

**HAWAII PUBLIC HEALTH INSTITUTE**

**FINANCIAL STATEMENTS,  
INDEPENDENT AUDITOR'S REPORTS,  
AND SUPPLEMENTARY INFORMATION**  
**As of and for the Years Ended December 31, 2022 and 2021**



# HAWAII PUBLIC HEALTH INSTITUTE

## INTRODUCTION

### For the Years Ended December 31, 2022 and 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; CDC Foundation, and the City and County of Honolulu, Department of Community Services.

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) for the year ended December 31, 2022.

This report includes the financial statements of the Institute as of and for the years ended December 31, 2022 and 2021, 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, 2022. 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, 2022 and 2021**



## 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, 2022 and 2021, 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, 2022 and 2021, 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.

#### *Emphasis of Matter – Adoption of New Accounting Pronouncements*

As discussed in Note A to the financial statements, during the year ended December 31, 2022, the Institute adopted Accounting Standards Update (ASU) No. 2016-12, *Leases (Topic 842) – Leases: Amendments to the FASB Accounting Standards Codification* and ASU No. 2020-07, *Not for Profit Entities (Topic 958): Presentation and Disclosures for Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

### *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 Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with 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*, 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 22, 2023, 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 22, 2023



**HAWAII PUBLIC HEALTH INSTITUTE**  
**STATEMENTS OF FINANCIAL POSITION**

**As of December 31, 2022 and 2021**

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| <b>CURRENT ASSETS</b>                                |                     |                     |
| Cash (including interest-bearing accounts)           | \$ 1,221,729        | \$ 1,821,630        |
| Accounts receivable – net                            | 2,509,686           | 578,079             |
| Funds held in trust for others                       | 59,880              | 55,260              |
| Investments in marketable securities – current       | 638,711             | 648,332             |
| Prepaid expenses                                     | 13,563              | -                   |
| Total current assets                                 | <u>4,443,569</u>    | <u>3,103,301</u>    |
| <b>NONCURRENT ASSETS</b>                             |                     |                     |
| Investments in marketable securities – noncurrent    | 290,596             | 349,042             |
| Property and equipment – net                         | 27,684              | 39,397              |
| Operating lease right-of-use assets – net            | 441,670             | -                   |
| Lease deposits                                       | 19,566              | 6,276               |
| Total noncurrent assets                              | <u>779,516</u>      | <u>394,715</u>      |
| <b>TOTAL ASSETS</b>                                  | <u>\$ 5,223,085</u> | <u>\$ 3,498,016</u> |
| <b>LIABILITIES AND NET ASSETS</b>                    |                     |                     |
| <b>CURRENT LIABILITIES</b>                           |                     |                     |
| Accounts payable                                     | \$ 1,252,603        | \$ 129,536          |
| Accrued liabilities                                  | 161,769             | 128,247             |
| Liability for funds held in trust for others         | 59,880              | 55,260              |
| Refundable advances                                  | 166,367             | 256,964             |
| Operating lease liabilities – current, net           | 63,355              | -                   |
| Total current liabilities                            | <u>1,703,974</u>    | <u>570,007</u>      |
| <b>OPERATING LEASE LIABILITIES – Noncurrent, net</b> | <u>401,749</u>      | <u>-</u>            |
| <b>TOTAL LIABILITIES</b>                             | <u>2,105,723</u>    | <u>570,007</u>      |
| <b>NET ASSETS</b>                                    |                     |                     |
| Net assets without donor restrictions                | 1,209,841           | 920,752             |
| Net assets with donor restrictions                   | 1,907,521           | 2,007,257           |
| Total net assets                                     | <u>3,117,362</u>    | <u>2,928,009</u>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>              | <u>\$ 5,223,085</u> | <u>\$ 3,498,016</u> |

See accompanying notes to the financial statements.



**HAWAII PUBLIC HEALTH INSTITUTE**

**STATEMENTS OF ACTIVITIES**

**For the Years Ended December 31, 2022 and 2021**

|   | <u>2022</u>         | <u>2021</u>         |
|---|---------------------|---------------------|
| CHANGES IN NET ASSETS<br>WITHOUT DONOR RESTRICTIONS       |                     |                     |
| Revenue and support                                       |                     |                     |
| Government grants and contracts                           | \$ 7,466,066        | \$ 901,192          |
| Net assets released from donor restrictions               | 2,950,805           | 3,030,023           |
| Program income  | 194,897             | 120,342             |
| Contributions without donor restrictions                  | 53,003              | 131,641             |
| Administrative fees                                       | 42,785              | 5,750               |
| Meetings and training                                     | 3,920               | 1,170               |
| Other income  | 2,623               | 4,079               |
| Total revenue and support                                 | <u>10,714,099</u>   | <u>4,194,197</u>    |
| Expenses  |                     |                     |
| Program services  | 9,825,106           | 3,702,593           |
| Management and general                                    | 530,573             | 362,694             |
| Fundraising   | 1,264               | 20,970              |
| Total expenses  | <u>10,356,943</u>   | <u>4,086,257</u>    |
| Revenue and support less expenses                         | 357,156             | 107,940             |
| Gain on forgiveness of SBA PPP loan                       | -                   | 243,600             |
| Investment losses – net                                   | <u>(68,067)</u>     | <u>(2,625)</u>      |
| Increase in net assets without donor restrictions         | <u>289,089</u>      | <u>348,915</u>      |
| CHANGES IN NET ASSETS<br>WITH DONOR RESTRICTIONS          |                     |                     |
| Contributions with donor restrictions                     | 2,851,069           | 4,170,098           |
| Net assets released from donor restrictions               | <u>(2,950,805)</u>  | <u>(3,030,023)</u>  |
| Increase (decrease) in net assets with donor restrictions | <u>(99,736)</u>     | <u>1,140,075</u>    |
| INCREASE IN NET ASSETS                                    | 189,353             | 1,488,990           |
| NET ASSETS – Beginning of year                            | <u>2,928,009</u>    | <u>1,439,019</u>    |
| NET ASSETS – End of year                                  | <u>\$ 3,117,362</u> | <u>\$ 2,928,009</u> |

See accompanying notes to the financial statements.

**HAWAII PUBLIC HEALTH INSTITUTE**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Years Ended December 31, 2022 and 2021**

|                                    | 2022                       |                              |                        |                             | 2021                       |                              |                         |                            |
|------------------------------------|----------------------------|------------------------------|------------------------|-----------------------------|----------------------------|------------------------------|-------------------------|----------------------------|
|                                    | Program<br>Services        | Management<br>and<br>General | Fund-<br>Raising       | Total                       | Program<br>Services        | Management<br>and<br>General | Fund-<br>Raising        | Total                      |
| Professional and contract services | \$ 6,785,593               | \$ 109,381                   | \$ -                   | \$ 6,894,974                | \$ 1,253,021               | \$ 237,448                   | \$ 19,330               | \$ 1,509,799               |
| Leased employees                   | 2,342,864                  | 224,949                      | -                      | 2,567,813                   | 2,171,258                  | 70,854                       | -                       | 2,242,112                  |
| Travel and transportation          | 177,019                    | 17,373                       | -                      | 194,392                     | 4,914                      | 25                           | -                       | 4,939                      |
| Occupancy                          | 143,998                    | 19,372                       | -                      | 163,370                     | 114,361                    | 19,865                       | -                       | 134,226                    |
| Training                           | 68,875                     | 83,778                       | 35                     | 152,688                     | 8,671                      | -                            | -                       | 8,671                      |
| Advertising                        | 87,309                     | -                            | -                      | 87,309                      | 25,579                     | 1,119                        | 638                     | 27,336                     |
| Office                             | 54,601                     | 29,257                       | 239                    | 84,097                      | 35,348                     | 3,232                        | 20                      | 38,600                     |
| Dues and subscriptions             | 38,500                     | 10,184                       | -                      | 48,684                      | 2,155                      | 2,708                        | -                       | 4,863                      |
| Printing and copying               | 40,120                     | 3,690                        | -                      | 43,810                      | 21,179                     | 7,447                        | -                       | 28,626                     |
| Supplies                           | 26,067                     | 39                           | -                      | 26,106                      | 18,944                     | -                            | -                       | 18,944                     |
| Telecommunication services         | 14,177                     | 10,693                       | -                      | 24,870                      | 23,129                     | 4,875                        | -                       | 28,004                     |
| Meetings                           | 17,216                     | 6,623                        | -                      | 23,839                      | 853                        | 1,108                        | -                       | 1,961                      |
| Depreciation                       | -                          | 11,713                       | -                      | 11,713                      | -                          | 13,330                       | -                       | 13,330                     |
| Insurance                          | 4,806                      | 209                          | -                      | 5,015                       | 3,490                      | 469                          | -                       | 3,959                      |
| Staff development                  | -                          | 229                          | -                      | 229                         | 4,763                      | 214                          | -                       | 4,977                      |
| Other expenses                     | 23,961                     | 3,083                        | 990                    | 28,034                      | 14,928                     | -                            | 982                     | 15,910                     |
| <b>Total expenses</b>              | <b><u>\$ 9,825,106</u></b> | <b><u>\$ 530,573</u></b>     | <b><u>\$ 1,264</u></b> | <b><u>\$ 10,356,943</u></b> | <b><u>\$ 3,702,593</u></b> | <b><u>\$ 362,694</u></b>     | <b><u>\$ 20,970</u></b> | <b><u>\$ 4,086,257</u></b> |

See accompanying notes to the financial statements.

**HAWAII PUBLIC HEALTH INSTITUTE**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended December 31, 2022 and 2021**

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                     |                     |
| Increase in net assets   | \$ 189,353          | \$ 1,488,990        |
| Adjustments to reconcile increase in net assets to net cash used by investing activities |                     |                     |
| Depreciation   | 11,713              | 13,330              |
| Net realized and unrealized losses on investments  | 93,678              | 14,085              |
| Gain on forgiveness of SBA PPP loan  | -                   | (243,600)           |
| Operating lease payments less straight-line expenses                                     | 23,434              | -                   |
| (Increase) decrease in   |                     |                     |
| Accounts receivable – net  | (1,931,607)         | 110,165             |
| Funds held in trust for others   | (4,620)             | 22,842              |
| Prepaid expenses   | (13,563)            | 1,695               |
| Increase (decrease) in   |                     |                     |
| Accounts payable   | 1,123,067           | (469,541)           |
| Accrued liabilities  | 33,522              | 14,581              |
| Liability for funds held in trust for others   | 4,620               | (22,842)            |
| Refundable advances  | (90,597)            | (73,732)            |
| Net cash used by investing activities  | <u>(561,000)</u>    | <u>855,973</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                     |                     |
| Sales of investments in marketable securities  | 184,758             | -                   |
| Purchases of investments in marketable securities  | (210,369)           | (1,011,459)         |
| Additions to property and equipment  | -                   | (20,637)            |
| (Increase) decrease in security deposits   | <u>(13,290)</u>     | <u>719</u>          |
| Net cash used by investing activities  | <u>(38,901)</u>     | <u>(1,031,377)</u>  |
| <b>NET DECREASE IN CASH</b>  | (599,901)           | (175,404)           |
| <b>CASH – Beginning of year</b>  | <u>1,821,630</u>    | <u>1,997,034</u>    |
| <b>CASH – End of year</b>  | <u>\$ 1,221,729</u> | <u>\$ 1,821,630</u> |

See accompanying notes to the financial statements.

## HAWAII PUBLIC HEALTH INSTITUTE

### NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

#### 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 2022 and 2021).

##### 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, 2022 and 2021

#### 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 \$1,773,900 and \$1,637,800 at December 31, 2022 and 2021, 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, 2022 and 2021). 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. 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.

##### 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 are determined using the specific cost method and are included in investment losses. 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 office 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 \$5,000 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, 2022 and 2021**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

For the year ended December 31, 2021, operating leases were recognized in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 840, *Leases*. Operating leases were expensed over the terms of the leases on a straight-line basis.

Leases are evaluated as operating or finance leases upon commencement, and are accounted for accordingly. Specifically, a lease contains an explicitly or implicitly identified asset, the Institute retains substantially all of the economic benefits from the use of the underlying asset, and directs how and for what purpose the asset is used during the term of the lease in exchange for consideration. The Institute assesses whether a contract is or contains a lease at inception of the contract. The Institute did not have financing leases as of December 31, 2022.

Beginning January 1, 2022, the Institute accounts for its leases in accordance with FASB ASC 842: *Leases*. In accordance with ASC 842, an operating right-of-use asset and operating lease liability are recognized at the present value of future lease payments. The Institute recognizes the right-of-use asset and liability at the inception of a lease if such amounts are material to the financial statements.

The lease term used to calculate the right-of-use asset and lease liability at the commencement of a lease includes the impacts of options to extend or terminate the lease. Existing economic conditions; the nature, length, and terms of the lease agreement; and the expected condition of the leased asset at the end of the lease term are factors in assessing the probability of an option to extend or terminate a lease.

The discount rate used to calculate the present value of lease payments is the rate implicit in the lease, when readily determinable, or a risk-free rate, when not readily determinable.

Real estate taxes, insurance, maintenance, and operating expenses applicable to the leased assets are generally obligations of the Institute. When such payments are fixed, they are included in the measurement of the lease assets and liabilities and, when variable, are excluded and recognized in the period in which the obligation for those payments is incurred.

Leases that have a term of twelve months or less upon commencement are considered short-term in nature. Such leases are not included in the statement of financial position and are expensed on a straight-line basis over the lease term. The lease agreements of the Institute do not contain any material residual value guarantees or material restrictive covenants.

## HAWAII PUBLIC HEALTH INSTITUTE

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### For the Years Ended December 31, 2022 and 2021

##### 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 \$3,920 and \$1,170 for the years ended December 31, 2022 and 2021, respectively. Revenue from performance obligations satisfied over time consisted of contracted revenues to provide services to governmental agencies of \$80,994 and \$50,999 (included in government grants and contracts); program income of \$194,897 and \$120,342; and administrative fees of \$42,785 and \$5,750 for the years ended December 31, 2022 and 2021, respectively. Revenue from other than performance obligations consisted of other income of \$2,623 and \$4,079, gain on forgiveness of SBA PPP loan of \$0 and \$243,600, and investment losses of \$68,067 and \$2,625, for the years ended December 31, 2022 and 2021, respectively.

Expenses, including advertising expenses amounting to \$87,309 and \$27,336 for the years ended December 31, 2022 and 2021, respectively, are recognized when the related liability is incurred. The Institute allocates its expenses on a functional basis among its programs and supporting services. 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. Other expenses that are common to several functions are allocated to programs and supporting services based on management's estimates, including revenue per program that results in an equitable distribution.

###### 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 contracts of approximately \$9,867,700 that have not been recognized as of December 31, 2022 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.

## HAWAII PUBLIC HEALTH INSTITUTE

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2022 and 2021

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 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.

##### 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 the donation, and are recorded as expenses or assets in the same amount. There were no significant in-kind contributions for the years ended December 31, 2022 and 2021.

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. The services are valued at the standard rates charged by the donor. A number of unpaid volunteers have made contributions of their time to the Institute. The value of their time is not reflected in these financial statements because it does not meet the criteria for recognition.

##### 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, 2022 and 2021, the Institute did not have gross receipts subject to the general excise tax.

##### 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.



## HAWAII PUBLIC HEALTH INSTITUTE

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### For the Years Ended December 31, 2022 and 2021

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Income Taxes (continued)

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, 2022 and 2021 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.

##### Adoption of New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842): Leases: Amendments to the FASB Accounting Standards Codification*. Under this ASU, lessees are required to recognize assets and liabilities on their balance sheets for all leases with a term of more than 12 months. The assets and liabilities recognize the rights and obligations created by each lease initially measured as the present value of lease payments. This recognition applies to all leases – capital and operating leases. Previously, only capital leases were recognized as assets and liabilities on balance sheets. This ASU also requires disclosures on the amount, timing and uncertainty of cash flows due to the leases, including qualitative and quantitative information.

The Institute implemented this ASU during the year ended December 31, 2022, using the modified retrospective transition method, whereby leases that were longer than 12 months as of January 1, 2022 were evaluated and recognized under this ASU. Prior period financial statement balances and disclosures have not been adjusted to reflect the provision of the new lease standard. The Institute does not have finance leases. See Note I for a summary of leases.

In September 2020, FASB issued ASU No. 2020-07, *Not for Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires that a not-for-profit entity present contributed nonfinancial assets as a separate line item in the statement of activities and provide enhanced disclosures including disaggregation of the contributed assets by type; whether the assets were monetized or utilized during the reporting period, and if utilized, by which programs; policy on when assets are monetized rather than utilized; description of any donor imposed restrictions; and description of the valuation techniques to determine the fair value of the assets.

The Institute implemented this ASU in the year ended December 31, 2022. The implementation of the ASU did not impact the accounting for the contributed nonfinancial assets.

**HAWAII PUBLIC HEALTH INSTITUTE**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Years Ended December 31, 2022 and 2021**

**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, 2022 and 2021, 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>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| Cash (including interest-bearing accounts)   | \$ 1,221,729        | \$ 1,821,630        |
| Accounts receivable – net  | 2,509,686           | 578,079             |
| Investments in marketable securities – current   | <u>638,711</u>      | <u>648,332</u>      |
| Total financial assets   | 4,370,126           | 3,048,041           |
| Net assets with donor restrictions   | <u>(1,907,521)</u>  | <u>(2,007,257)</u>  |
| <br>   |                     |                     |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 2,462,605</u> | <u>\$ 1,040,784</u> |

**NOTE C – INVESTMENT IN MARKETABLE SECURITIES**

At December 31, 2022 and 2021, investments in marketable securities consisted of the following:

|                         | 2022               |                   | 2021                |                   |
|-------------------------|--------------------|-------------------|---------------------|-------------------|
|                         | <u>Cost</u>        | <u>Fair Value</u> | <u>Cost</u>         | <u>Fair Value</u> |
| Exchange traded funds   | \$ 773,765         | \$ 731,618        | \$ 893,864          | \$ 883,446        |
| Mutual funds            | 198,316            | 158,227           | 84,454              | 80,787            |
| Fixed income securities | 17,000             | 16,983            | 17,000              | 17,000            |
| Cash management funds   | <u>22,479</u>      | <u>22,479</u>     | <u>16,141</u>       | <u>16,141</u>     |
| Total investments       | <u>\$1,011,560</u> | <u>\$ 929,307</u> | <u>\$ 1,011,459</u> | <u>\$ 997,374</u> |

## HAWAII PUBLIC HEALTH INSTITUTE

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2022 and 2021

#### NOTE C – INVESTMENT IN MARKETABLE SECURITIES (Continued)

For the years ended December 31, 2022 and 2021, investment losses consisted of the following:

|  | <u>2022</u>        | <u>2021</u>       |
|--|--------------------|-------------------|
| Investment losses                          |                    |                   |
| Interest and dividends                     | \$ 27,151          | \$ 11,586         |
| Unrealized losses from holding investments | (68,168)           | (14,085)          |
| Realized losses from sales of investments  | (25,510)           | -                 |
| Investment fees                            | <u>(1,540)</u>     | <u>(126)</u>      |
| Total investment losses – net              | <u>\$ (68,067)</u> | <u>\$ (2,625)</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.

At December 31, 2022 and 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.

**HAWAII PUBLIC HEALTH INSTITUTE**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Years Ended December 31, 2022 and 2021**

NOTE D – FAIR VALUE MEASUREMENT (Continued)

The following sets forth by level, within the fair value hierarchy, the fair value of investments as of December 31, 2022:

|                         | <u>Level 1</u>   | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>     |
|-------------------------|------------------|----------------|----------------|------------------|
| Exchange traded funds   | \$731,618        | \$ -           | \$ -           | \$731,618        |
| Mutual funds            | 158,227          | -              | -              | 158,227          |
| Cash management funds   | 22,479           | -              | -              | 22,479           |
| Fixed income securities | <u>16,983</u>    | <u>-</u>       | <u>-</u>       | <u>16,983</u>    |
| Total investments       | <u>\$929,307</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$929,307</u> |

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            |
| Cash management funds   | 16,141            | -              | -              | 16,141            |
| Fixed income securities | <u>17,000</u>     | <u>-</u>       | <u>-</u>       | <u>17,000</u>     |
| Total investments       | <u>\$ 997,374</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 997,374</u> |

NOTE E – PROPERTY AND EQUIPMENT

At December 31, 2022 and 2021, property and equipment consisted of the following:

|                                | <u>2022</u>      | <u>2021</u>      |
|--------------------------------|------------------|------------------|
| Office furniture and equipment | \$ 78,389        | \$ 80,638        |
| Total                          | 78,389           | 80,638           |
| Accumulated depreciation       | <u>(50,705)</u>  | <u>(41,241)</u>  |
| Property and equipment – net   | <u>\$ 27,684</u> | <u>\$ 39,397</u> |

## HAWAII PUBLIC HEALTH INSTITUTE

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### For the Years Ended December 31, 2022 and 2021

##### NOTE F – LINE-OF-CREDIT

In October 2022, the Institute renewed a previously expired revolving line-of-credit of \$50,000 available through October 2023. This revolving line-of-credit bears interest at 6% above the Wall Street Journal Prime Rate. As of December 31, 2022 and 2021, 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 G – 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.

##### NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2022 and 2021, net assets with donor restrictions consisted of the following:

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| Net assets restricted for                |                     |                     |
| Community Health Workers                 | \$ 403,944          | \$ 174,286          |
| HEAL                                     | 385,284             | 856,450             |
| Youth Tobacco Prevention                 | 332,925             | 184,759             |
| Hawaii Oral Health Coalition             | 294,761             | 200,373             |
| COVID                                    | 165,195             | 364,471             |
| Farm to School                           | 152,527             | 69,885              |
| Eldercare                                | 78,164              | 103,561             |
| Family Engagement Project                | 39,624              | 19,625              |
| Other purposes                           | <u>55,097</u>       | <u>33,847</u>       |
| Total net assets with donor restrictions | <u>\$ 1,907,521</u> | <u>\$ 2,007,257</u> |

# HAWAII PUBLIC HEALTH INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended December 31, 2022 and 2021

### NOTE I – LEASES

The Institute leases office space under operating leases expiring through April 2029, and equipment under an operating lease expiring in February 2025. The institute also leases storage space on a month-to-month basis. Lease rent expense, including common area maintenance costs and taxes, for the years ended December 31, 2022 and 2021 (included in occupancy expenses and other expenses) amounted to \$159,545 and \$118,995, respectively.

Supplemental financial position and cash flow information related to the operating lease as of and for the year ended December 31, 2022 consisted of the following:

|                          | <u>2022</u>      |
|--------------------------|------------------|
| Operating lease expense  | \$ 40,485        |
| Short-term lease expense | 91,807           |
| Variable lease expense   | <u>27,253</u>    |
| Total lease rent expense | <u>\$159,545</u> |

|  |            |
|--|------------|
| Cash paid for amount included in the measurement of lease liabilities        |            |
| Operating cash flows from operating leases                                   | \$ 17,051  |
| Weighted-average remaining lease term in years for operating leases          | 5.96 years |
| Weighted-average discount rate for operating leases using the risk-free rate | 3.15%      |

At December 31, 2022, minimum future lease payments approximated the following:

|   |                  |
|---|------------------|
| Years Ending December 31st                      |                  |
| 2023  | \$ 76,821        |
| 2024  | 78,647           |
| 2025  | 92,860           |
| 2026  | 78,314           |
| 2027  | 78,800           |
| Thereafter                                      | <u>108,350</u>   |
| Total minimum lease payments                    | 513,792          |
| Amount representing interest in future payments | <u>(48,688)</u>  |
| Present value of future minimum lease payments  | 465,104          |
| Operating lease liabilities – current           | <u>(63,355)</u>  |
| Operating lease liabilities – noncurrent        | <u>\$401,749</u> |

## HAWAII PUBLIC HEALTH INSTITUTE

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### For the Years Ended December 31, 2022 and 2021

##### NOTE J – 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 \$27,462 and \$21,859 to the plan for the years ended December 31, 2022 and 2021, respectively.

##### NOTE K – 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 70% and 21% of its revenue and support from various governmental agencies during the years ended December 31, 2022 and 2021, 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 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 L – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 22, 2023, 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.

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**HAWAII PUBLIC HEALTH INSTITUTE**  
**SUPPLEMENTARY INFORMATION**  
**For the Year Ended December 31, 2022**



**HAWAII PUBLIC HEALTH INSTITUTE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended December 31, 2022**

| <u>Program Title</u>   | <u>Federal<br/>Assistance<br/>Listing<br/>Number</u> | <u>Agency or<br/>Pass-through<br/>Number</u> | <u>Federal<br/>Expenditures</u> | <u>Amount<br/>Provided to<br/>Subrecipients</u> |
|--|--|--|---------------------------------|---|
| <u>U.S. Department of Health and Human Services</u>  |  |  |                                 |   |
| Direct program   |  |  |                                 |   |
| Drug-Free Communities Support Program<br>Grants  | 93.276   | 6 NH28CE002673-<br>04-00 &                   |                                 |   |
| "" ""  | 93.276   | 6 NH28CE002673-<br>05-00                     | \$ 123,192                      | \$ -  |
| Passed through State of Hawaii, Department of Health   |  |  |                                 |   |
| Immunization Cooperative Agreements  | 93.268   | * ASO Log No. 22-159                         | 5,462,993                       | 4,632,602                                       |
| " "  | 93.268   | * ASO Log No. 22-183                         | 20,149                          | -   |
| Total Immunization Cooperative Agreements  | 93.268   |  | <u>5,483,142</u>                | <u>4,632,602</u>                                |
| Substance Abuse and Mental Health<br>Services Projects of Regional and<br>National Significance  | 93.243   | ASO Log No. 20-129                           | 107,354                         | -   |
| "" ""  | 93.243   | ASO Log No. 20-130                           | 80,354                          | -   |
| "" ""  | 93.243   | ASO Log No. 20-126                           | 69,309                          | -   |
| "" ""  | 93.243   | ASO Log No. 23-058                           | 36,900                          | -   |
| "" ""  | 93.243   | ASO Log No. 23-057                           | 35,500                          | -   |
| "" ""  | 93.243   | ASO Log No. 23-059                           | 21,800                          | -   |
| Total Substance Abuse and Mental Health<br>Services Projects of Regional and<br>National Significance                                    | 93.243   |  | <u>351,217</u>                  | <u>-</u>  |
| National and State Tobacco Control Program   | 93.387   | ASO Log No. 21-058                           | 169,207                         | -   |
| The National Cardiovascular Health Program   | 93.426   | ASO Log No. 20-240<br>Modification 1 & 2     | 115,950                         | -   |
| Activities to Support State, Tribal, Local and Territorial<br>(STLT) Health Department Response to Public<br>Health or Healthcare Crises | 93.391   | ASO Log No. 22-204                           | 114,341                         | -   |
| Community Health Workers for Public Health<br>Response and Resilient   | 93.495   | ASO Log No. 22-212                           | 57,850                          | -   |
| Total passed through State of Hawaii,<br>Department of Health  |  |  | <u>6,291,707</u>                | <u>4,632,602</u>                                |

(Continued)

**HAWAII PUBLIC HEALTH INSTITUTE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**

**For the Year Ended December 31, 2022**

| <u>Program Title</u>   | <u>Federal<br/>Assistance<br/>Listing<br/>Number</u> | <u>Agency or<br/>Pass-through<br/>Number</u> | <u>Federal<br/>Expenditures</u> | <u>Amount<br/>Provided to<br/>Subrecipients</u> |
|--|--|--|---------------------------------|---|
| <u>U.S. Department of Health and Human Services (continued)</u>  |  |  |                                 |   |
| Passed through Public Health Institute<br>National Organizations of State and<br>Local Officials   | 93.011   | 02956-AR05186                                | \$ 132,644                      | \$ 60,500                                       |
| Passed through Board of Regents of the<br>University of Arizona<br>Public Health Training Centers Program  | 93.516   | 457252 & 664734                              | 83,298                          | -   |
| Passed through National Foundation for the Centers<br>for Disease Control and Prevention, Inc.<br>Immunization Research, Demonstration,<br>Public Information and Education Training<br>and Clinical Skills Improvement Projects | 93.185   | 43101  | 51,883                          | -   |
| CSELS Partnership: Strengthening Public<br>Health Laboratories   | 93.322   | 43201  | 14,935                          | -   |
| Total passed through National Foundation for the Centers<br>for Disease Control and Prevention, Inc.   |  |  | 66,818                          | -   |
| Total U.S. Department of Health and Human Services   |  |  | 6,697,659                       | 4,693,102                                       |
| <u>U.S. Department of Housing and Urban Development</u>  |  |  |                                 |   |
| Passed through City and County of Honolulu, Department<br>of Community Services<br><i>CDBG - Entitlement Grants Cluster</i><br>Community Development Block Grants/<br>Entitlement Grants   | 14.218   | CT-DCS-2200088-6                             | 563,272                         | 428,903   |
| <i>Total CDBG - Entitlement Grants Cluster</i>   |  |  | 563,272                         | 428,903   |
| Total U.S. Department of Housing and Urban Development   |  |  | 563,272                         | 428,903   |
| <u>U.S. Department of Agriculture</u>  |  |  |                                 |   |
| Direct programs  |  |  |                                 |   |
| Food and Agriculture Service Learning Program  | 10.522   | 2020-70026-33222                             | 89,598                          | -   |
| Regional Food System Partnerships  | 10.177   | FNS-F2S-IMPL-2022-HI-2                       | 7,356                           | -   |
| Total direct programs  |  |  | 96,954                          | -   |

(Continued)

**HAWAII PUBLIC HEALTH INSTITUTE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**

**For the Year Ended December 31, 2022**

| <u>Program Title</u>  | <u>Federal<br/>Assistance<br/>Listing<br/>Number</u> | <u>Agency or<br/>Pass-through<br/>Number</u> | <u>Federal<br/>Expenditures</u> | <u>Amount<br/>Provided to<br/>Subrecipients</u> |
|---|--|--|---------------------------------|---|
| <u>U.S. Department of Agriculture (continued)</u>   |  |  |                                 |   |
| Passed through State of Hawaii, Department of Health<br><i>SNAP Cluster</i>               | 10.561   | SNAP 22-07 & 23-09<br>UHCES 20-18 & SNAP     | \$ 46,209                       | \$ -  |
| State Administrative Matching Grants for the<br>Supplemental Nutrition Assistance Program | 10.561   | 22-17  | 19,783                          | -   |
| " " ""  | 10.561   | SNAP 22-06 & 23-08                           | 16,800                          | -   |
| <i>Total SNAP Cluster</i>   | 10.561   | SNAP 20-05                                   | <u>13,684</u>                   | <u>-</u>  |
| Total passed through State of Hawaii,<br>Department of Health                             |  |  | <u>96,476</u>                   | <u>-</u>  |
| Total U.S. Department of Agriculture  |  |  | <u>193,430</u>                  | <u>-</u>  |
| Total Expenditures of Federal Awards  |  |  | <u>\$ 7,454,361</u>             | <u>\$ 5,122,005</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, 2022**

**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 program.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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.

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**HAWAII PUBLIC HEALTH INSTITUTE**

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

**For the Year Ended December 31, 2022**



**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 statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 22, 2023.

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 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 of 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 These Report

The purpose of these reports 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. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute’s internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

CW ASSOCIATES, CPAs

CW Associates, CPAs  
Honolulu, Hawaii  
September 22, 2023

**HAWAII PUBLIC HEALTH INSTITUTE**  
**REPORTS IN ACCORDANCE WITH THE UNIFORM GUIDANCE**  
**For the Year Ended December 31, 2022**





**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 the Major 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 its major federal program for the year ended December 31, 2022. The Institute’s major federal program is identified in the summary of 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 its major federal program for the year ended December 31, 2022.

*Basis for 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; 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 the 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 Responsibilities 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. 2022-001. Our opinion on the 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 certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Item No. 2022-001 to be significant deficiencies.

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 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.

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 22, 2023



**HAWAII PUBLIC HEALTH INSTITUTE**  
**FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2022**

**HAWAII PUBLIC HEALTH INSTITUTE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2022**

SUMMARY OF AUDITOR’S RESULTS

***Financial statements***

|   |  |   |
|---|--|---|
| Type of auditor's report on the financial statements      | <input checked="" type="checkbox"/> Unmodified<br><input type="checkbox"/> Adverse | <input type="checkbox"/> Qualified<br><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 program  |  |   |
| 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 program                               | <input checked="" type="checkbox"/> Unmodified<br><input type="checkbox"/> Adverse | <input type="checkbox"/> Qualified<br><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 program  |  |   |
| Assistance Listing No. 93.268 – Immunization Cooperative Agreements                                |  |   |
| Dollar threshold used to distinguish between type A and type B programs                            |  | \$750,000   |
| Auditee qualified as a low-risk auditee  | <input checked="" type="checkbox"/> Yes  | <input type="checkbox"/> No   |

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, 2022**

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

In the current year, the auditor expressed an unmodified opinion on compliance on the Hawaii Public Health Institute’s (Institute) major federal award program. The following instance of noncompliance is required to be reported in accordance with the Uniform Guidance and is described below as Item No. 2022-001, which is considered by the auditor to be a significant deficiency in internal control over compliance.

Compliance

Immunization Cooperative Agreements

Assistance Listing No. 93.268

*Reference Number* – Item No. 2022-001

*Criteria* – Per the Code of Federal Regulations (CFR), 2 CFR200.305(b)(4), after a Federal awarding agency or pass-through entity advances cash payments to a non-Federal entity to cover its initial disbursement needs, the pass through-entity must reimburse the non-Federal entity for its actual cash disbursements. Also, per 2 CFR 200.414(f), costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both.

*Statement of Condition* – Instances were noted where indirect costs requested for reimbursement exceeded the indirect cost rate allowed under the contract.

*Questioned Costs* – Questioned costs for excess indirect costs billed approximated \$77,800.

*Cause and Effect* – Due to a change in personnel during the year, certain indirect costs were requested for reimbursement under the indirect cost rate and again as indirect costs for specific expenses. Additional amounts requested for reimbursement in excess of the indirect cost rate allowed under the contract were \$28,600 for Assistance Listing No. 93.391.

*Recommendation* – Documentation for the processes of the preparation and review of program billings should be updated and provided to all personnel responsible for billing granting agencies. The review of billings should be performed by individuals with direct knowledge of requirements of the grants and should include any supporting documentation used and/or calculations performed.

*Response* – See Corrective Action Plan, which follows.

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

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

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 was compared to the time allocated to the federal program during the year ended December 31, 2021. Instances were 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.

*Current Year Status* – The auditor noted that adjustments were made by management to the hours charged by employees on their timesheets such that the amount charged to a program may not be the amount per the timesheet. Supporting documentation for the nature of the adjustment was not always maintained.

*Current Year Recommendation* – Supporting documentation for changes to employee timesheets should be properly documented and maintained with the employee timesheets. Education should be provided to the employees about the importance of properly tracking time by grant/program and reporting their time correctly on their timesheets.

**HAWAII PUBLIC HEALTH INSTITUTE**

**CORRECTIVE ACTION PLAN**

**For the Year Ended December 31, 2022**





CORRECTIVE ACTION PLAN

For the Year Ended December 31, 2022

1. Excess indirect cost billing

Three contracts identified with excess indirect cost billing will be corrected on the next invoice and prior to contract ending date. Assistance Listing (AL) No. 93.268 or 2103 CBO Contract and No. 93.391 or 2103 Health Equity Contract are ending by November 2023 and May 2024 respectively. Hawaii Public Health Institute (HIPHI) will submit up to date billing with corrections.

As recommended by the auditors, the HIPHI team will 1) create a written procedure that describes in detail the process to prepare and review program billings, and 2) implement guidelines on how to record indirect costs. For all federally awarded programs, the Director of Finance and Operations and the program's lead manager, with direct knowledge of the requirements for the grants, will review the billing prior to submission to the funder. The Finance and Accounting Manager and/or other trained Finance and Operations staff will prepare the billings, provide financial reports as requested, and include any supporting documentation used, for the reviewers.

2. Allocated personnel cost not supported by the employee's timesheet

Questioned cost for the time not supported by an employee's timesheet was not significant amount in 2022. As recommended by the auditor's, HIPHI will properly document any corrections and changes to the employee timesheet (if any) and maintain it. Effective October 2023, program leads will be reviewing their program employee's timesheet for accuracy of hours and funding source(s), and approving it in QuickBooks Time. During new staff orientation and bi-annual all staff meetings, HIPHI will provide education about the importance of properly tracking time by grant/program and reporting their time correctly on their timesheet.

HIPHI is in the process of expanding the finance and operations team and plans to hire one accounting staff by the end of 2023 to support the growth of the organization and provide additional support in our accounting functions and implement the updated processes. The Director of Finance and Operations and the Finance and Accounting Manager will be responsible for implementing these corrective actions by the end of 2023.

  
\_\_\_\_\_  
Jessica Yamauchi, Chief Executive Officer

09/21/2023  
Date