

**FRIENDS OF THE FUTURE
(A Non-Profit Corporation)**

**FINANCIAL STATEMENTS
With
OTHER INFORMATION
AND SINGLE AUDIT REPORT**

**Year Ended June 30, 2022
(With Summarized Comparative Totals for 2021)**

AND

INDEPENDENT AUDITOR'S REPORT

FRIENDS OF THE FUTURE
(A Non-Profit Corporation)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Friends of the Future
Kamuela, Hawaii

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Friends of the Future (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 Friends of the Future as of June 30, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends of the Future 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 Friends of the Future's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Friends of the Future'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 Friends of the Future'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 Friends of the Future's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 30, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part

200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2023, on our consideration of Friends of the Future'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 Friends of the Future'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 Friends of the Future's internal control over financial reporting and compliance.



Honolulu, Hawaii
February 28, 2023

FRIENDS OF THE FUTURE
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 752,251	\$ 861,823
Cash held for others	-	2,051
Accounts receivable	2,983	18,806
Grants receivable	53,802	87,694
Prepaid expenses	7,617	10,549
Total current assets	816,653	980,923
Noncurrent Assets		
Furniture and equipment, net	5,054	-
Security deposit	3,895	3,895
Total noncurrent assets	8,949	3,895
Total assets	\$ 825,602	\$ 984,818
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 40,446	\$ 259,286
Accrued payroll and taxes	13,709	26,896
Accrued vacation	50,514	58,100
Accrued expenses	14,660	21,559
Deferred revenues	9,788	172,319
SBA PPP loan	-	198,300
Amount due to others	-	2,051
Total current liabilities	129,117	738,511
Total liabilities	129,117	738,511
NET ASSETS		
Without donor restrictions	(49,225)	(349,894)
With donor restrictions	745,710	596,201
Total net assets	696,485	246,307
Total liabilities and net assets	\$ 825,602	\$ 984,818

See accompanying notes to audited financial statements.

FRIENDS OF THE FUTURE
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2022 with Summarized Comparative Totals for 2021

	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2022	2021
REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS				
Contributions	\$ 771,622	\$ 318,488	\$ 1,090,110	\$ 914,715
Government grants	3,814,225	-	3,814,225	2,022,310
Program service fees	343	-	343	-
Special Events	-	-	-	-
In-kind contributions	125	-	125	-
Miscellaneous income	35	1,694	1,729	2,754
Interest and dividend income	54	-	54	26
Gain on disposal of fixed asset	7,500	-	7,500	-
Net assets released from restriction:				
Satisfaction of program restriction	170,673	(170,673)	-	-
Total revenue and net assets released from restrictions	4,764,577	149,509	4,914,086	2,939,805
EXPENSES				
Program services				
Health and wellness programs	591,392	-	591,392	524,346
Cultural programs	62,401	-	62,401	5,950
Youth programs	3,554,309	-	3,554,309	1,735,096
Fiscal Sponsorship	-	-	-	415,102
Total program services	4,208,102	-	4,208,102	2,680,494
Supporting activities				
Administration	156,748	-	156,748	156,635
Fundraising	99,058	-	99,058	99,669
Total supporting activities	255,806	-	255,806	256,304
Total expenses	4,463,908	-	4,463,908	2,936,798
Change in net assets	300,669	149,509	450,178	3,007
Net assets, beginning of the year	(349,894)	596,201	246,307	243,300
Net assets, end of the year	\$ (49,225)	\$ 745,710	\$ 696,485	\$ 246,307

See accompanying notes to audited financial statements.

FRIENDS OF THE FUTURE
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022 with Summarized Comparative Totals for 2021

	Program Services			Supporting Activities		Total Supporting Services	Total Expenses		
	Health and Wellness	Cultural Programs	Youth Programs	Management and General			Fundraising	2022	2021
				Total Program Services					
Compensation and related expenses:									
Salaries & wages	\$ 254,407	\$ -	\$ 231,205	\$ 78,890	\$ 38,690	\$ 117,580	\$ 603,192	\$ 509,347	
Taxes, benefits & processing fees	134,271	-	65,549	28,102	42,582	70,684	270,504	283,230	
Total compensation and related expenses	388,678	-	296,754	106,992	81,272	188,264	873,696	792,577	
Operating Expenses:									
Supplies	30,913	384	1,700,284	5,268	209	5,477	1,737,058	581,956	
Professional fees	49,726	24,013	1,111,585	4,090	-	4,090	1,189,414	1,108,779	
Occupancy	85,612	-	91,972	25,501	14,202	39,703	217,287	136,196	
Licenses	-	-	181,141	-	-	-	181,141	13,051	
Miscellaneous	534	29	24,108	384	-	384	25,055	10,488	
Travel	6,001	3,435	64,554	-	-	-	73,990	145,757	
Dues and subscriptions	5,913	75	37,518	2,517	1,248	3,765	47,271	30,925	
Equipment lease and maintenance	7,988	30,000	2,199	44	44	88	40,275	7,725	
Conferences	1,104	-	29,575	422	25	447	31,126	14,302	
Telephone	7,187	-	8,499	1,121	764	1,885	17,571	22,215	
Insurance	13	4,465	1,785	9,374	-	9,374	15,637	16,359	
Stipend	4,425	-	3,300	-	-	-	7,725	53,543	
Postage & shipping	1,112	-	-	212	1,102	1,314	2,426	1,239	
Printing & publications	851	-	1,035	308	192	500	2,386	1,686	
Depreciation	1,335	-	-	(220)	-	(220)	1,115	-	
Interest	-	-	-	735	-	735	735	-	
Total operating expenses	202,714	62,401	3,257,555	49,756	17,786	67,542	3,590,212	2,144,221	
Total expenses	\$ 591,392	\$ 62,401	\$ 3,554,309	\$ 156,748	\$ 99,058	\$ 255,806	\$ 4,463,908	\$ 2,936,798	

See accompanying notes to audited financial statements.

FRIENDS OF THE FUTURE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 450,178	\$ 3,007
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation expense	1,115	-
Gain on sale of asset	(7,500)	-
Gain on forgiveness of debt	(175,156)	-
Changes in operating assets and liabilities:		
Cash held for others	2,051	4,453
Accounts receivable	15,823	(2,545)
Prepaid expenses	2,932	(3,599)
Grants receivable	33,892	88,533
Accounts payable	(218,840)	155,029
Accrued expenses	(6,899)	1,559
Accrued payroll and taxes	(13,187)	(543)
Accrued vacation	(7,586)	8,461
Deferred revenue	(162,531)	152,198
Amount due to others	(2,051)	(4,453)
Net cash provided by (used in) operating activities	<u>(87,759)</u>	<u>402,100</u>
Cash Flows From Investing Activities:		
Purchase of furniture & equipment	(6,385)	-
Proceeds from sale of furniture & equipment	7,716	-
Net cash provided by (used in) investing activities	<u>1,331</u>	<u>-</u>
Cash Flows From Financing Activities:		
Payments on SBA loan	(23,144)	-
Net cash provided by (used in) financing activities	<u>(23,144)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	(109,572)	402,100
Cash and cash equivalents at beginning of year	861,823	459,723
Cash and cash equivalents at end of year	<u>\$ 752,251</u>	<u>\$ 861,823</u>
Supplemental Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 735</u>	<u>\$ -</u>

See accompanying notes to audited financial statements.

FRIENDS OF THE FUTURE
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2022

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Friends of the Future is a nonprofit organization with a primary purpose to enrich the health-related quality of life for those who live, work and recreate on Hawai‘i Island. All projects and initiatives are community-based and strive to develop effective partnerships among Hawai‘i’s diverse cultures through processes where all people can openly contribute their deepest values, create shared visions and continuously improve their communities. Programs and initiatives serve all ages, socio-economic, education and cultural backgrounds. Among Friends of the Future’s programs are a community health and wellness resource center, K-12 cultural and STEM programs in 12 public schools, a program to preserve and perpetuate Hawaiian culture, community walking trails and greenways program, a family strengthening / child abuse and neglect prevention program and an early childhood education professional development project.

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of Friends of the Future 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 Friends of the Future’s audited financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Cash and Cash Equivalents

Friends of the Future 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. 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.

Promises to Give

Friends of the Future considers unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. Friends of the Future determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and review of subsequent collections. Promises to give are written off when deemed uncollectable.

FRIENDS OF THE FUTURE
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2022

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

Property and Equipment

Friends of the Future records property and equipment additions over \$500 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 7 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.

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.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to 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. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended June 30, 2022 and 2021, respectively.

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.

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Contributions receivable due beyond one year are stated at net present value of the estimated cash flows using a risk-adjusted rate. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be without donor restrictions unless specifically restricted by the donor for time or purpose.

FRIENDS OF THE FUTURE
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2022

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

Revenue and Revenue Recognition

Friends of the Future reports 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 the with donor restriction net asset class, even if it is anticipated such restrictions will be met in the current reporting period.

Government contracts are considered to be earned, and thus reported as revenue, when Friends of the Future has incurred expenses in compliance with the specific restrictions. Accounts receivable includes the excess of expenses incurred over support received. Governmental contracts received in excess of expenses incurred are classified as deferred revenue until expended.

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 Tax Status

Friends of the Future qualifies as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code and, therefore, has no provision for income taxes. 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 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.

FRIENDS OF THE FUTURE
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2022

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 us to make estimates and assumption that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts for revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Concentration of Risk

Friends of the Future receives approximately 67% of its federal grant income from two government departments. A significant reduction in the level of this support, without an increase in other sources of support and revenue, could have an adverse effect on the Friends of the Future's programs and activities.

Friends of the Future maintains its cash and cash equivalents in financial institutions in Hawaii. The Federal Deposit Insurance Corporation insures deposits up to \$250,000 per financial institution. At June 30, 2022, the uninsured cash balance at a financial institution totaled approximately \$751,000.

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:

Current Assets	
Cash and cash equivalents	\$ 752,251
Accounts receivable	2,983
Grants receivable	53,802
Prepaid expenses	7,617
Total financial assets	<u>816,653</u>
Net assets with donor restrictions	<u>(745,710)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 70,943</u>

3. Lease Commitments

Friends of the Future has a three year lease agreement with the James Walker Austin Trust for space in the Kamuela Business Center for one of its health and wellness programs, one of its youth programs and administrative offices. The lease term is from April 1, 2020 to March 31, 2023. Monthly base rent ranges from \$4,607 – \$4,923 for the three years of the lease plus current common area maintenance expenses. Future minimum lease payments required under this lease agreement for the year ending June 30, 2023 totals \$44,303.

FRIENDS OF THE FUTURE
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2022

3. Lease Commitments (Continued)

In addition, there is a month-to-month lease for premises occupied by its family strengthening/child abuse and neglect prevention program in Kailua Kona. Monthly base rent is fixed at, \$1,320 plus \$715 for common area maintenance expenses. In addition, Friends of the Future leases other equipment on a month-to-month basis for \$560 per month.

Occupancy for the fiscal year ended June 30, 2022 totaled \$217,287.

4. Short-Term Borrowings

Friends of the Future has a \$50,000 revolving credit line with a bank that is available through May 2023. The credit line is available for short-term working capital purposes and is collateralized with Friends of the Future's assets. Interest was originally set at 5.875% and adjusts annually at the Bank's Prime Rate plus customer margin of 1.5% per year. There is no outstanding balance at June 30, 2022.

5. Income Tax Positions

As required by the uncertain tax position guidance in ASC 740, the Organization would recognize 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, including the Organization's status as a tax-exempt organization and its lack of unrelated business income. As a result of the implementation of the uncertain tax position guidance in ASC 740, the Organization has not recognized an additional liability for unrecognized tax benefits nor any interest or penalties as of June 30, 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 and the State of Hawaii. 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, state and local, or non-U.S. income tax examinations by tax authorities for years before 2017.

FRIENDS OF THE FUTURE
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2022

6. Net Assets With Donor Restrictions

Net assets are released from donor restrictions primarily by incurring expenses that satisfy the restricted purpose. As of June 30, 2022, the donor-restricted net assets are available and released for the following purposes:

Subject to expenditure for specified purpose:

	<u>Released</u>	<u>Available</u>
Na Haumana		
Individual/Business Contributions	\$ (2,413)	\$ 36,987
Aloha MAP		
Hawaii Community Foundation Armstrong Fund	(4,000)	-
Home Depot	(744)	-
Individual/Business Contributions	-	3,634
Paniolo House - Restoration		
Earl & Doris Bakken Foundation	-	1,492
Friends of David Tarnas	-	55
LeBurta Atherton Foundation	-	5,000
Individual/Business Contributions	-	685
Solar Matters		
Individual/Business Contributions	(6,092)	559
Na Hua Hoohuli i ka Pono		
Hauoli Mau Loa Foundation	-	23,353
Earl's Garage		
Earl E Bakken Remainder Trust	(4,074)	-
Hui Kuapa		
Earl & Doris Bakken	-	5,000
Earl & Doris Bakken Foundation	-	4,886
Schwab Charitable Foundation	(1,435)	18,335
Individual/Business Contributions	-	37,564

FRIENDS OF THE FUTURE
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2022

6. Net Assets With Donor Restrictions – (Continued)

	<u>Released</u>	<u>Available</u>
Hokupaa		
Hawaii Community Foundation	(17,264)	44,591
Kamehameha Schools Hokupaa	(6,966)	74,715
Kamehameha Schools Internship	(293)	37,038
Learning Coalition	-	2,716
Aid to Teachers		
Thomas & Deborah Davidson	(2,500)	43,878
TRD Associates	-	35,590
Waimea Trails & Greenways		
Individual/Business Contributions	(1,641)	38,283
Envision Maunakea		
Research Corp/University of Hawaii	(51,291)	-
HEEA		
Hauoli Mau Loa Foundation	(11,079)	-
Symposium & Summit	(2,119)	2,811
Hawaii Island Women's Leadership Forum		
Hawaii County	-	1,300
Symposium	-	3,840
Individual/Business Contributions	-	216
Friends of Anuenue		
Individual/Business Contributions	(11,127)	16,640
Learning 2 Thrive		
O'Neill Family Foundation	(8,362)	107,560
Grab n Go		
Individual/Business Contributions	(5,482)	2,273

FRIENDS OF THE FUTURE
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2022

6. Net Assets With Donor Restrictions – (Continued)

	Released	Available
ECE Career Pathways		
Harry & Jeannette Weinberg Foundation	(12,350)	187,650
Samuel N. & Mary Castle Foundation	(21,441)	9,059
Total	\$ (170,673)	\$ 745,710

7. Contingencies

Grants and Contracts

Substantial amounts are received and expended by Friends of the Future under federal and state grants and contracts. Certain grant and contract costs, and amounts received or receivable under these grants are subject to audit and adjustment by the granting agency. Any disallowed claims, including amounts already received, may constitute a liability of Friends of the Future’s. Friends of the Future believes that any liabilities arising from subsequent audits will not have a material effect on Friends of the Future’s financial position or results of operations.

8. SBA Paycheck Protection Program Loan

On April 23, 2020, the Organization received loan proceeds in the amount of \$198,300 from the Small Business Administration (SBA) under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The unforgiven portion of the PPP loan is payable over five years at an interest of 1%, with a deferral of payments for the first six months.

The U.S. Small Business Administration has agreed to forgive the PPP loan amount of \$175,156 on July 28, 2021 and the Organization paid off remaining balance of \$23,144 on August 13, 2021. As of June 30, 2022, a total of \$175,156 was recognized in gain on forgiveness of debt in revenues.

9. Subsequent Events

In preparing these financial statements, Friends of the Future has evaluated events and transactions for potential recognition or disclosure through February 28, 2023, the date the financial statements were available to be issued.

OTHER INFORMATION

FRIENDS OF THE FUTURE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor/Program Title/Pass Through Agency / Pass Through Number	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Health and Human Services:</u>		
477 Cluster:		
Social Services Block Grant	93.667/93.558	\$ 139,197
Temporary Assistance to Needy Families (TANF)		
Pass through from:		
State of Hawaii Department of Human Services		
DHS-17-POS-4113	93.558	<u>167,990</u>
Subtotal U.S. Department of Health and Human Services - 477 Cluster		<u>307,187</u>
<u>U.S. Department of Education:</u>		
Native Hawaiian Education		
Direct Programs:		
Native Hawaiian Education (Aloha Ohia)	84.362A	905,024
Native Hawaiian Education (Aloha Koa)	84.362A	557,172
Native Hawaiian Education (Aloha Aloha)	84.362A	531,848
Native Hawaiian Education (Aloha OLA)	84.362A	<u>394,676</u>
		<u>2,388,720</u>
Subtotal U.S. Department of Education		<u>2,388,720</u>
<u>U.S. Department of Agriculture:</u>		
Child Nutrition Cluster:		
Food and Nutrition Service Program		
Pass through from:		
State of Hawaii Department of Human Services		
Summer Food Service Program (SFSP)	10.559	<u>1,119,961</u>
		<u>1,119,961</u>
Subtotal U.S. Department of Agriculture - Child Nutrition Cluster		<u>1,119,961</u>
Total Expenditures of Federal Awards		<u><u>\$ 3,815,868</u></u>

See notes to schedule of expenditures of federal awards.

FRIENDS OF THE FUTURE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Friends of the Future under programs of the federal government for the year ended June 30, 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 the preparation of, the basic financial statements.

B. Summary of Significant Accounting Policies

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

C. Indirect Cost Rate

Friends of the Future did not elect the 10% de minimis indirect cost rate of the Uniform Guidance.

D. Subrecipients

Friends of the Future had no subrecipients.

SINGLE AUDIT REPORTS

**FRIENDS OF THE FUTURE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2022**

PRIOR YEAR FINANCIAL STATEMENTS FINDINGS

None noted.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.



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

To the Board of Directors
Friends of the Future
Kamuela, 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 Friends of the Future (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 February 28, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Friends of the Future'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 Friends of the Future's internal control. Accordingly, we do not express an opinion on the effectiveness of Friends of the Future'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 Friends of the Future's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Honolulu, Hawaii
February 28, 2023



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

To the Board of Directors
Friends of the Future
Kamuela, Hawaii

Report on Compliance for Each Major Federal Program

We have audited Friends of the Future's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Friends of the Future's major federal programs for the year ended June 30, 2022. Friends of the Future's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Friends of the Future'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 Friends of the Future'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 Friends of the Future's compliance.

Opinion on Each Major Federal Program

In our opinion, Friends of the Future complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Honolulu, Hawaii
February 28, 2023

FRIENDS OF THE FUTURE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

1. The auditor's report expresses an unmodified opinion on the financial statements of Friends of the Future

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 auditor's report issued on compliance for major programs: Unmodified

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

7. The programs tested as major program included:

US Department of Education –
Native Hawaiian Education 84.362A

US Department of Agriculture –
Summer Food Service Program 10.559

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

9. Friends of the Future qualify as a low-risk auditee: No

SECTION II – FINANCIAL STATEMENTS FINDINGS

None noted.

**FRIENDS OF THE FUTURE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.