

HAWAII PUBLIC HEALTH INSTITUTE

**FINANCIAL STATEMENTS,
SUPPLEMENTARY SCHEDULE,
AND INDEPENDENT AUDITOR'S REPORTS**

As of and for the Years Ended December 31, 2021 and 2020



HAWAII PUBLIC HEALTH INSTITUTE

INTRODUCTION

For the Year Ended December 31, 2021

Hawaii Public Health Institute (Institute) is a nonprofit corporation organized in the State of Hawaii in October 2006 as the Coalition for a Tobacco-Free Hawaii. The name of the Institute was changed in 2013. The mission of the Institute is to advance the health and wellness of the people and islands of Hawaii by expanding understanding of what creates health of people and place, embracing upstream social, cultural, and environmental factors; fostering partnerships among public health, health care, and other diverse sectors to improve health and wellness; and cultivating programs including education, advocacy, research, capacity building and training – to improve policies, systems, and the environments where people live, learn, work, age, and play.

The Institute is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and is not a private foundation. Accordingly, qualifying contributions to the Institute are tax deductible.

The Institute receives federal awards directly and indirectly from the U.S. Department of Health and Human Services and U.S. Department of Agriculture. Indirect awards are passed through the State of Hawaii, Department of Health; Public Health Institute, University of Arizona; and CDC Foundation.

This report is the result of the single audit of the Institute conducted in accordance with auditing standards generally accepted in the United States of America; *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).

This report includes the financial statements of the Institute as of and for the years ended December 31, 2021 and 2020, the accompanying notes to the financial statements, and independent auditor's report. It also includes the independent auditor's reports in accordance with the *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Schedule of Expenditures of Federal Awards and independent auditor's reports required by the Uniform Guidance for the year ended December 31, 2021. Findings and questioned costs and a corrective action plan are reported by the auditor under those captions in the final sections of this report.

HAWAII PUBLIC HEALTH INSTITUTE

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HAWAII PUBLIC HEALTH INSTITUTE

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

As of and for the Years Ended December 31, 2021 and 2020



INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Hawaii Public Health Institute:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hawaii Public Health Institute (Institute), a nonprofit Hawaii corporation, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's Responsibility 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 U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute'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 audits.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes 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*, 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 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 U.S. GAAS. In our opinion, the Schedule of 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 September 19, 2022, on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Institute's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.

CW ASSOCIATES, CPAs

CW Associates, CPAs
Honolulu, Hawaii
September 19, 2022



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HAWAII PUBLIC HEALTH INSTITUTE
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash (including interest-bearing accounts)	\$ 1,821,630	\$ 1,997,034
Accounts receivable – net	578,079	688,244
Funds held in trust for others	55,260	78,102
Investments in marketable securities – current	648,332	-
Prepaid expenses	-	1,695
Total current assets	<u>3,103,301</u>	<u>2,765,075</u>
INVESTMENTS IN MARKETABLE SECURITIES – Noncurrent	<u>349,042</u>	<u>-</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	80,638	60,001
Accumulated depreciation	<u>(41,241)</u>	<u>(27,911)</u>
Property and equipment – net	<u>39,397</u>	<u>32,090</u>
SECURITY DEPOSITS	<u>6,276</u>	<u>6,995</u>
TOTAL ASSETS	<u>\$ 3,498,016</u>	<u>\$ 2,804,160</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 129,536	\$ 599,077
Accrued liabilities	128,247	113,666
Liability for funds held in trust for others	55,260	78,102
Refundable advances	256,964	330,696
SBA PPP loan – current	-	189,136
Total current liabilities	<u>570,007</u>	<u>1,310,677</u>
SBA PPP LOAN – Noncurrent	<u>-</u>	<u>54,464</u>
TOTAL LIABILITIES	<u>570,007</u>	<u>1,365,141</u>
NET ASSETS		
Net assets without donor restrictions	920,752	571,837
Net assets with donor restrictions	<u>2,007,257</u>	<u>867,182</u>
Total net assets	<u>2,928,009</u>	<u>1,439,019</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,498,016</u>	<u>\$ 2,804,160</u>

See accompanying notes to the financial statements.

HAWAII PUBLIC HEALTH INSTITUTE

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CHANGES IN NET ASSETS		
WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Net assets released from donor restrictions	\$ 3,030,023	\$ 1,562,179
Government grants and contracts	901,192	3,763,415
Contributions without donor restrictions	131,641	61,389
Program income	120,342	198,506
Administrative fees	5,750	32,416
Meetings and training	1,170	4,865
Other income	4,079	5,412
Total revenue and support	<u>4,194,197</u>	<u>5,628,182</u>
Expenses		
Program services	3,702,593	5,203,995
Management and general	362,694	761,366
Fundraising	20,970	18,106
Total expenses	<u>4,086,257</u>	<u>5,983,467</u>
Revenue and support less expenses	107,940	(355,285)
Gain on forgiveness of SBA PPP loan	243,600	-
Investment losses – net	(2,625)	-
Increase (decrease) in net assets without donor restrictions	<u>348,915</u>	<u>(355,285)</u>
 CHANGES IN NET ASSETS		
WITH DONOR RESTRICTIONS		
Contributions with donor restrictions	4,170,098	2,103,035
Net assets released from donor restrictions	<u>(3,030,023)</u>	<u>(1,562,179)</u>
Increase in net assets with donor restrictions	<u>1,140,075</u>	<u>540,856</u>
 INCREASE IN NET ASSETS	 1,488,990	 185,571
 NET ASSETS – Beginning of year	 <u>1,439,019</u>	 <u>1,253,448</u>
 NET ASSETS – End of year	 <u>\$ 2,928,009</u>	 <u>\$ 1,439,019</u>

See accompanying notes to the financial statements.

HAWAII PUBLIC HEALTH INSTITUTE

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2021 and 2020

	2021				2020			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Leased employees	\$ 2,171,258	\$ 70,854	\$ -	\$ 2,242,112	\$ 1,197,250	\$ 565,700	\$ 122	\$ 1,763,072
Professional and contract services	1,253,021	237,448	19,330	1,509,799	3,786,571	86,528	15,639	3,888,738
Occupancy	114,361	19,865	-	134,226	58,263	81,722	35	140,020
Office	35,348	3,232	20	38,600	21,244	-	256	21,500
Printing and copying	21,179	7,447	-	28,626	12,513	198	-	12,711
Telecommunication services	23,129	4,875	-	28,004	34,392	4,872	-	39,264
Advertising	25,579	1,119	638	27,336	6,409	-	-	6,409
Supplies	18,944	-	-	18,944	19,945	530	-	20,475
Depreciation	-	13,330	-	13,330	-	11,184	-	11,184
Training	8,671	-	-	8,671	3,161	21	-	3,182
Staff development	4,763	214	-	4,977	5,886	1,135	-	7,021
Travel and transportation	4,914	25	-	4,939	18,609	1,144	-	19,753
Dues and subscriptions	2,155	2,708	-	4,863	5,362	4,615	-	9,977
Insurance	3,490	469	-	3,959	2,763	616	-	3,379
Meetings	853	1,108	-	1,961	25,388	3,101	-	28,489
Other expenses	14,928	-	982	15,910	6,239	-	2,054	8,293
Total expenses	<u>\$ 3,702,593</u>	<u>\$ 362,694</u>	<u>\$ 20,970</u>	<u>\$ 4,086,257</u>	<u>\$ 5,203,995</u>	<u>\$ 761,366</u>	<u>\$ 18,106</u>	<u>\$ 5,983,467</u>

See accompanying notes to the financial statements.

HAWAII PUBLIC HEALTH INSTITUTE

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,488,990	\$ 185,571
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	13,330	11,184
Net unrealized losses on investments	14,085	-
Gain on forgiveness of SBA PPP loan	(243,600)	-
(Increase) decrease in		
Accounts receivable – net	110,165	(315,989)
Funds held in trust for others	22,842	120,591
Prepaid expenses	1,695	(1,695)
Increase (decrease) in		
Accounts payable	(469,541)	460,937
Accrued liabilities	14,581	52,424
Liability for funds held in trust for others	(22,842)	(120,591)
Refundable advances	(73,732)	149,887
Net cash provided by operating activities	<u>855,973</u>	<u>542,319</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments in marketable securities	(1,011,459)	-
Additions to property and equipment	(20,637)	(19,197)
Decrease in brokered certificates of deposit	-	304,803
(Increase) Decrease in security deposits	719	(2,420)
Net cash provided (used) by investing activities	<u>(1,031,377)</u>	<u>283,186</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from SBA PPP loan	-	243,600
Net cash provided by financing activities	<u>-</u>	<u>243,600</u>
NET INCREASE (DECREASE) IN CASH	(175,404)	1,069,105
CASH – Beginning of year	<u>1,997,034</u>	<u>927,929</u>
CASH – End of year	<u>\$ 1,821,630</u>	<u>\$ 1,997,034</u>

See accompanying notes to the financial statements.

HAWAII PUBLIC HEALTH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activity

Hawaii Public Health Institute (Institute) is a nonprofit corporation organized in the State of Hawaii in October 2006 as the Coalition for a Tobacco-Free Hawaii. The name of the Institute was changed in 2013. The mission of the Institute is to advance the health and wellness of the people and islands of Hawaii by expanding understanding of what creates health of people and place, embracing upstream social, cultural, and environmental factors; fostering partnerships among public health, health care, and other diverse sectors to improve health and wellness; and cultivating programs including education, advocacy, research, capacity building and training – to improve policies, systems, and the environments where people live, learn, work, age, and play. The Institute receives the majority of its revenue and support from the Tobacco Prevention and Control Trust Fund and government contracts.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Institute to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions consist of net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Institute. These net assets may be used at the discretion of the Institute's management and board of directors.

Net Assets with Donor Restrictions consist of net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Institute or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity (none in 2021 and 2020).

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates, it is reasonably possible that such estimates may change within the near term, and such differences could be material to the financial statements.

HAWAII PUBLIC HEALTH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

Financial instruments that potentially subject the Institute to credit risk include cash, accounts receivable, funds held in trust for others, and investments in marketable securities. Cash on deposit with a financial institution exceeded the related federal deposit insurance by approximately \$1,637,800 and \$1,863,800 at December 31, 2021 and 2020, respectively. Management evaluates the credit standings of the financial institution to ensure that such deposits are adequately safeguarded as required by federal regulations. The Institute had unsecured accounts receivable due primarily from the State of Hawaii, which have been reduced by estimated allowances for doubtful accounts (none as of December 31, 2021 and 2020). Accounts receivable are determined to be collectible or uncollectible based on an assessment by management of the facts and circumstances related to the individual accounts, including historical experience, an assessment of economic conditions, and a review of subsequent collections.

Funds Held in Trust for Others

Funds held in trust for others are monies collected and disbursed on behalf of others under arrangements whereby the Institute does not have unilateral power to redirect the use of the funds. A liability is recorded in the accompanying financial statements for these funds held in trust for others and is maintained until the monies are disbursed.

Investments in Marketable Securities

Investments in marketable securities are stated at fair value. Net realized and unrealized gains and losses, determined using the specific cost method, are included in investment losses. Investments are fully insured by federal and private insurance as represented by the custodian. Future changes in market prices may make such investments less valuable. Investments are classified as current and noncurrent based on management's intended use of the investments.

Property and Equipment

Property and equipment is stated at cost or, if contributed, at estimated fair market value at the date of contribution. Depreciation is computed using the straight-line method over estimated useful lives of five to seven years for furniture and equipment. Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Major expenditures for property and equipment in excess of \$1,000 are capitalized. Repairs and maintenance are expensed as incurred.

HAWAII PUBLIC HEALTH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expense Recognition

Revenue is recognized when the goods and services are provided to the customer. Revenue from performance obligations satisfied at a point in time consisted of meetings and training fees of \$1,170 and \$4,865 for the years ended December 31, 2021 and 2020, respectively. Revenue from performance obligations satisfied over time consisted of contracted revenues to provide services to governmental agencies of \$50,999 and \$10,000 (included in government grants and contracts); program income of \$120,342 and \$198,506; and administrative fees of \$5,750 and \$32,416 for the years ended December 31, 2021 and 2020, respectively. Revenue from other than performance obligations consisted of investment losses of \$2,625 and \$0, other income of \$4,079 and \$5,412, and gain on forgiveness of SBA PPP loan of \$243,600 and \$0 for the years ended December 31, 2021 and 2020, respectively.

Expenses, including advertising expenses amounting to \$27,336 and \$6,409 for the years ended December 31, 2021 and 2020, are recognized when the related liability is incurred. The Institute allocates its expenses on a functional basis among its various programs and supporting services based on estimates by management. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service using natural expense classifications. Allowable direct costs are charged directly to programs, grants, and contracts. Allowable direct costs that can be identified to more than one program are prorated using a percentage of hours charged to the program for the particular cost being allocated. All other general and administrative costs are allocated to programs, grants, and contracts using revenue per program that results in an equitable distribution.

Donor Contributions

The Institute recognizes contributions when cash or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Support is considered to be available for unrestricted use unless restricted by the donor. Donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction is satisfied or expires, net assets with donor restrictions are released to net assets without donor restrictions.

HAWAII PUBLIC HEALTH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contracts

The Institute's revenues from grants and contracts is based on agreements with the State of Hawaii and other entities, such as private foundations. The Institute recognizes grants as either contributions or exchange transactions depending on whether the transaction is reciprocal or nonreciprocal. The majority of the Institute's grants are cost-reimbursable, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures (including expenditures for property and equipment, which may be capitalized and depreciated for financial reporting purposes). Amounts received are recognized as revenue when the Institute has incurred expenditures in compliance with the grants or contract provisions.

Amounts received prior to incurring qualified expenditures are reported as refundable advances in the statements of financial position. Qualifying expenditures incurred, but for which reimbursement has not yet been received, are reported as accounts receivable. Amounts received from such grants and contracts for which the conditions and any restrictions are met in the same reporting period are reported as net assets without donor restrictions.

The Institute was awarded cost-reimbursement grants and contract of approximately \$1,866,000 that have not been recognized as of December 31, 2021 because the qualifying expenditures have not yet been incurred.

Grants and contracts classified as exchange transactions are recorded as revenue without donor restrictions when the goods or services are provided as stipulated in the grant or contract agreement and the performance obligations have been met.

Donated Goods and Services

In-kind contributions of goods and services that meet the criteria for recognition are recognized as contributions at the estimated fair market value at the date of donation, and are recorded as expenses or assets in the same amount.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills that are performed by people with those skills and would otherwise be purchased by the Institute. During the years ended December 31, 2021 and 2020, the Institute received \$0 and \$25,080, respectively, in donated services. The value of this time is reflected in the statements of activities under contributions and in the statements of functional expenses under professional services.

Hawaii General Excise Tax

The State of Hawaii imposes a general excise tax of 4% on the gross receipts of the Institute from certain activities such as special events within Hawaii, plus an additional 0.5% on such gross receipts within the City and County of Honolulu. For the years ended December 31, 2021 and 2020, there were no gross receipts subject to the general excise tax.

HAWAII PUBLIC HEALTH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Institute is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code on exempt purpose income and is not a private foundation. Accordingly, qualifying contributions to the Institute are tax deductible.

U.S. GAAP requires uncertain tax positions to be recognized in the financial statements if they are more likely than not to fail upon regulatory examination. Management has evaluated the Institute's tax positions as of December 31, 2021 and 2020 and for the years then ended, and determined that it had no uncertain tax positions required to be reported in accordance with U.S. GAAP. The Institute is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

NOTE B – LIQUIDITY

The Institute's policy is to maintain cash balances to provide for its general expenditures, liabilities, and other obligations as they come due. The Institute prepares an annual budget and monitors actual financial results each month to ensure it controls costs and remains liquid. The Institute anticipates collecting sufficient funds to provide for its operating cash needs.

The following reflects Institute's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for use within one year of the statements of financial position date for general operations because of contractual or donor-imposed restrictions:

	<u>2021</u>	<u>2020</u>
Cash (including interest-bearing accounts)	\$ 1,821,630	\$ 1,997,034
Accounts receivable – net	578,079	688,244
Investments in marketable securities – current	648,332	-
Total financial assets	<u>3,048,041</u>	<u>2,685,278</u>
Net assets with donor restrictions	<u>(2,007,257)</u>	<u>(867,182)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,040,784</u>	<u>\$ 1,818,096</u>

HAWAII PUBLIC HEALTH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2021 and 2020

NOTE C – INVESTMENT IN MARKETABLE SECURITIES

At December 31, 2021 and 2020, investments in marketable securities consisted of the following:

	2021		2020	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Exchange traded funds	\$ 893,864	\$ 883,446	\$ -	\$ -
Mutual funds	84,454	80,787	-	-
Fixed income securities	17,000	17,000	-	-
Cash management funds	<u>16,141</u>	<u>16,141</u>	<u>-</u>	<u>-</u>
 Total investments	 <u>\$ 1,011,459</u>	 <u>\$ 997,374</u>	 <u>\$ -</u>	 <u>\$ -</u>

For the years ended December 31, 2021 and 2020, investment losses consisted of the following:

	<u>2021</u>	<u>2020</u>
Investment losses		
Interest and dividends	\$ 11,586	\$ -
Unrealized losses from holding investments	(14,085)	-
Investment fees	<u>(126)</u>	<u>-</u>
 Total investment losses – net	 <u>\$ (2,625)</u>	 <u>\$ -</u>

NOTE D – FAIR VALUE MEASUREMENT

U.S. GAAP provides a fair value hierarchy that prioritizes the inputs to the valuation methodology used to measure fair value. There are three levels of inputs to the valuation methodology. Level 1 inputs consist of unadjusted quoted prices for identical assets or liabilities in active markets that the Institute has the ability to access. 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 asset or liability, 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 level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation methodologies used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

HAWAII PUBLIC HEALTH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2021 and 2020

NOTE D – FAIR VALUE MEASUREMENT (Continued)

At December 31, 2021, the fair value measurements reportable by the Institute consisted of exchange traded funds, mutual funds, and fixed income securities valued at quoted market prices and cash management funds valued at stated value (Level 1 inputs). There were no investments for which Level 2 or Level 3 valuation inputs were required. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. There were no investment balances at December 31, 2020.

The following sets forth by level, within the fair value hierarchy, the fair value of investments as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds	\$883,446	\$ -	\$ -	\$883,446
Mutual funds	80,787	-	-	80,787
Fixed income securities	17,000	-	-	17,000
Cash management funds	<u>16,141</u>	<u>-</u>	<u>-</u>	<u>16,141</u>
Total investments	<u>\$997,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$997,374</u>

NOTE E – LINE-OF-CREDIT

In October 2021, the Institute renewed a previously expired revolving line-of-credit of \$50,000 available through October 2022. This revolving line-of-credit bears interest at 6% above the Wall Street Journal rate. As of December 31, 2021 and 2020, there were no advances outstanding on the line-of-credit. The line-of-credit agreement includes covenants that limit the ability of the Institute to incur certain obligations, requires it to make periodic reports to the lender, and to maintain a universal debt service coverage ratio of not less than 1.10 to 1.00.

NOTE F – SBA PPP LOAN

In April 2020, the Institute applied for and received a \$243,600 Paycheck Protection Program (PPP) loan from American Savings Bank. The U.S. Small Business Administration (SBA) established the PPP loan program in response to the COVID-19 pandemic to fund an entity's payroll and other applicable costs. All or a portion of the loan, which matures two years from the date of funding and bears interest at 1%, may be forgiven if the Institute meets the compliance requirements established by the SBA and other federal agencies. In January 2021, the Institute received notice that the SBA approved forgiveness in full of the PPP loan and, accordingly recognized a gain on forgiveness of SBA PPP loan in the year ended December 31, 2021.

HAWAII PUBLIC HEALTH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2021 and 2020

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2021 and 2020, net assets with donor restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
Net assets restricted for		
HEAL	\$ 856,450	\$ 154,792
COVID	364,471	104,623
Hawaii Oral Health Coalition	200,373	189,547
Youth Tobacco Prevention	184,759	232,945
Community Health Workers	174,286	52,661
Eldercare	103,561	36,909
Farm to School	69,885	81,744
Other purposes	<u>53,472</u>	<u>13,961</u>
Total net assets with donor restrictions	<u>\$ 2,007,257</u>	<u>\$ 867,182</u>

NOTE H – LEASE COMMITMENTS

The Institute leases office space under operating leases expiring through January 2023, and equipment under an operating lease expiring in February 2025. Lease rent expense for the years ended December 31, 2021 and 2020 (included in occupancy expenses) amounted to \$59,646 and \$58,282, respectively.

At December 31, 2021, minimum future lease payments approximated the following:

Years Ending December 31st	
2022	\$ 55,500
2023	\$ 6,600
2024	\$ 3,300
2025	\$ 300

In September 2022, the Institute entered into a new operating lease for office space expiring in April 2029. Monthly lease payments are approximately \$5,900 escalating annually to approximately \$6,800 per month.

HAWAII PUBLIC HEALTH INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2021 and 2020

NOTE I – 401(k) RETIREMENT PLAN

The Institute offers a 401(k) retirement plan through its employee leasing company that covers all leased employees who have met certain eligibility requirements. The Institute may make discretionary matching contributions to the plan. The Institute contributed \$21,859 and \$19,126 to the plan for the years ended December 31, 2021 and 2020, respectively.

NOTE J – COMMITMENTS AND CONTINGENCIES

Amounts received for grants and contracts may be subject to audit and adjustment by various government agencies. Any disallowed claim, including amounts already collected, may constitute a liability. Management expects such amounts, if any, to not be material to the financial statements. The Institute received approximately 21% and 67% of its revenue and support from various governmental agencies during the years ended December 31, 2021 and 2020, respectively. The loss of revenue and support derived from such grants and contracts would have an adverse effect on the Institute.

The Institute may be subject to legal proceedings, claims, or litigation arising in the ordinary course of business for which it may seek the advice of legal counsel. Management estimates that the cost to resolve such matters, if any, would not be material to the financial statements. However, it is reasonably possible that such estimates may change within the near term.

The Institute operates in the State of Hawaii. Local, national, and international events (such as the COVID-19 pandemic and Russia-Ukraine conflict) can have severe, adverse effects on economic conditions in Hawaii. These financial statements do not include the adjustments that would result if the Institute were to account for future losses or asset impairments, as the effects on the financial statements of the Institute from such changes in economic conditions are not presently determinable.

NOTE K – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 19, 2022, which is the date the financial statements were available to be issued and determined that the Institute did not have any subsequent events requiring adjustment to the financial statements or disclosure in the notes to the financial statements, except as disclosed above in Note H.

HAWAII PUBLIC HEALTH INSTITUTE
SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2021

HAWAII PUBLIC HEALTH INSTITUTE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2021

<u>Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<u>U.S. Department of Health and Human Services</u>				
Direct program				
Drug-Free Communities Support Program Grants	93.276	6 NH28CE002673-01-02	\$ 133,023	\$ -
Passed through State of Hawaii, Department of Health National and State Tobacco Control Program	93.387	* ASO Log No. 21-058	<u>357,297</u>	<u>-</u>
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	* ASO Log No. 20-130	116,960	
	93.243	* ASO Log No. 20-129	97,788	
	93.243	* ASO Log No. 20-126	<u>96,470</u>	<u>-</u>
Total Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	*	<u>311,218</u>	<u>-</u>
Immunization Cooperative Agreements	93.268	COPHE 21-05	29,455	
" "	93.268	ASO Log No. 22-183	<u>49,500</u>	<u>-</u>
Total Immunization Cooperative Agreements	93.268		<u>78,955</u>	<u>-</u>
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426	ASO Log No. 20-240	37,129	-
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	00265193	25,371	-
Grants to States for Operation of State Offices of Rural Health	93.913	00264384	<u>8,376</u>	<u>-</u>
Total passed through State of Hawaii, Department of Health			<u>818,346</u>	<u>-</u>
Passed through Public Health Institute National Organizations of State and Local Officials	93.011	* 02956-AR03568	<u>363,277</u>	<u>-</u>
Total passed through Public Health Institute			<u>363,277</u>	<u>-</u>

(Continued)

HAWAII PUBLIC HEALTH INSTITUTE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended December 31, 2021

<u>Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<u>U.S. Department of Health and Human Services (Continued)</u>				
Passed through Board of Regents of the University of Arizona Public Health Training Centers Program	93.516	457252	\$ 89,131	\$ -
Passed through CDC Foundation Immunization Research, Demonstration, Public Information and Education Training and Clinical Skills Improvement Projects	93.185	43101	<u>48,117</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>1,451,894</u>	<u>-</u>
<u>U.S. Department of Agriculture</u>				
Direct programs				
Regional Food System Partnerships	10.177	AM200100XXXXG101	155,192	-
Food and Agriculture Service Learning Program	10.522	2020-70026-33222	<u>115,151</u>	<u>-</u>
Total direct programs			<u>270,343</u>	<u>-</u>
Passed through State of Hawaii, Department of Health				
<i>SNAP Cluster</i>	10.561	Q21000456	49,495	-
State Administrative Matching Grants for the	10.561	Q21000455	40,822	-
Supplemental Nutrition Assistance Program	10.561	Q21000462	27,229	-
" "	10.561	Q20001846	22,150	-
" "	10.561	UHCES 20-07	13,639	-
" "	10.561	Q21000924	<u>1,460</u>	<u>-</u>
<i>Total SNAP Cluster</i>			<u>154,795</u>	<u>-</u>
Total passed through State of Hawaii, Department of Health			<u>154,795</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>425,138</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,877,032</u>	<u>\$ -</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

HAWAII PUBLIC HEALTH INSTITUTE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2021

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Hawaii Public Health Institute (Institute) and is presented on the accrual basis of accounting. The information in the 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 financial statements of the Institute.

* Denotes major programs.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The expenditures are recognized following the cost principles contained in the Uniform Guidance, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement. In addition, agency or pass-through numbers are presented where available.

NOTE C – INDIRECT COST RATES

The Institute has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

HAWAII PUBLIC HEALTH INSTITUTE

**REPORTS IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

For the Year Ended December 31, 2021

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

Hawaii Public Health Institute:

We have audited, 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, the financial statements of Hawaii Public Health Institute (Institute), a nonprofit Hawaii corporation, which comprise the statements of financial position as of December 31, 2021, 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 September 19, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Institute's internal control over financial reporting (internal control) as a basis for designing the 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 the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute'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 Institute's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute’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 Institute’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 Institute’s internal control and compliance. Accordingly, this report is not suitable for any other purpose.

CW ASSOCIATES, CPAs

CW Associates, CPAs
Honolulu, Hawaii
September 19, 2022



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HAWAII PUBLIC HEALTH INSTITUTE
REPORTS IN ACCORDANCE WITH THE UNIFORM GUIDANCE
For the Year Ended December 31, 2021



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

Hawaii Public Health Institute:

Report on Compliance for Each the Federal Program

Opinion on Each Major Federal Program

We have audited Hawaii Public Health Institute's (Institute), a nonprofit Hawaii corporation, compliance with the types of compliance requirements identified as subject to audit in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the Institute's major federal programs for the year ended December 31, 2021. The Institute's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Institute complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis of Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Institute and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Institute's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Institute's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Institute's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Institute's compliance with the requirements of each major federal program as whole.

In performing an audit in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Institute's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Institute's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as Item No. 2021-001. Our opinion on each major federal program is not modified with respect to these matters. *Government Auditing Standards* require the auditor to perform limited procedures on the Institute's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The Institute's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Item No. 2021-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* require the auditor to perform limited procedures on the Institute's response to the internal control over compliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The Institute's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

CW ASSOCIATES, CPAs

CW Associates, CPAs
Honolulu, Hawaii
September 19, 2022



HAWAII PUBLIC HEALTH INSTITUTE
FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2021

HAWAII PUBLIC HEALTH INSTITUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2021

SUMMARY OF AUDITOR'S RESULTS

Financial statements

Type of auditor's report on the financial statements	<input checked="" type="checkbox"/> Unmodified <input type="checkbox"/> Adverse	<input type="checkbox"/> Qualified <input type="checkbox"/> Disclaimer
Internal control over financial reporting		
Material weaknesses(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Noncompliance material to the financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal awards

Internal control over major federal programs		
Material weaknesses(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Type of auditor's report on compliance for the major federal programs	<input checked="" type="checkbox"/> Unmodified <input type="checkbox"/> Adverse	<input type="checkbox"/> Qualified <input type="checkbox"/> Disclaimer
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Identification of major federal award programs

Assistance Listing No. 93.387 – National and State Tobacco Control Program
Assistance Listing No. 93.243 – Substance Abuse and Mental Health Services Projects of Regional and National Significance
Assistance Listing No. 93.011 – National Organizations of State and Local Officials

Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as a low-risk auditee	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No *

*Auditee did not qualify as a low-risk auditee as a single audit was not required for the year ended December 31, 2019.

FINDINGS – FINANCIAL STATEMENT AUDIT

No matters were reported.

HAWAII PUBLIC HEALTH INSTITUTE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2021

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

In the current year, the auditor expressed a unmodified opinion on compliance on the Institute’s major federal award programs. The following instance of noncompliance, disclosed by auditing procedures, is required to be reported in accordance with the Uniform Guidance and is described below as Item No. 2021-001. A significant deficiency in internal control over compliance was reported by the auditor in the current year.

Compliance

Substance Abuse and Mental Health Services Projects of Regional and National Significance

Assistance Listing No. 93.243

Reference Number – Item No. 2021-001

Criteria – The allocation of salaries and wages to federal programs must be based on after-the-fact determinations of the actual activity of each employee. The reports must be prepared periodically and reconciled to the costs allocated to the corresponding federal programs.

Statement of Condition – The time charged per the employee timesheets were compared to the time allocated to the federal program during the year ended December 31, 2021. Instances where noted where the hours allocated to the federal program were not supported by the time recorded in an employee’s timesheet.

Questioned Costs – Questioned costs for the time not supported by an employee’s timesheet was approximately \$18,000.

Cause and Effect – The allocation percentages used to charge payroll costs to federal programs were not updated to reflect changes in the activities of the employees to reflect the actual time spent on the federal program. A reconciliation of the time by program per the timesheets to the time charged to the program was not consistently performed.

Recommendation – Perform reconciliations, at least quarterly, of the time per the employees’ timesheets to the time charged to the federal programs and adjust the time charged to the federal programs based on the timesheets. Also, update the allocation percentages to reflect changes in the activities of employees' time. The reconciliations will identify whether the amounts charged to federal programs are accurate, allowable, and properly documented.

Response – See Corrective Action Plan, which follows.

HAWAII PUBLIC HEALTH INSTITUTE

CORRECTIVE ACTION PLAN

For the Year Ended December 31, 2021



HAWAII PUBLIC HEALTH INSTITUTE

CORRECTIVE ACTION PLAN

For the Year Ended December 31, 2021

HIPHI Board

Kilikina Mahi, MBA
Chair
KM Consulting LLC
JeAnn Tsarik, MPH
Secretary
John A. Burns School of Medicine, Native Hawaiian Research Office

Debbie Erskine
Treasurer
Kanehānalo Schools

Keshia Adolpho, LCSW
Molokai Community Health Center

Camonia Graham - Tutt, PhD
University of Hawaii - West Oahu

Carissa Holley, MEd
Hale Makua Health Services

May Okihira, MD, MS
John A. Burns School of Medicine, Department of Pediatrics

Misty Pacheco, DrPH
University of Hawaii at Hilo

Michael Robinson, MBA, MA
Hawaii Pacific Health

Kathleen Roche, MS, RN, CENP
Kaiser Permanente

Dina Shek, JD
Medical-Legal Partnership For Children in Hawaii

Garret Sogai
MDX Hawaii

Tiitiimaea Ta'ase, JD
State of Hawaii, Deputy Public Defender

HIPHI Initiatives

Coalition for a Tobacco-Free Hawaii

Community Health Worker Initiative

COVID-19 Response

Hawaii Drug & Alcohol Free Conditions

Hawaii Fawn to School Hui

Hawaii Oral Health Coalition

Hawaii Public Health Training Hui

Healthy Eating + Active Living

Kōpuna Food Security Coalition

The Institute utilizes an online application, QuickBooks Time (QBT), to track staff time by program area. This information is collated and used for monthly payroll allocations. Per the recommendation of CW Associates, the Institute will perform reconciliations, at least quarterly, of the time recorded in QBT to the time charged to the Institute's programs. The Director of Finance & Operations will monitor the issue and afford particular attention to the Institute's federal programs to confirm the amounts charged are accurate, allowable, and appropriately documented. In the event that there are changes to an employee's activities, the employee's allocation percentages will be updated by the Finance & Accounting Manager to reflect said changes in a timely manner. The aforementioned reconciliations and required updates to employees' allocation percentages will be implemented immediately.

As part of this Corrective Action Plan, the Institute will also evaluate its current accounting systems and processes, provide additional training to staff regarding their timekeeping responsibilities, and ensure all systems are maintained with up-to-date information about the Institute's programs. The Operations staff will be responsible for conducting these additional activities under the guidance of the Director of Finance & Operations. The Operations team intends to complete the activities enumerated in this paragraph by the end of calendar year 2022.

[Signature]
Jessica Yamauchi, Chief Executive Officer

09/19/2022
Date

Telephone number: (808) 591-6508 x1
Email: jessica@hiphi.org