITORS' REPORT

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated July 19, 2024.

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.

Report on 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.

A handwritten signature in cursive script that reads "Linell Accounting, LLC".

Honolulu, Hawaii
July 19, 2024



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

INDEPENDENT AUDITORS' REPORT

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 (a nonprofit corporation) (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, 2023. 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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.

Auditors' 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.

A handwritten signature in cursive script that reads "Linkel Accounting, LLP".

Honolulu, Hawaii
July 19, 2024

**Residential Youth Services & Empowerment
Schedule of Findings and Questioned Costs
December 31, 2023**

Section 1 – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified? ___ Yes X No

Significant deficiencies identified? ___ Yes X No

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified? ___ Yes X No

Significant deficiencies identified? ___ Yes X No

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ Yes X No

Identification of major federal programs:

U.S Department of Housing and Urban Development
Youth Homeless Demonstration Program 14.276

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

Auditee qualify as a low-risk auditee: ___ Yes X No

Section II – Financial Statements Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.