

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

**FINANCIAL STATEMENTS
Year Ended December 31, 2019**

AND

INDEPENDENT AUDITOR'S REPORT

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Residential Youth Services & Empowerment

Report on the Financial Statements

We have audited the accompanying financial statements of Residential Youth Services & Empowerment (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – cash basis as of December 31, 2019, and the related statements of revenues and expenses, functional expenses, and cash flows – cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Residential Youth Services & Empowerment as of December 31, 2019, and its support, revenue, and expenses for the year then ended in accordance with the cash basis of accounting as described in Note 1, Basis of Accounting.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

Honolulu, Hawaii
November 2, 2020

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
December 31, 2019

ASSETS		2019
Current Assets		
Cash and cash equivalents		\$ 224,353
Investments		<u>411,888</u>
Total current assets		636,241
Furniture and equipment, net		<u>95,763</u>
Total assets		<u><u>\$ 732,004</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		<u>\$ -</u>
Total liabilities		<u>-</u>
NET ASSETS		
Without donor restrictions		732,004
With donor restrictions		<u>-</u>
Total net assets		<u>732,004</u>
Total liabilities and net assets		<u><u>\$ 732,004</u></u>

See notes to financial statements.

**RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
STATEMENT OF REVENUE AND EXPENSES - CASH BASIS
Year Ended December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS			
Contributions	\$ 170,801	\$ -	\$ 170,801
Fundraising Revenue			
Gross receipts	410,457		
Less: direct expenses	<u>(65,440)</u>		
Grants	506,865	-	506,865
Interest and dividend income	106	-	106
Net realized and unrealized gain/(loss) on investments	(339)	-	(339)
Net assets released from restriction:	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and net assets released from restrictions	<u>1,022,450</u>	<u>-</u>	<u>1,022,450</u>
 EXPENSES			
Program services	<u>686,063</u>	<u>-</u>	<u>686,063</u>
Total program services	<u>686,063</u>	<u>-</u>	<u>686,063</u>
Supporting activities			
Management and general	33,479	-	33,479
Fundraising	<u>31,211</u>	<u>-</u>	<u>31,211</u>
Total supporting activities	<u>64,690</u>	<u>-</u>	<u>64,690</u>
Total expenses	<u>750,753</u>	<u>-</u>	<u>750,753</u>
Change in net assets	271,697	-	271,697
Net assets, beginning of the year	<u>460,307</u>	<u>-</u>	<u>460,307</u>
Net assets, end of the year	<u>\$ 732,004</u>	<u>\$ -</u>	<u>\$ 732,004</u>

See notes to financial statements.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
STATEMENT OF CASH FLOWS - CASH BASIS
December 31, 2019

	2019
Cash Flows From Operating Activities:	
Change in net assets	\$ 271,697
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	6,879
Noncash contribution of stock	(5,090)
Net unrealized (gain)/loss on long-term investments	339
Net cash provided by operating activities	273,825
Cash Flows From Investing Activities:	
Purchase of furniture & equipment	(7,491)
Purchase of investments	(400,000)
Proceeds from sale of investments	-
Net cash used by investing activities	(407,491)
Cash Flows From Financing Activities:	
Net cash provided by (used for) financing activities	-
Net increase in cash	(133,666)
Cash and Cash Equivalents:	
Beginning of year	358,019
End of year	\$ 224,353

See notes to financial statements.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
STATEMENT OF FUNCTIONAL EXPENSES - CASH BASIS
Year Ended December 31, 2019

	Program Services	Supporting Activities		Supporting Subtotal	Total Expenses
		Management and General	Fundraising		
Compensation and related expenses:					
Salaries & wages	\$ 454,159	\$ 18,551	\$ 18,551	\$ 37,102	\$ 491,261
Employee benefits	50,110	1,202	1,202	2,404	52,514
Payroll taxes	45,844	1,873	1,873	3,745	49,589
Total compensation and related expenses	550,112	21,626	21,626	43,252	593,364
Operating Expenses:					
Program Activities	56,988	-	-	-	56,988
Professional Services	37,994	2,852	2,852	5,704	43,698
Office expenses	7,119	3,408	3,408	6,816	13,935
Insurance	10,680	826	826	1,652	12,332
Auto	8,020	-	-	-	8,020
Depreciation	6,879	-	-	-	6,879
Supplies	4,948	-	-	-	4,948
Printing	-	1,204	1,205	2,409	2,409
Bank charges	-	2,102	-	2,102	2,102
Telephone & Internet	997	997	-	997	1,994
Rent expense	1,649	183	-	183	1,832
Taxes & Licenses	-	-	1,013	1,013	1,013
Dues & Subscription	280	281	281	562	842
Repairs & Maintenance	297	-	-	-	297
Miscellaneous Expense	100	-	-	-	100
Total operating expenses	135,951	11,853	9,585	21,438	157,389
Total expenses	\$ 686,063	\$ 33,479	\$ 31,211	\$ 64,690	\$ 750,753

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2019

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of activities

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

Summary of Significant Accounting Policies

Basis of accounting

The financial statements of the Organization have been prepared on the cash receipts and disbursements basis of accounting. Under that basis, the only asset recognized is cash. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because the effects or outstanding dues and obligations for assessments are not included in the financial statement.

Basis of presentation

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

The Organization's Net assets without donor restrictions consist of investments and other unrestricted amounts that are available for use in carrying out the general activities of the organization.

The Organization's Net assets with donor restrictions consist of the temporarily restricted amounts, *Purpose restricted* net assets, which become available once donor stipulations have been fulfilled or satisfied. The Organization reflects in the statement of activities as Members' equity released from restrictions generally represents expenditures expensed during the year that satisfied the restricted purpose.

Cash and cash equivalents

For purposes of the financial statements, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. However, cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2019

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

Investments

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

Revenue recognition

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

Concentration of risk

As indicated in the accompanying financial statements, the Organization receives approximately 49.6% of its revenue from grants. In addition, the Organization generated approximately 33.7% of its revenue from fundraisers. The organization does not rely on any source of fee income. A significant reduction in the level of this support or nonpayment from these funding sources, without an increase in other sources of support, could have an adverse effect on the Organization's programs and activities.

Property and equipment

Property and equipment are stated at cost. Depreciation is provided using the modified accelerated cost recovery system (MACRS) over the estimated useful lives of the related asset or asset class which range from five to seven years. Expenditures for repairs and maintenance are charged to expense as incurred, and major improvements and replacements are generally capitalized. Residential Youth Services & Empowerment has adopted the practice of capitalizing all expenditures for fixed assets in excess of \$2,500.

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 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 temporarily restricted net assets to unrestricted net assets at that time. No property and equipment were donated during fiscal year 2019.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2019

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses

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

Income tax status

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

2. Cash and Cash Equivalents

Residential Youth Services & Empowerment maintains its cash and cash equivalents in several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2019, Residential Youth Services did not have any uninsured balances.

3. Liquidity and Availability

Residential Youth Services & Empowerment's financial assets available within one year of December 31, 2019, for general expenditures are as follows:

Cash and cash equivalents	\$224,353
Net assets with donor restrictions	_____ -
Financial assets available to meet cash needs for general expenditures within one year	<u>\$224,353</u>

The Organization does not have any endowment funds nor do any of the financial assets have any donor or contractual restrictions.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2019

4. 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.

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

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

At December 31, 2019, the fair value measurements reportable by Residential Youth Services & Empowerment consisted of investments in *mutual funds* for which Level 1 valuation inputs were required. There were no investments for which Level 2 and Level 3 valuation inputs were required.

	2019			
	<u>Quoted</u>	<u>Significant</u>	<u>Significant</u>	
	<u>prices in</u>	<u>other</u>	<u>unobservable</u>	
	<u>active</u>	<u>observable</u>	<u>inputs</u>	<u>Total</u>
	<u>markets</u>	<u>inputs</u>	<u>(Level 3)</u>	<u>fair value</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>		
Money Market Funds	\$ 11,888	\$ -	\$ -	11,888
Mutual Funds	400,000	-	-	400,000
Total investments at fair value	\$ 411,888	\$ -	\$ -	\$ 411,888

**RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2019**

5. Property and Equipment

As of December 31, 2019, the Organization's property and equipment consisted of the following asset categories:

	<u>Estimated Useful Life</u>	
Equipment and Vehicles	5 - 7	\$ 39,335
Leasehold improvements	27.5	<u>64,065</u>
		103,400
Less accumulated depreciation		<u>(7,637)</u>
		<u><u>\$ 95,763</u></u>

Depreciation expense for the fiscal year ended December 31, 2019 was \$6,879.

6. Pension Plan

The Organization offers a SIMPLE IRA plan as part of the employee benefits package. During the year ended December 31, 2019, 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, 2019 amounted to \$1,480 and is included in employee benefits on the Statement of Functional Expenses.

7. Leasing Activities

On February 15, 2019, the Organization entered into a lease agreement for its use of a RICOH multifunction printer, on a 60 month lease. The lease calls for a \$138 monthly payment. Rent expense for the year ended December 31, 2019 amounted to \$1,832.

Future minimum lease payments required under this lease agreement are as follows:

		<u>Minimum Rents</u>
Year ending December 31, 2020	\$	1,736
2021		1,736
2022		1,736
2023		1,736
2024		<u>217</u>
	<u>\$</u>	<u><u>7,160</u></u>

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2019

8. Net Assets with Donor Restrictions

For the year ended December 31, 2019, there were no net assets with donor restrictions.

9. Subsequent Events

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. Management is currently evaluating the impact of the COVID-19 pandemic for the Organization and has concluded that while it is reasonably possible that the virus could have a negative effect on the Organization's financial position, results of its operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.