

Opportunities and Resources, Inc.
Report on Audit of Financial Statements

Year Ended June 30, 2022

OPPORTUNITIES AND RESOURCES, INC.

JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Opportunities and Resources, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Opportunities and Resources, Inc. which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Opportunities and Resources, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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, as required by Title 2 U.S. Code of Federal Regulations, 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2023, on our consideration of Opportunities and Resources, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Opportunities and Resources Inc.'s internal control over financial reporting and compliance.



Dennis H. Ikawa, CPA, LLC
Certified Public Accountant

Honolulu, Hawaii
January 29, 2023

OPPORTUNITIES AND RESOURCES, INC.

Statement of Financial Position

June 30, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,461,022
Client Custodial Fund	-
Client Trust Account	82,029
Accounts receivable , less allowance of \$16,500	729,628
Accounts receivable - clients cost share	19,298
Accounts receivable - other	877,458
Accounts receivable - interfund	948,058
Marketable securities	238,315
Prepaid expenses	4,343

TOTAL CURRENT ASSETS \$ 4,360,150

RESTRICTED DEPOSITS AND FUNDED RESERVES

Tenant security deposit	2,118
Replacements reserves	310,223
Residual receipts reserve	2,988
Other reserves	86,700

TOTAL RESTRICTED DEPOSITS AND FUNDED RESERVES 402,029

ADVANCES TO RELATED PARTY

715,981

**PROPERTY AND EQUIPMENT, NET OF
accumulated depreciation**

457,786

TOTAL ASSETS \$ 5,935,946

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 1,854,309
Client Custodial Fund	136,850
Clients Trust	375,782
Current portion of long-term debt	58,979
Accounts payable - interfund	-
Accrued payroll and related liabilities	49,219
Deposits	1,957
Accrued interest	717

TOTAL CURRENT LIABILITIES 2,477,814

TENANT SECURITY DEPOSITS

2,113

LONG-TERM DEBT, less current portion

771,195

TOTAL LIABILITIES 3,251,123

COMMITMENTS AND CONTINGENCIES

NET ASSETS

Unrestricted 2,684,824

Total net assets 2,684,824

Total liabilities and net assets \$ 5,935,946

See accompanying notes to financial statements

OPPORTUNITIES AND RESOURCES, INC.

Statement of Activities

Year Ended June 30, 2022

	<u>Unrestricted</u>
Revenue and Other Support	
Revenues:	
Grant Revenue	\$ -
Program service fees	3,312,625
Rental revenue	722,743
Miscellaneous Rental revenue	165,225
Grants	-
Investment Income (loss)	(15,889)
Other income	20,595
Donations	95,906
Total revenues	<u>4,301,204</u>
TOTAL REVENUE	
Expenses	
Program Services	
HUD Program	139,007
FmHA Program	274,006
Residential Housing Program'	432,126
Adult care Program	930,259
Independent Care Prpogram	2,346,992
DOM Program	95,936
Restricted Program	-
TOTAL PROGRAM SERVICES	<u>4,218,326</u>
Supporting services -	
Fundraising	947
Management and General	132,760
TOTAL EXPENSES	<u>4,352,033</u>
NON-OPERATING INCOME (EXPENSES):	
Interest subsidy income	63,965
Interest subsidy expense	<u>(63,965)</u>
	-
Changes in net assets	<u>(50,829)</u>
Net Assets, beginning of year	2,735,653
Prior period adjustments	-
Net Assets, beginning of year, as restated	<u>2,735,653</u>
Net Assets, end of year	<u>\$ 2,684,824</u>

See accompanying notes to financial statements

OPPORTUNITIES AND RESOURCES, INC.

Statement of Cash Flows

Year ended June 30, 2022

CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:	
Change in net assets	\$ (50,829)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	60,789
Unrealized gain on investments	-
Realized (gain) loss on investment	(9,129)
Investment expenses deducted from investment account	-
Reinvested interest and dividends	-
Decrease (increase) in assets and Increase (decrease) in liabilities:	
Accounts Receivable	(448,845)
Client Custodial Account	184,852
Client Trust Account	(82,029)
Accounts Receivable Related Party	208,482
Prepaid Expenses	(90)
Accounts receivable - clients cost share	12,337
Accounts receivable - related party receivable	(6,075)
Other receivable	(214,041)
Accounts payable	688,845
Clients Trust account	(0)
Clients Custodial account	84,774
Accounts payable - interfund	-
Deposits	640
Accrued interest	(467)
Accrued payroll	53,124
Advances from related party	-
Net cash provided (used) by operating activities	<u>482,339</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES:	
Purchase of vehicles	0
Purchase of buildings - Construction in progress	0
Purchase of equipment	0
Purchase of furniture and fixtures	(4,645)
Net transfers to tenant security deposit	11
Net transfers to replacement reserves	43,236
Net transfers to residual receipts reserve	5,115
Net transfers to other reserves	(2,463)
Repayment of advances to related party	<u>0</u>
Net cash provided (used) by investing activities	<u>41,255</u>
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES:	
Proceeds from notes payable	0
Repayments of notes payable	<u>(705,031)</u>
Net cash provided (used) by financing activities	<u>(705,031)</u>
Net increase (decrease) in cash	(181,436)
Cash balance, beginning of year	<u>1,704,495</u>
Cash balance, ending of year	<u>\$ 1,523,055</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION AND NON-CASH FINANCING ACTIVITIES	
Cash paid during the year:	
Interest	\$ 13,144
Taxes	-

See accompanying notes to financial statements

OPPORTUNITIES AND RESOURCES, INC.

Statement of Functional Expenses

Year Ended June 30, 2022

	Program								Support				
	HUD Program	FmHA Program	HV Residential Housing Program	H & CBS Adult Care Program	ICF MR(I) Program	Restricted Account	CHSP Account	DOM Program	Social Sec Program	Subtotal	Fund Raising	General and Administrative	Total Expenses
Salaries & Wages	\$ -	\$ 16,820	\$ 125,559	\$ 581,953	\$ 1,513,032	\$ -	\$ -	\$ 40,601	\$ -	\$ 2,277,965	\$ -	\$ 104,834	\$ 2,382,799.67
Payroll Tax	-	1,505	10,309	48,011	124,433	-	-	3,249	-	\$187,507	-	6,389	193,896
Payroll processing	-	-	468	2,222	6,376	-	-	162	-	\$9,228	-	-	9,228
Employee Benefit	-	-	-	735	4,015	-	-	-	-	\$4,750	-	1,500	6,250
Food service	-	-	-	-	-	-	-	-	-	\$0	-	-	-
Telephone	7,168	15,355	-	6,958	21,184	-	-	3,413	-	\$54,078	-	(340)	53,738
Client's Medical and dental	-	-	-	-	-	-	-	-	-	\$0	-	-	-
Client cost share	-	-	-	-	-	-	-	-	-	\$0	-	-	-
Client Meals	-	-	140,832	-	162,111	-	-	-	-	\$302,943	-	-	302,943
Repair and maintenance	5,160	5,553	376	5,531	19,131	-	-	2,765	-	\$38,517	-	-	38,517
Dues & subscription	-	-	-	-	-	-	-	-	-	\$0	-	-	-
House allowance	-	-	30,036	-	-	-	-	-	-	\$30,036	-	-	30,036
Interest	9,729	3,415	-	-	-	-	-	-	-	\$13,144	-	-	13,144
Investment expenses	-	-	-	-	-	-	-	-	-	\$0	-	3,646	3,646
Professional Service	12,696	-	-	-	44,609	-	-	-	-	\$57,305	-	-	57,305
Maintenance Fees	20,880	60,000	-	-	-	-	-	-	-	\$80,880	-	-	80,880
Management Fees	-	22,464	-	-	-	-	-	-	-	\$22,464	-	-	22,464
Audit expenses	-	9,405	-	3,658	9,928	-	-	-	-	\$22,990	-	5,225	28,215
Supplies and Materials	-	19,904	7,820	14,615	36,891	-	-	3,517	-	\$82,748	(5)	897	83,641
Postage	-	-	-	-	-	-	-	-	-	\$0	-	-	-
Rent - premises	-	-	105,201	54,000	-	-	-	15,600	-	\$174,801	-	-	174,801
Rent - equipment	-	-	-	579	-	-	-	290	-	\$869	-	-	869
Client incentives	-	-	-	-	-	-	-	-	-	\$0	-	-	-
Program activities	-	-	999	6,374	6,238	-	-	42	-	\$13,652	-	(888)	12,764
Depreciation	12,977	18,879	-	-	2,218	-	-	483	-	\$34,558	952	11,395	46,905
Insurance	8,878	14,194	3,731	161,946	339,096	-	-	16,590	-	\$544,436	-	-	544,436
Equipment Rent	-	-	-	-	-	-	-	-	-	\$0	-	-	-
Auto and client transportation	-	15,511	-	26,894	3,006	-	-	2,137	-	\$47,547	-	-	47,547
Advertising and promotion	-	-	-	-	-	-	-	-	-	\$0	-	-	-
Training	-	-	-	-	-	-	-	-	-	\$0	-	-	-
Utilities	27,052	35,532	6,794	11,156	33,942	-	-	5,213	-	\$119,688	-	-	119,688
License and Fees	876	1,853	-	2,048	9,888	-	-	-	-	\$14,665	-	-	14,665
Bank charge	48	72	-	-	-	-	-	86	-	\$206	-	102	308
Property tax	220	220	-	167	509	-	-	84	-	\$1,200	-	-	1,200
Taxes- other	-	-	-	-	-	-	-	-	-	\$0	-	-	-
Miscellaneous financial charges	-	-	-	-	-	-	-	-	-	\$0	-	-	-
Contract Services	33,323	33,323	-	3,410	10,386	-	-	1,705	-	\$82,148	-	-	82,148
	\$ 139,007	\$ 274,006	\$ 432,126	\$ 930,259	\$ 2,346,992	-	-	\$ 95,936	\$ -	\$ 4,218,326	\$ 947	\$ 132,760	\$ 4,352,033

See accompanying notes to financial statements

(1) NATURE OF ORGANIZATION

The organization was incorporated as a non-profit entity under the laws of the State of Hawaii in 1980. The organization provides essential social activities, medical services, education, working experience and low-income rental housing designed for these developmentally disabled persons. Funding for the organization is primarily through service fees, grants from the federal government and the State of Hawaii and rental revenue.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The organization follows standards of accounting and financial reporting for voluntary health and welfare organizations as described in the American Institute of Certified Public Accountants "Industry Guide for Audits of Voluntary Health and Welfare Organizations". Accordingly, the financial statements are prepared on an accrual basis of accounting.

Financial Statement Presentation

The organization adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements for Non-Profit Organizations". Under SFAS No. 117, in accordance with accounting principles generally accepted in the United States of America, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted; temporarily restricted, and permanently restricted.

Contributions

Contributions are recognized in accordance with SFAS No. 116, "Accounting for Contributions received and Contributions made," whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose of restrictions.

Client Service Revenue

Client service revenue is reported at reported at the net realizable amounts from clients, third party payers, and other for services rendered.

Allocated Expenses

Functional expenses have been allocated between program services and supporting services based on personnel time and space utilized for the related services.

Property and Equipment

Office furniture and equipment and property are stated at cost The organization capitalizes all acquisitions in excess of \$1,000. Depreciation are computed over estimated useful lives of the assets which are five to forty years.

Opportunities and Resources, Inc.
Notes to Financial Statements
June 30, 2022

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization has been classified as other than a Private Foundation and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Organization is subject to a tax on income from any unrelated tax business income.

On July 01, 2009, The Organization adopted the application of the uncertain tax positions provisions of FASB ASC 70, *Income Taxes*. The Organization evaluates its uncertain tax positions using provisions of FASB ASC 450, *Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. The organization believes there are no uncertain tax positions that are material to the financial statements.

The Organization believes it is no longer subject to income tax examinations prior to fiscal years before June 30, 2009 and for the open tax years June 30, 2018 through June 30, 2022.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles generally accepted in the United States of America.

Cash Equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less from the acquisition date.

Cash

Cash includes cash on hand and in banks.

Restricted cash

Consists of deposits and reserves that the Organization is required to maintain in accordance with loan and other regulatory agreements.

Receivables

Receivables are recorded when invoices are issued and are presented in the statements of financial positions net of the allowance of doubtful accounts. Receivables are written off when they are determined to be uncollectible. The allowance for doubtful accounts is estimated based on historical trends.

Opportunities and Resources, Inc.
Notes to Financial Statements
June 30, 2022

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America, requires the use of management's estimates and assumptions that effect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The organization follows standards of accounting and financial reporting for voluntary health and welfare organizations as described in the American Institute of Certified Public Accountants "Industry Guide for Audits of Voluntary Health and Welfare Organizations". Accordingly, the financial statements are prepared on an accrual basis of accounting.

Revenue Recognition

Revenue related to cost-reimbursement award is recognized when allowable and reimbursable expenditures are incurred, and upon meeting the legal and contractual requirements of funding source. Revenue related to performance awards are recognized when services have been rendered. Funding received in advance of expenditures is recorded as grant advance payable in the statement of financial position.

Net rent revenue is recognized in the period which the rent is earned. In accordance with RD financial reporting requirements, possible rental income represents total possible rent revenue as if all units are 100 percent occupied during the year. Total revenue income represents potential rental income less vacancies. Rent collected in advance are deferred until the rental income is earned.

The Organization adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, "ASC 606"), which supersedes most existing revenue recognition guidance and outlines a single comprehensive model for recognizing revenue as performance obligations, as defined in a contract with a customer as goods or services transferred to the customer in exchange for consideration, are satisfied. The adoption of ASC 606 did not have a material impact on the financial statements of the Organization upon adoption.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received as assets, decrease of liabilities, or expenses depending on the form of benefits received. Promise to give are recorded at net realizable value, adjusted for present value if due in more than one year.

Client Fees

Fees are billed on an hourly basis except where limited by applicable law and revenue is recognized at the net realizable amounts for services rendered.

Opportunities and Resources, Inc.
Notes to Financial Statements
June 30, 2022

Investments

Investments are comprised of common stocks, mutual funds and fixed income bonds and cash. Investment are recorded at fair value, resulting in an unrealized gain or loss.

Investment income is recognized when earned and consist of interest and dividends.

Government Grant Awards

Government grant awards are received from federal and State of Hawaii governments. Revenue related to cost-reimbursement awards is recognized when allowable and reimbursable expenditures are incurred, and upon meeting the legal and contractual requirements of the funding source. Revenues are considered exchange transactions and are thereby recorded as revenues of the unrestricted net assets. Funding received in advance of expenditures of government grant awards are to be used for the purpose specified by the funding source.

Subsequent events

The organization evaluates subsequent events pursuant to topic 855-10-50 of the *Accounting Standards Codification* of the Financial Accounting Standards Board to the date financial Statements are issued ,January 29, 2023

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash, certificates of deposits, accounts receivable and accounts payable approximate their fair market value due to their short- term maturities of these instruments.

Accounting Principle Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The amendment in this ASU are designed to improve the current net asset classification requirements and the information presented in the financial statements about a not-for-profit entity's liquidity, financial performance and cash flows. The amendments in the ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2017 The ASU has been applied to the period presented, which did not have a material effect on the financial statement.

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 establishes principles for reporting revenue arising from an organization's contract with customers. The core principle of ASU 2014-09 requires an organization to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. The

Opportunities and Resources, Inc.
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requirements of ASU 2014-09 are effective to annual reporting periods beginning after December 15, 2018. The organization is currently evaluating the impact of this pronouncement.

In February 2016, FASB released ASU 2016-02, Leases (ASC 842). Under ASU 2016-02, leases will be required to bring substantially all leases onto their balance sheet by recording right-of-use asset and lease liability. Expense will be recognized on a straight-line basis for an operating lease. Recognition of expense for a finance lease will be similar to the current treatment of capital leases. The requirements of ASU 2016-02 are effective for fiscal years beginning after December 15, 2020. The organization is currently evaluating the impact of this pronouncement.

(3) DONATED SERVICES

The organization received donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statement of activities at year ended June 30, 2022 since the criteria for recognition have not been met and was not material.

(4) PROPERTY AND EQUIPMENT

Property and Equipment at June 30, 2022 are comprised of the following:

Building	\$3,717,693
Site Improvements	900,416
Equipment	250,496
Vehicles	201,867
Furniture and fixtures	84,640
	<hr/>
	5,155,113
<u>Less Accumulated Depreciation</u>	<u>4,697,327</u>
	<hr/>
	\$ 457,786

For the year ended June 30, 2022, total depreciation expense is \$ 46,905.

Opportunities and Resources, Inc.
Notes to Financial Statements
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(5) CONCENTRATION OF RISK

The Company maintains its cash accounts in several banks located in Hawaii. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for each financial institution. All deposit accounts may be fully insured through June 30, 2022 at participating financial institutions. At June 30, 2022, there was approximately \$ 46,000 of deposits in excess of the financially insured limit. The Company has not experienced any losses of such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents

(6) RELATED PARTY TRANSACTIONS

ORI Anuenue Hale , Inc., a non-profit corporation organized under the laws of the State of Hawaii and Helemano Plantation, Inc., a for-profit corporations under the laws of the State of Hawaii shared some members of staff and management with the organization.

Helemano Plantation, inc. (HPI)

Helemano Plantation, Inc. provides the training environment for the organization's developmentally disabled person and also provides meals for the Organization's various programs. Total meal costs approximated \$302,943.

Anuenue Hale, Inc. (AHI)

AHI is reimbursed for its costs related to certain services it provides to the Organization as follows:

Office lease	\$ 54,000
Bookkeeping Services	\$ 12,696
Ground Maintenance	\$ 80,880

Advances to AHI are non-interest bearing and have no terms. The amount outstanding at June 30, 2022 approximated \$ 796,706.

(7) TENANT SECURITY DEPOSITS

Tenant security deposits are held in a clients trust account at a bank until the property is vacated by the tenants. Amounts not returned to the tenant due to lease violations are transferred to the general operating fund. Tenant security deposits at June 30, 2022 amounted to approximately \$ 2,113.

Opportunities and Resources, Inc.
Notes to Financial Statements
June 30, 2022

(8) INVESTMENTS AND FAIR VALUE MEASUREMENTS

The table below presents the Organization's investments measured at fair value at June 30,2022, on a recurring basis.

	Level 1	Level 2	Level 3
Cash-money market funds	\$ 2,635	\$ -0-	\$ -0-
Mutual funds	101,253	-0-	-0-
Government securities	20,707	-0-	-0-
Corporate Bonds	31,462	-0-	-0-
Corporate stock	82,257	-0-	-0-
	<u>\$ 238,315</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Fair value is the price that would be received to sell an asset or paid to transfer a Liability in a orderly transaction between market participants at the measurement date.

The Organization classifies its financial assets and liabilities ,measured at fair value on a recurring basis on a fair value hierarchy within three levels of inputs. Level 1 values are based on unadjusted quoted prices in active ,markets for identical securities. Level 2 values are are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in active markets. Level 3 values are based on significant unobservable inputs that reflect the Organization's determination of assumptions that market participants might reasonably use in valuing the securities.

Opportunities and Resources, Inc.
Notes to Financial Statements
June 30, 2022

(9) LONG – TERM DEBT

Long-term debt are as follows:

Mortgage note payable to HUD, in monthly payments of \$3,487, including interest at 9.25%, due in November 2024, secured buildings	\$ 90,309
Mortgage note payable to FmHA, in monthly payments of \$6,774, including interest at 9.00%, due in July 2037, secured by buildings	671,351
Mortgage note payable to FmHA, in monthly payments of \$619, including interest at 8.50%, due in July 2037, secured by buildings	63,208
Mortgage note payable to FmHA, in monthly payments of \$54, including interest at 9.50%, due in February 2039, secured by buildings	<u>5,306</u>
	\$ 830,175
Less current maturities	<u>58,978</u>
	\$ <u>771,195</u>

Maturities as of June 30, are as follows:

2022	\$ 58,978
2023	64,595
2024	45,776
2025	31,433
2025	34,209
Later year	595,082
	\$ <u>830,174</u>

Opportunities and Resources, Inc.
Notes to Financial Statements
June 30, 2022

(10) RENT INCREASE

Under regulatory agreements with HUD and FmHA, the organization may not increase rents charges to clients without HUD and FmHA approval.

(11) RESIDUAL RECEIPTS

Use of the residual receipts account is contingent upon HUD's prior written approval.

(12) VACATION AND SICK CREDIT

All full time employees, with certain exceptions, earn vacation leave at the rate of 1-3/4 vacation days for each month of service. Employees who are entitled to annual vacation may accumulate up to a maximum of five days total. Accumulated vacation leave, earned but not taken, is accrued and reflected as a liability in the statement of financial position. Upon termination of employment, the employee is paid their remaining vacation allowance as a lump sum. Accumulated vacation computed at current salary rates was approximately \$ 5,000 as of June 30, 2022.

All full-time employees earn sick leave at the rate of 1-3/4 sick days for each month of service without limit but can be taken only in the event of illness and is not convertible to pay upon termination of employment. Accordingly, accumulated sick leave earned, but not taken is not reflected in the financial statements.

(13) CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Organization's operations are concentrated in the housing and services market for disabled individuals. In addition, the Organization operates in a heavily regulated environment, by various federal, state and local agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by respective Departments. Funding from the government consisted of approximately 93.82 % of total revenues in 2021.

(14) ADVERTISING COSTS

The company expenses advertising costs as incurred. There were approximately \$ -0- of advertising costs for the year ended June 30, 2022.

Opportunities and Resources, Inc.
Notes to Financial Statements
June 30, 2022

(15) LAND LEASE

The Organization has a land sublease with the City and County of Honolulu. The term of the lease is 75 years and ends on December 31, 2057. The annual lease payments are \$1, payable in advance.

Aggregate annual ground lease commitments for the years subsequent to June 30, 2019 are as follows:

2022	\$ 1
2023	1
2024	1
2025	1
2026	1
Thereafter	<u>31</u>
	<u>\$ 36</u>

(16) COMMITMENTS AND CONTINGENCIES

Under an Interest Credit and Rental Assistance Agreement with USDA FmHA, mortgage subsidies are provided over the lives of the loan agreements. USDA FmHA may terminate the agreements if it determines that no subsidies are necessary or if the project is determined to be in violation of the loan agreements of USDA FmHA rules or regulations.

Opportunities and Resources, Inc.

**Reports In Accordance with
Government Auditing Standards and
Uniform Guidance
for the
Year Ended June 30, 2022**

9 OPPORTUNITIES AND RESOURCES, INC.
JUNE 30, 2022

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- PART II - REPORT ON COMPLIANCE WITH REQUIREMENTS
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- Current Year Findings
- Status of Prior Year Finding
- PART V - RESPONSE OF GRANTEE AGENCY

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

To the Board of Directors
Opportunities and Resources, Inc.

We have audited the financial statements of Opportunities and Resources, Inc. as of and for the year ended June 30, 2022, and have issued our report thereon dated, January 29, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Opportunities and Resources, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Opportunities and Resources, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Opportunities and Resources Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Opportunities and Resources Inc.'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 determination of financial statement amounts. 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*.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dennis H. Ikawa, CPA, LLC". The signature is written in a cursive style with a large initial "D".

Dennis H. Ikawa, CPA, LLC

January 29, 2023

Honolulu, Hawaii

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

To the Board of Directors
Opportunities and Resources, Inc.

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Opportunities and Resources Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). . Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Opportunities and Resources, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Opportunities and Resources Inc.'s compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



Dennis H. Ikawa, CPA, LLC
Honolulu, Hawaii
January 29, 2023

OPPORTUNITIES AND RESOURCES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

FEDERAL RANTOR/ PASS-THROUGH <u>GRANTOR/PROGRAM TITLE</u>	FEDERAL CFDA <u>BUMBER</u>	Contract Number	AWARD/PASS-THROUGH IDENTIFICATION <u>NUMBER</u>	<u>Passed through to subrecipients</u>	TOTAL FEDERAL EXPENDITIURES
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				-	-
Section 202 Direct Loan	14.157	140-EH021-WH	None available	-	\$ 90,309
Section 8 Housing Choice Vouchers	14.871	HI10-T-811-005	None available	-	110,760
	-			-	-
				-	201,069
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				-	-
Rural Housing Service - Rural Rental Assistance Program	10.427	61-002-9901975	None available	-	234,562
Rural Housing Service - Rural Rental Housing Loan	10.415	61-002-9901975	None available	-	671,351
	-			-	-
				-	905,913
 <u>PASS THROUGH FROM THE HAWAII DEPARTMENT OF HUMAN SERVICES</u>	 93.778	 DHS-04-MWS-1	 None available		 926,601
					 \$ 2,033,583
 TOTALS					

OPPORTUNITIES AND RESOURCES, INC.

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the direct and indirect expenditures of federal financial award programs of Opportunities and Resources Inc. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Opportunities and Resources, Inc. and is prepared on a accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of Uniform Guidance, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used the preparation of, the basic financial statements.

3. Indirect Cost

The Organization elected to use the 10% de minimis cost rate as covered in 2 CFR 200.414 indirect cost.

OPPORTUNITIES AND RESOURCES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

A. SUMMARY OF AUDITOR'S RESULTS

1. Financial Statements

programs:

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting: Material weakness(es) identified?	Yes ___ No <u>√</u>
Reportable condition(s) identified that are not considered to be material weakness(es)?	Yes <u>√</u> No ___
Noncompliance material to financial statement noted?	Yes ___ No <u>√</u>

2. Federal Awards

Internal control over major programs: Material weakness(es) identified?	Yes ___ No <u>√</u>
Reportable condition(s) identified that are not considered to be material weakness(es)?	Yes ___ No <u>√</u>
Type of auditor's report issued on compliance for major program:	<u>Unmodified</u>
Any findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	Yes ___ No <u>√</u>

Identification of major
CFDA
Number

Federal Program

93.778 Pass through from the Hawaii Department of Human Services

10.415 Rural Housing Service – Rural Rental Housing Loan

- Threshold used to distinguish between Type A and Type B programs was \$ 750,000
- The Organization did not qualify as a low-risk auditee.

OPPORTUNITIES AND RESOURCES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

B. FINANCIAL STATEMENT FINDINGS – REPORTABLE CONDITIONS

2021-01

CASH BALANCES

Finding: The cash balances consisting of bank accounts at June 30, 2022 exceeded the maximum federal deposit insurance coverage.

Recommendation: We recommend that management monitor the cash balances and transfer funds to ensure that the cash balances are insured at all times.

Current Status: Management will establish cash monitoring procedures to ensure that any cash accounts exceeding FDIC coverage will be transferred to another financial institution as necessary.

OPPORTUNITIES AND RESOURCES, INC.
Schedule of Findings d Questioned Costs
Year Ended June 30, 2022

C. PRIOR YEAR'S FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

OPPORTUNITIES AND RESOURCES, INC.
Response to Findings and Questioned Costs
Year Ended June 30, 2022

B. FINANCIAL STATEMENT FINDINGS – REPORTABLE CONDITIONS

CASH BALANCES

The cash balances consisting of bank accounts at June 30, 2022 exceeded the maximum federal deposit insurance coverage.

We recommend that management monitor the cash balances and transfer funds to ensure that the cash balances are insured at all times.

Management will establish cash monitoring procedures to ensure that any cash accounts exceeding FDIC coverage will be transferred to another financial institution as necessary.

Management agrees with the findings and recommendation and action will be taken to improve the situation. Management will establish cash monitoring procedures to ensure that any cash accounts exceeding FDIC coverage will be transferred to another financial institution as necessary. The staff will be advised of these procedures.