

**RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
(A Non-Profit Corporation)**

**FINANCIAL STATEMENTS
Year Ended December 31, 2020**

AND

INDEPENDENT AUDITOR'S REPORT

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

TABLE OF CONTENTS

	Page No.
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7 - 13



615 Piikoi Street, Suite 1507
Honolulu, HI 96814
Tel: (808) 942-8813
Fax: (808) 943-0572
Website: www.jenningscpa.com

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 financial position as of December 31, 2020, and the related statements of revenues and expenses, 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. 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 financial position of RESIDENTIAL YOUTH SERVICES & EMPOWERMENT 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2020 the Organization adopted a policy of preparing its financial statements on the accrual method of accounting.

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

Honolulu, Hawaii
November 11, 2021

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
STATEMENT OF FINANCIAL POSITION
December 31 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash, cash equivalents, and restricted cash	\$ 524,519	\$ 199,915	\$ 724,434
Investments	244,694	-	244,694
Contribution, grant and other receivable	352,526	-	352,526
Pledge receivable, net	<u>-</u>	<u>165,000</u>	<u>165,000</u>
Total current assets	<u>1,121,739</u>	<u>364,915</u>	<u>1,486,654</u>
Noncurrent Assets			
Property and equipment	222,419	-	222,419
Other assets	<u>13,550</u>	<u>-</u>	<u>13,550</u>
Total noncurrent assets	<u>235,969</u>	<u>-</u>	<u>235,969</u>
Total assets	<u>\$ 1,357,708</u>	<u>\$ 364,915</u>	<u>\$ 1,722,623</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 77,536	\$ -	\$ 77,536
Accrued payroll & payroll taxes	<u>114,566</u>	<u>-</u>	<u>114,566</u>
Total current liabilities	<u>192,102</u>	<u>-</u>	<u>192,102</u>
Total liabilities	<u>192,102</u>	<u>-</u>	<u>192,102</u>
NET ASSETS			
Without donor restrictions	1,165,606	-	1,165,606
With donor restrictions	<u>-</u>	<u>364,915</u>	<u>364,915</u>
Total net assets	<u>1,165,606</u>	<u>364,915</u>	<u>1,530,521</u>
Total liabilities and net assets	<u>\$ 1,357,708</u>	<u>\$ 364,915</u>	<u>\$ 1,722,623</u>

See notes to financial statements.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT**STATEMENT OF ACTIVITIES****For the Year Ended December 31 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS			
Contributions	\$ 434,764	\$ -	\$ 434,764
Grants	16,980	1,939,046	1,956,026
PPP Loan Forgiveness	150,000	-	150,000
Other Income	4,026	-	4,026
Investment income	2,754	-	2,754
Net realized and unrealized gain/(loss) on investments	246	-	246
Net assets released from restriction:			
Satisfaction of program restriction	<u>1,628,462</u>	<u>(1,628,462)</u>	<u>-</u>
 Total revenue and net assets released from restrictions	 <u>2,237,232</u>	 <u>310,584</u>	 <u>2,547,816</u>
EXPENSES			
Program services	<u>1,810,086</u>	<u>-</u>	<u>1,810,086</u>
 Total program services	 <u>1,810,086</u>	 <u>-</u>	 <u>1,810,086</u>
Supporting activities			
Management and general	157,482	-	157,482
Fundraising	<u>82,887</u>	<u>-</u>	<u>82,887</u>
 Total supporting activities	 <u>240,369</u>	 <u>-</u>	 <u>240,369</u>
 Total expenses	 <u>2,050,455</u>	 <u>-</u>	 <u>2,050,455</u>
 Change in net assets	 186,777	 310,584	 497,361
Net assets, beginning of the year - on a cash basis	727,673	4,331	732,004
Change in accounting method to accrual	<u>251,156</u>	<u>50,000</u>	<u>301,156</u>
Net assets, beginning of the year - on an accrual basis	<u>978,829</u>	<u>54,331</u>	<u>1,033,160</u>
 Net assets, end of the year	 <u>\$ 1,165,606</u>	 <u>\$ 364,915</u>	 <u>\$ 1,530,521</u>

See notes to financial statements.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
STATEMENT OF CASH FLOWS
December 31 2020

Cash Flows From Operating Activities:

Change in net assets	\$ 497,361
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	10,993
Net unrealized (gain)/loss on long-term investments	(246)
Changes in operating assets and liabilities:	
Grants receivable	52,529
Pledge receivable	(178,550)
Other receivables	(17,555)
Accounts payable	12,063
Accrued payroll	<u>93,694</u>
Net cash provided by operating activities	<u>470,289</u>

Cash Flows From Investing Activities:

Purchase of furniture & equipment	(137,649)
Purchase of investments	(380,000)
Proceeds from sale of investments	<u>550,100</u>
Net cash provided by investing activities	<u>32,451</u>

Cash Flows From Financing Activities:

Dividends and interest restricted for long-term investments	<u>(2,660)</u>
Net cash used by financing activities	<u>(2,660)</u>
Net increase in cash, cash equivalents, and restricted cash	500,080

Cash and Cash Equivalents:

Cash, cash equivalents, and restricted cash at beginning of year	<u>224,353</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 724,434</u>

See notes to financial statements.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31 2020

	Program Activities	Supporting Activities		Supporting Subtotal	Total Expenses
		Management and General	Fundraising		
Compensation and related expenses:					
Salaries & wages	\$ 1,091,508	\$ 73,956	\$ 58,567	\$ 132,523	\$ 1,224,031
Payroll taxes	69,771	4,513	3,574	8,087	77,858
Employee benefits	66,134	4,265	3,182	7,447	73,581
Total compensation and related expenses	<u>1,227,413</u>	<u>82,734</u>	<u>65,323</u>	<u>148,057</u>	<u>1,375,470</u>
Operating Expenses:					
Program Activities	363,336	-	-	-	363,336
Office expenses	34,194	18,801	9,277	28,078	62,272
Rent expense	48,791	2,244	-	2,244	51,035
Supplies	47,719	-	-	-	47,719
Repairs & Maintenance	43,578	2,411	1,441	3,852	47,430
Professional Services	-	44,996	-	44,996	44,996
Insurance	14,696	1,837	1,837	3,674	18,370
Auto	15,477	-	-	-	15,477
Depreciation	10,993	-	-	-	10,993
Printing	601	-	4,608	4,608	5,209
Telephone & Internet	3,179	422	400	822	4,001
Bank charges	-	2,933	-	2,933	2,933
Dues & Subscription	104	1,103	-	1,103	1,207
Taxes & Licenses	5	1	1	2	7
Total operating expenses	<u>582,673</u>	<u>74,748</u>	<u>17,564</u>	<u>92,312</u>	<u>674,985</u>
Total expenses	<u>\$ 1,810,086</u>	<u>\$ 157,482</u>	<u>\$ 82,887</u>	<u>\$ 240,369</u>	<u>\$ 2,050,455</u>

See notes to financial statements.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
For Year Ended December 31, 2020

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 Organization’s financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. RESIDENTIAL YOUTH SERVICES & EMPOWERMENT accordingly reflects all significant receivables, payables, and other liabilities.

Newly adopted accounting pronouncements

In May 2014 the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. The standard requires entities to recognize revenue when transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For the year ended December 31, 2020, RESIDENTIAL YOUTH SERVICES & EMPOWERMENT adopted the provisions of ASU 2014-09. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

In June 2018, FASB issued *ASU No. 2018-08, topic 958: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining transactions to be contributions or exchange transactions. Furthermore, if identified as a contribution, clarify if there are conditions or barriers to be entitled to those funds. Exchange transactions will follow *ASU No. 2014-09*. For the year ended December 31, 2020, RESIDENTIAL YOUTH SERVICES & EMPOWERMENT adopted the provisions of *ASU No. 2018-08*. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Financial statement presentation

The Organizations 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:

Net assets without donor restrictions – net assets available for use in general activities of the organization. They are not subject to any donor or grantor restrictions. Contributions and/or grants are considered without restrictions if the donor does not impose or specify any restrictions.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
For Year Ended December 31, 2020

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

Financial statement presentation – (Continued)

Net assets with donor restrictions – net assets subject to donor/grantor-imposed restrictions. Some donor/grantor-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/grantor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. Donor/grantor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, and/or both.

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 considered cash and cash equivalents-restricted.

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

The Organization recently adopted Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers. ASC 606 a five-step process in recognizing revenue. The steps include: (1) identify the contract (2) identify performance obligation(s) (3) determine transaction price; (4) allocate transaction price; (5) recognize revenue when or as satisfaction of performance obligation have been met.

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.

Contribution, grant, other, and pledge receivable

Contribution, grant and other

Grant and contribution receivable are uncollateralized amounts due from government, other non-profit organizations and individual donors at year-end. Amounts listed in grant and contribution receivable are due based on the implied terms listed in the individual grant or contribution contract.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
For Year Ended December 31, 2020

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

Contribution, grant, other, and pledge receivable – (Continued)

Pledge receivable

Pledge or unconditional promises to give are recognized as assets and contribution revenue in the period the pledge is either received or are accepted by both parties, the Organization and the contributor on a revenue agreement. Conditional promises to give are recognized when the conditions/barriers on which they depend are substantially met.

Pledges that are to be collected within one year are recorded at net realizable value. Pledges that are expected to be collectable in future years are recorded at fair value of their estimated future cash flows as of the date of the promise to give through the use of an expected present value calculation that discounts the risk adjusted cash flow by an estimated risk-free interest rate.

Government grant awards

Government grant awards are received from and through the State of Hawaii and United States Federal Government departments. Revenue related to cost-reimbursement awards is recognized when reimbursable expenditures have been incurred, and upon meeting the legal and contractual requirements of the funding source. Revenue related to performance awards are recognized when services have been rendered. These revenues are considered exchange transactions and are therefore recorded as unrestricted revenue. Funding received in advance of expenditures is recorded as deferred revenue in the statement of financial position. Expenditures of government grant awards are to be used for the purpose specified by the funding source.

Allowance for doubtful accounts

Management uses the direct write-off method for receivables that are deemed to be uncollectable.

Property and equipment

Residential Youth Services & Empowerment has adopted the practice of capitalizing all expenditures for fixed assets in excess of \$2,500 per item. Property and equipment are stated at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from three to 30 years.

Donated property and equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent of donor stipulations regarding how long those donated assets

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
For Year Ended December 31, 2020

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

Donated property and equipment – continued

must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies restricted net assets to unrestricted net assets at that time. No property and equipment were donated during fiscal year 2020.

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).

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

2. Change of Accounting Method

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT converted to accrual basis of accounting during 2020 year. The Organization believed that an accrual basis of accounting would better reflect the Organization income and expenses. The effect on Net Asset was an increase of \$301,156. See statement of activities page 5.

3. Cash and cash equivalents

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT has some amounts of cash that are restricted. The restricted cash is for purposes stated in the grant contract with two different foundations. The restrictions include providing funding to other foundations or utilize the funds in a particular program that the Organization has to provide in order to utilize the funds that are available.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
For Year Ended December 31, 2020

3. Cash and cash equivalents – (continued)

The below schedule distinguishes the amount of cash and cash equivalents between the two classification: without restrictions and with restrictions:

Cash and cash equivalents	\$ 524,519
Restricted cash included in assets restricted to investment in land, buildings, and equipment, and receivables	<u>199,915</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 724,434</u>

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, 2020, 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.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
For Year Ended December 31, 2020

4. Investments – (Continued)

	2020			Total fair value
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Money Market Funds	\$ 244,694	\$ -	\$ -	244,694
Mutual Funds	-	-	-	-
Total investments at fair value	\$ 244,694	\$ -	\$ -	\$ 244,694

5. Contribution, grants and other receivable

Contribution, Grant and other receivables constated of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 17,239	\$ 335,287	\$ -
Total Grant and Contribution Receivable	\$ 17,239	\$ 335,287	\$ 352,526

Pledge receivable, net

The pledge receivable for RESIDENTIAL YOUTH SERVICES & EMPOWERMENT are expected to be collected are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ -	\$ 165,000	\$ 165,000
Total Grant and Contribution Receivable	\$ -	\$ 165,000	\$ 165,000

The total allowance for doubtful accounts on pledge receivable recorded for the year ended December 31, 2020 is \$0.

**RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
For Year Ended December 31, 2020**

6. Liquidity and availability

Residential Youth Services & Empowerment's financial assets available within one year of December 31, 2020, for general expenditures are as follows:

Cash and cash equivalents	\$	724,434
Investments		244,694
Grant and contribution receivable		352,526
Pledge receivable		<u>165,000</u>
		1,486,654
Less Net Assets With Donor Restrictions		<u>(364,915)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>1,121,739</u></u>

As of December 31, 2020, the Organization does not have any endowment funds.

7. Property and equipment

As of December 31, 2020, the Organization's property and equipment consisted of the following asset categories:

	<u>Estimated Useful Life (years)</u>		
Furniture and Equipment	3 - 5	\$	58,259
Vehicles	7		106,380
Leasehold improvements	15 - 27.5		<u>76,410</u>
Total property and equipment			241,049
Less: Accumulated depreciation			<u>(18,630)</u>
Total property and equipment, net		\$	<u><u>222,419</u></u>

The depreciation expense for the year ended December 31, 2020 was \$10,993.

8. Pension Plan

The Organization offers a SIMPLE IRA plan as part of the employee benefits package. During the year ended December 31, 2020, 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, 2020 amounted to \$4.821 and is included in employee benefits on the Statement of Functional Expenses.

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
For Year Ended December 31, 2020

9. 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.

The Organization entered into a lease agreement on September 10, 2020 for its use of a rental property located in Honolulu (Nehoa Lease). The property consists of 7 bedrooms, 5 bathrooms and a utility room. The lease will end on September 10, 2022. The lease calls for a \$7,700 monthly payment.

The Organization entered into another lease agreement on October 6, 2020 for its use of a rental property located in Honolulu (Rycroft Lease). The property consists of 5 bedrooms, 2 bathrooms and several appliances. The lease will end on September 30, 2021. The lease calls for a \$4,650 monthly payment.

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

	<u>Minimum Rents</u>
Year ending December 31, 2021	\$ 135,986
2022	63,336
2023	1,736
2024	1,591
	<u>\$ 202,648</u>

Rent expense for the year ended December 31, 2020 amounted to \$51,035.

10. Line of credit

The Organization obtained a Business Line of Credit with First Hawaiian Bank. The bank requires that RESIDENTIAL YOUTH SERVICES & EMPOWERMENT collateralized the organization's assets for the use of this line of credit. Borrowings from the line are to be used exclusively for program activities of the Organization. Interest is payable at the bank's prime rate plus 2.50%. The balance of the line of credit as of December 31, 2020 is \$0.

11. Net assets with donor restrictions

Net assets with donor restrictions – release from restrictions

As of December 31, 2020, net assets released from restrictions consisted of:

Net Asset released from donor restriction

Program restriction meet	\$ <u>1,628,462</u>
--------------------------	---------------------

Total restricted net assets released from restrictions	\$ <u><u>1,628,462</u></u>
--	----------------------------

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
For Year Ended December 31, 2020

11. Net assets with donor restrictions – (continued)

Net assets with donor restrictions – available for restricted activities

Net assets with donor restrictions consisted of the following:

Program services	\$ <u>364,915</u>
Total restricted net assets - available for restricted activities	\$ <u><u>364,915</u></u>

12. Concentration of risk

RESIDENTIAL YOUTH SERVICES & EMPOWERMENT maintains its cash and cash equivalents in several financial institutions based in Hawaii. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. On December 31, 2020, aggregate cash balances in excess of FDIC limits was \$355,100.

As indicated in the accompanying financial statements, the Organization receives approximately 64% of its revenue and 70% of its pledge receivable from United States Department of Housing and Urban Development.

13. 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.