HAWAII RISE FOUNDATION
(A Hawaii Nonprofit Corporation)

AUDITED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

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Carbonaro CPAs & Management Group

Certified Public Accountants
Member: AICPA
HSCPA

INDEPENDENT AUDITOR'S REPORT

To Management and the Board of Directors of
Hawaii Rise Foundation
Hilo, Hawaii 96720

Report on the Financial Statements

We have audited the accompanying financial statements of Hawaii Rise Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and change in net assets, functional expenses, and cash flows 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 accounting principles generally accepted in the United States of America; this includes 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hawaii Rise Foundation as of December 31, 2020, 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.

Other Information

Schedule of Expenditures of Federal Awards

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 on page 12, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 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 information 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 June 25, 2021, on our consideration of Hawaii Rise Foundation'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 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 effectiveness of the Hawaii Rise Foundation'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 Hawaii Rise Foundation's internal control over financial reporting and compliance.

Carbonaro CPAs & Management Group

Hilo, Hawaii
June 25, 2021

HAWAII RISE FOUNDATION
Statement of Financial Position
December 31, 2020

ASSETS

CURRENT ASSETS		
Cash and Cash Equivalents (Note 2)	$	218,706
Accounts Receivable - Grants and Contracts (Note 2)		18,859
Total Current Assets		237,565
OTHER ASSETS		
Security Deposits		1,000
PROPERTY AND EQUIPMENT (Note 2)		
Furniture and Equipment		14,200
Accumulated Depreciation		(9,112)
Net Property and Equipment		5,088
TOTAL ASSETS	$	243,653

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts Payable	$	65,879
Accrued Payroll Expenses		8,712
Refundable Advances (Note 2)		19,255
Total Liabilities		93,846
NET ASSETS (Note 2)		
Net Assets without Donor Restrictions		122,452
Net Assets with Donor Restrictions		27,355
Total Net Assets		149,807
TOTAL LIABILITIES AND NET ASSETS	$	243,653

The accompanying notes are an integral part of these financial statements.

HAWAII RISE FOUNDATION
Statement of Activities and Change in Net Assets
December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Grants from Foundations and Others	$ 265,078	$ 26,694	$ 291,772
Contributions	103,246	-	103,246
Grants From County of Hawaii	46,200	661	46,861
Federal Grants	2,190,947	-	2,190,947
In-Kind Revenue (Note 6)	48,398	-	48,398
Other Income	7,170	-	7,170
Interest Income	22	-	22
Net Assets Released from Restrictions	16,013	(16,013)	-
TOTAL REVENUE	2,677,074	11,342	2,688,416
EXPENSES			
Program Services	2,571,006	-	2,571,006
Management and General	45,167	-	45,167
Fundraising	-	-	-
TOTAL EXPENSES	2,616,173	-	2,616,173
CHANGE IN NET ASSETS	**$ 60,901**	**$ 11,342**	**$ 72,243**
Net Assets, Beginning of Year	61,551	16,013	77,564
Net Assets, End of Year	$ 122,452	$ 27,355	$ 149,807

The accompanying notes are an integral part of these financial statements.

HAWAII RISE FOUNDATION
Statement of Functional Expenses
December 31, 2020

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Program Supplies	$ 1,158,179	$ 11,698	$ -	$ 1,169,877
Professional and Instructional Fees	804,887	-	-	804,887
Wages	152,318	16,924	-	169,242
Equipment	168,579	-	-	168,579
Rental Assistance	60,097	-	-	60,097
In-Kind Expense (Note 6)	48,398	-	-	48,398
Occupancy	37,791	4,199	-	41,990
Project Expenditures	31,397	-	-	31,397
Payroll Taxes and Benefits	26,528	2,947	-	29,475
Housing and Urban Development Administration	23,068	-	-	23,068
Supplies	16,132	1,792	-	17,924
Repairs and Maintenance	10,200	-	-	10,200
Travel	7,259	-	-	7,259
Staff Development	7,182	-	-	7,182
Administration	5,878	653	-	6,531
Utilities	3,214	3,214	-	6,428
Community Donations	6,159	-	-	6,159
Insurance	2,065	2,065	-	4,130
Depreciation	1,420	1,420	-	2,840
Miscellaneous	255	255	-	510
TOTAL EXPENSES	$2,571,006	$ 45,167	$ -	$ 2,616,173

HAWAII RISE FOUNDATION
Statement of Cash Flows
December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Government Agencies	$	2,264,020
Cash Received from Nongovernmental Contracts, Grantors, Donors and Other Receipts		402,188
Interest Income		22
Cash Paid to Employees and Vendors		(2,489,676)
Net Cash Provided by Operating Activities (Note 3)		176,554
CASH FLOWS FROM INVESTING ACTIVITIES		-
CASH FLOWS FROM FINANCING ACTIVITIES		-
Net Increase in Cash for the Year		**176,554**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		42,152
CASH AND CASH EQUIVALENTS, END OF YEAR	$	218,706

The accompanying notes are an integral part of these financial statements.

HAWAII RISE FOUNDATION
Notes to the Financial Statements
December 31, 2020

Note 1. ORGANIZATION

Hawaii Rise Foundation (the Organization) was incorporated in March 2017, as a non-profit corporation under the laws of the State of Hawaii. The Organization's mission is to provide services and programs which create opportunities for vulnerable, or moderate and low income children and families, to become financially independent and contributing members of society. In fulfilling this mission, Hawaii Rise Foundation operates programs for children and the elderly providing educational and cultural services. Funding for the programs is primarily through government and foundation grants, and public contributions. Hawaii Rise Foundation operates programs on the east side of the Big Island of Hawaii.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting: The Organization uses the accrual method of accounting for financial statement reporting according to generally accepted accounting principles in the United States of America. Under this method of accounting, revenue is recognized when earned rather than when received, and expenses are recognized when incurred rather than when paid.

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

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. The Organization maintains its cash accounts at one financial institution. The cash balance as of December 31, 2020 was fully insured by Federal Deposit Insurance Corporation (FDIC).

Accounts Receivable – Grants and Contracts: Accounts receivable represent revenue earned and not yet received from grants and contracts. Accounts receivable are written off when management determines they will not be collected. Management analyzes the allowance for doubtful accounts based on the current make-up of the accounts receivable balance and past history. Based on this analysis, management has determined an allowance for doubtful accounts is not necessary as of December 31, 2020.

Property and Equipment: Property and equipment are stated at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets of 5 years. The Organization capitalizes expenses over $1,000 and a useful life of more than one year.

Refundable Advances: Conditional contribution revenue is recognized when earned which is as conditions are fulfilled. However funds received that are not earned as of year-end are recorded as a lability under refundable advances. The refundable advances balance at December 31, 2020 was $19,255.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses: The financial statements include a statement of Functional Expenses. Functional expenses are allocated to program related and administrative functions. Expense allocations are generally computed based on the number of employees or contractors performing program or administrative functions.

Revenue Recognition: Contributions received are recorded either “With Donor Restrictions” or “Without Donor Restrictions.” Grants and other contributions of cash are reported as having donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

Net Assets: Net assets, revenues, gains and losses are classified based on the existence of 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 without donor restrictions include all resources that are not subject to donor-imposed stipulations or contributions with donor-imposed restrictions that are met during the same year as the contribution is made. Net assets without donor restrictions denoted as property and equipment represent equity in such property and equipment. They are available for support of all organizational operations and services.

Net Assets With Donor Restrictions: Net assets with donor restrictions include amounts that the donor subjects to restrictions in perpetuity and amounts subject to legal or donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time. Contributions with restriction are reported as increases in net assets with donor restriction. When the restriction is met, the amount is reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a donation with restrictions is received and the purpose is met during the year, it is reported as net assets without restrictions.

Net Assets with Donor Restrictions represent restricted grants and funds received from foundations and donors for which the restrictions have not yet been fulfilled and consist of the following at December 31, 2020:

Conscious Community Program	$	24,614
COVID-19 Related Donations		2,687
Other		54
Total	$	27,355

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 - *Revenue from Contracts with Customers (Topic 606)*, as amended, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

The Organization has adopted FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to contributions received in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

The Organization analyzed ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash.* Management believes the new accounting standard has no effect on its financial statements.

Note 3. RECONCILIATION OF CHANGE IN NET ASSETS WITH NET CASH PROVIDED BY OPERATING ACTIVITIES

Change in Net Assets	$	72,243
Add in Depreciation		2,840
Change in Accounts Receivable - Grants and Contracts		8,857
Change in Prepaid Expenses		768
Change in Security Deposits		(100)
Change in Accounts Payable		65,879
Change in Accrued Payroll Expenses		8,712
Change in Refundable Advances		17,355
Net Cash Provided by Operating Activities	$	176,554

Note 4. CONCENTRATIONS

During the year ended December 31, 2020, the Organization received approximately 74% of its revenue from the Coronavirus Relief Fund, administered through the County of Hawaii. These were short-term community projects to deliver assistance in response to the COVID-19 public health emergency by building up individual and community resilience and wellness.

Note 5. INCOME TAXES

Hawaii Rise Foundation is exempt from Federal income taxes pursuant to Internal Revenue Code Section 501(c)(3), and exempt from State income taxes under Section 237-23(b) of the Hawaii Revised Statutes. Therefore no provision for Federal or State income taxes is required for the financial statements.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2020. The Organization files its *Forms 990* in the U.S. federal jurisdiction and the office of the state's Attorney General for the State of Hawaii. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2017.

Note 6. DONATED SERVICES

Under *FASB ASC 958*, in-kind contributions of donated services that create or enhance non-financial assets or that require specialized skills provided by individuals possessing those skills, and which would typically need to be purchased if not provided by donation, are recognized and recorded at their fair values in the period received. During the year ended December 31, 2020, the Organization recognized $48,398 in donated services from Catchafire skills-based volunteer matching program.

Note 7. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 25, 2021, the date the financial statements were available to be issued.

Subsequent to year end, the COVID-19 pandemic was still ongoing. The United States economy was negatively affected and the financial markets have experienced significant fluctuations due to the outbreak. At the time these financial statements were available to be issued, the situation remained very volatile and the full effect of the pandemic on the operations of the Organization could not be determined.

Note 8. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Management's policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Financial Assets at December 31, 2020	$ 218,706
Less those unavailable for general expenditures within one year due to:	
Restricted by donor with purpose restrictions	(27,355)
Financial assets available to meet cash needs for general expenditures within one year	$ 191,351

Note 9. RELATED PARTY

During the year, Hawaii Rise Foundation acted as fiscal sponsor for Vibrant Hawaii for several programs and the major program was through the Coronavirus Aid, Relief, and Economic Security Act (CARE Act) fund.

A consultant was paid $75,944 to manage programs including the $1.9M of CARES Act funds awarded by the County of Hawaii to Hawaii Rise Foundation. The consultant is the Executive Director of Vibrant Hawaii. Hawaii Rise Foundation received $169,238 in administrative fees to assist Vibrant Hawaii in seeking non profit status with the IRS. These are considered arm's length transactions.

Note 10. RECENT ACCOUNTING PRONOUNCEMENTS

February 2016, the FASB issued ASU 2016-02, *Leases*, which supersedes FASB Accounting Standards Codification (ASC) Topic 840, *Leases*, and makes other conforming amendments to U.S. GAAP. ASU 2016-02, requires, among other changes to the lease accounting guidance, lessees to recognize most leases on the balance sheet via a right-of-use asset and lease liability as well as additional qualitative and quantitative disclosures. ASU 2016-02 is effective for the Organization's fiscal years beginning after December 15, 2020 (as amended in November 2019 by ASU 2019-10), but permits early adoption, and mandates a modified retrospective transition method. The provisions are effective for the Organization's fiscal year ending December 31, 2021. Management is currently evaluating the impact that the adoption of these provisions will have on the financial statements, but expects ASU 2016-02 to add significant right-of-use assets and lease liabilities to the statement of financial position.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 985): *Presentation and disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, effective for annual periods beginning after June 15, 2021 with early application permitted. The provisions are effective for the Organization's fiscal year ending December 31, 2022. Management is currently evaluating the impact that the adoption of these provisions will have on the financial statements.

HAWAII RISE FOUNDATION
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2020

Federal Grantor / Pass-through Grantor/ Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
United States Department of the Treasury			
Passed through the County of Hawaii, Department of Research and Development:			
Coronavirus Relief Fund Grants for Community Assistance and Hawaiʻi Island Recovery Initiatives (Resilience Hubs)	21.019	c.008786	$ 1,689,394
Coronavirus Relief Fund Grants for Community Assistance and Hawaiʻi Island Recovery Initiatives (Workforce & Community Resilience)	21.019	c.008787	300,000 1,989,394
Subtotal Department of Research and Development passed through programs			
Passed through the County of Hawaii, Office of the Mayor:			
Coronavirus Relief Fund (Holomua Grant)	21.019		1,486
Subtotal Office of the Mayor passed through programs			1,486
Total United States Department of the Treasury passed-through programs			1,990,880
United States Department of Housing and Urban Development			
Continuum of Care program	14.267	HI0098D9C001800	89,147
Total United States Department of Housing and Urban Development direct programs			89,147
Corporation for National and Community Service			
Passed through the University of Hawaii at Manoa:			
AmeriCorps Hawaii	94.006	HI0098D9C001800	110,920
Total Corporation for National and Community Service passed-through programs			110,920
Total expenditures of federal awards			**$ 2,190,947**

The accompanying notes are integral to the schedule of expenditures of federal awards.

Note A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Hawaii Rise Foundation programs of the federal government for the year ended December 31, 2020.

The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Hawaii Rise Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Hawaii Rise Foundation.

Note B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Indirect Cost Rate: The Organization has not elected to use the 10% de minimis cost rate.

INDEPENDENT AUDITOR'S 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 Management and Board of Directors of
Hawaii Rise Foundation
Hilo, Hawaii 96720

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 Hawaii Rise Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hawaii Rise Foundation's internal control over financial reporting (internal control) as a basis for designing audit 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 Hawaii Rise Foundation'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 the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as **Findings 2020-001** and **2020-002** that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hawaii Rise Foundation'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*.

Hawaii Rise Foundation's Response to Findings

Hawaii Rise Foundation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hawaii Rise Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carbonaro CPAs & Management Group

Hilo, Hawaii
June 25, 2021

Carbonaro CPAs & Management Group

Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*

To the Management and Board of Directors of
Hawaii Rise Foundation
11 Silva Street
Hilo, Hawaii 96720

Report on Compliance for Each Major Federal Program

We have audited Hawaii Rise Foundation'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 Hawaii Rise Foundation's major federal programs for the year ended December 31, 2020. Hawaii Rise Foundation'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 Hawaii Rise Foundation'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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the 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 Hawaii Rise Foundation'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 Hawaii Rise Foundation's compliance.

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Opinion on Each Major Federal Program

In our opinion, Hawaii Rise Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of Hawaii Rise Foundation 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 Hawaii Rise Foundation'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 the 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 Hawaii Rise Foundation'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as **Findings 2020-001** and **2020-002** to be material weaknesses.

Hawaii Rise Foundation's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hawaii Rise Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Carbonaro CPAs & Management Group

Hilo, Hawaii
June 25, 2021

A. SUMMARY OF AUDIT RESULTS

Financial statements

Type of Auditor's report issued:	**Unmodified**
Internal control over financial reporting:	
• Significant Deficiencies	**No**
• Material Weaknesses	**Yes**
Noncompliance which is material to the financial statements noted:	**No**

Federal Awards

Internal control over Major Programs:	
• Significant Deficiencies	**No**
• Material Weaknesses	**Yes**
Type of auditor's report issued in regards to major program compliance:	**Unmodified**

The programs tested as the major programs were:

	Federal CFDA Number	Grant Number	Federal Expenditures
United States Department of the Treasury			
Coronavirus Relief Fund Grants for Community Assistance and Hawai'i Island Recovery Initiatives (Resilience Hubs)	21.019	c.008786	$ 1,689,394
Coronavirus Relief Fund Grants for Community Assistance and Hawai'i Island Recovery Initiatives (Workforce & Community Resilience)	21.019	c.008787	300,000
Coronavirus Relief Fund (Holomua Grant)	21.019		1,486

The threshold for distinguishing between Type A and Type B programs was	**$750,000**
Auditee qualified as a low-risk auditee	**No**

B. FINANCIAL STATEMENT FINDINGS
Findings 2020-001 and 2020-002

C. FINDINGS AND QUESTIONS COSTS - MAJOR FEDERAL AWARD PROGRAM
Findings 2020-001 and 2020-002

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Not applicable

Finding 2020-001 - Coronavirus Relief Funds, CFDA 21.019, Internal Controls: Lack of Accounting Oversight

*Criteria: G*overnment Auditing Standards require adequate internal controls over accounting functions to maintain proper accounting. These internal controls should reduce to a relatively low level the risk that inaccurate contract financial reporting for federal grants, that are material in relation to a federal program being audited, may occur and not be detected in a timely manner by employees in the normal course of performing their assigned functions. Thus, good accounting oversight should reduce to a relatively low level the risk of material financial misstatement.

Condition:

- It was noted that the Organization's Board of Director's meetings do not include review of financial activity and the Board is not provided financial reporting regularly. As the Organization is small, this leaves the Executive Director as the sole authorizer with little oversight.
- It was noted that annotated approval of the following was missing:
    - The Executive Director was paid additional amounts as an independent contractor without a Form 1099-MISC being issued to her.
    - The Executive Director's compensation rate fluctuates depending on available funding.
    - A number of reimbursements and ACH payments above the Organizations' policy of $2,500 threshold were without second check signer.
    - Payments made to the executive directors of Hawaii Rise Foundation and Vibrant Hawaii.
- There was a number of sizable reimbursements to the Executive Director of Hawaii Rise Foundation and the Executive Director of Vibrant Hawaii for program expenses they paid by using their personal credit cards instead of using an entity business card.
- Because no General Ledger coding on invoices was done per the Organization's policy, it was more difficult to support proper grant accounting. It was also noted that the general ledger descriptions did not always appear consistent with the invoices being paid.
- It was noted that the Organization did not follow the payroll procedures from its accounting manual: there were no approved timesheets, no consistent approved pay rate forms and no annotated review of payroll report.

Cause of Condition: Lack of or ineffective oversight by qualified individual(s) charged with governance, management override of controls and deficiencies in the design and/or operation of internal controls. Established procedures are not routinely monitored and not always followed.

Potential Effect: Deficiencies in internal controls will provide opportunities for mistakes or fraud to occur and material misstatement of the financial statements.

Questioned Costs: None

Context: Prior to the Coronavirus pandemic, the Executive Director oversaw a few programs. The Organization revenue and expenses grew $2 million during the fiscal year.

Recommendation: It is important to have good accounting oversight to ensure accuracy of financial statements and that policies and procedures are followed. This would include monthly and year-end review of account balances by a qualified accountant as part of the closing process.

See Management's Response and Corrective Action Plans on page 21.

Finding 2020-002 - Coronavirus Relief Funds, CFDA 21.019, Internal Controls: Incomplete and Incorrect SEFA

Criteria: Part 200. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards Subpart F. Audit Requirements subgroup 47. Auditees Section 200.510, Financial statements: The auditee must prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended.

Condition:

- It was noted the schedule of expenditures of federal awards did not include Americorps and Holomua Grant funds.

- It was noted the CFDA number provided for the Coronavirus Relief Fund differed from the federal guidance.

- It was noted the Housing and Urban Development expenditures listed on the schedule of expenditures of federal awards differed from the General Ledger.

Cause of Condition: Lack of management experience with reporting under Uniform Guidance.

Potential Effect: As a result of the condition above, it is feasible that Management was not aware of some of the compliance requirements pertaining to federal funds.

Questioned Costs: None

Context: Due to the Coronavirus pandemic, the Organization was provided an opportunity to partner with another non-profit to provide community assistance at a much higher activity level than previously experienced. The funds were Federal which initiated the Organization's first Single Audit.

Recommendation: We recommend Management establish procedures and controls to properly identify the funding source of all grant awards and the applicable CFDA numbers. Management should track the federal funds it receives and review the applicable compliance requirements to ensure proper grant spending, monitoring and reporting.

See Management's Response and Corrective Action Plans on page 21.

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HAWAII RISE FOUNDATION
Management Response and Corrective Action Plan
December 31, 2020

Finding 2020-001 - Internal Controls: Lack of Accounting Oversight:

Hawai'i Rise Foundation is currently working on improving accounting oversight to ensure that all policies and procedures are followed. The Board of Directors (Kim Kimi, Daniel Paleka Jr., Michael Sohriakoff Jr., Allison Aganus, Tyler Kraker) will review and approve financial reports at their quarterly meetings and will approve all checks over $2,500 prior to the Executive Director (Breeani Sumera-Lee) signing. Monthly reconciliations and grant reports will be submitted by the Accountant (Kaleonani Kalauoka'ae'a-Kahele) to the Executive Director (Breeani Sumera-Lee) for approval and provided to the Board of Directors (Kim Kimi, Daniel Paleka Jr., Michael Sohriakoff Jr., Allison Aganus, Tyler Kraker) for review. Employees have been assigned business credit cards. All invoices will be stamped with the General Ledger code and funding source and approved by the Executive Director (Breeani Sumera-Lee). All employee timesheets and pay rates will be approved by the Executive Director (Breeani Sumera-Lee), and the Board of Directors (Kim Kimi, Daniel Paleka Jr., Michael Sohriakoff Jr., Allison Aganus, Tyler Kraker) will approve the Executive Director's (Breeani Sumera-Lee) timesheets and pay rate. The payroll reports are reviewed each pay period by the Accountant (Kaleonani Kalauoka'ae'a-Kahele) and approved by the Executive Director (Breeani Sumera-Lee). Any payments to the Executive Director (Breeani Sumera-Lee) that are not under payroll will be included on Form 1099. There will only be one active federal grant, HUD, going forward, so the staff, Accountant (Kaleonani Kalauoka'ae'a-Kahele) and Executive Director (Breeani Sumera-Lee) will have a greater capacity to improve accounting oversight.

Finding 2020-002 - Internal Controls: Incomplete and incorrect SEFA

All grant awards will be reviewed by the Accountant (Kaleonani Kalauoka'ae'a-Kahele) and the Executive Director (Breeani Sumera-Lee) to determine the type of funding source, grant compliance requirements, and correct CFDA numbers if applicable for federal funding. The Accountant (Kaleonani Kalauoka'ae'a-Kahele) will enter invoices with correct General Ledger coding as approved by the Executive Director (Breeani Sumera-Lee) and submit monthly grant reports for the Executive Director (Breeani Sumera-Lee) to approve and provide to the Board of Directors (Kim Kimi, Daniel Paleka Jr., Michael Sohriakoff Jr., Allison Aganus, Tyler Kraker) for review.