Financial Statements and Report of Independent Certified Public Accountants

Kupu

September 30, 2014 and 2013

Executive Summary

Aloha Kākou,

Kupu has had the privilege of being a part of a positive wave sweeping our state this past year. Kupu‘s work to empower young adults and provide them with the capacity to not only make a difference today, but also to unlock their potential for tomorrow, has truly been a team effort that has culminated with much success in our community. It is because of the joint efforts of our many members, partners, donors, supporters, board of directors, staff, and alumni that we are able to see Hawaii physically transforming into a better place. We are witnessing thousands of acres restored, young men and women obtaining their diplomas while positively turning their lives around, close to half a million dollars in higher education awards assisting our youth in their educational endeavors, thousands of young learners becoming interested in conservation and sustainability, and much more.

As you read through Kupu‘s annual report, I hope you will see the hard work and “heart” work our team has contributed to make our home, the youth we serve, and our resources much more pono. I hope you will also see the spirit of excellence that has contributed to not only success today, but has also planted seeds for continued growth tomorrow.

Thank you so much for taking the time to learn more about Kupu and the impact we are creating with our partners. We hope, together, we will greatly release the potential of our youth and our state in the years to come.

Aloha,

John Leong,
Chief Executive Officer

Contents

VERITY
Certified Public Accountants

Report of Independent Certified Public Accountants

To the Board of Directors,
Kupu:

Report on the Financial Statements

We have audited the accompanying financial statements of Kupu (the “Organization”), which comprise the statement of financial position as of September 30, 2014, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kupu as of September 30, 2014, 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 Matter – September 30, 2013, Financial Statements

The financial statements of Kupu as of September 30, 2013, were audited by other auditors whose report dated February 3, 2014, expressed an unmodified opinion on those statements.

Other Matter – 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, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations 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 February 27, 2015, on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.

Verity CPAs

February 27, 2015

Kupu

STATEMENTS OF FINANCIAL POSITION

As of September 30,

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,288,663	$ 1,159,020
Accounts receivable, net	289,908	170,074
Pledges receivable	1,600	5,566
Prepaid expenses and other assets	14,684	17,726
Total current assets	1,594,855	1,352,386
PROPERTY AND EQUIPMENT, net	22,652	27,397
RESTRICTED CERTIFICATE OF DEPOSIT	200,000	-
DEPOSITS	-	3,621
TOTAL ASSETS	$ 1,817,507	$ 1,383,404
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 4,485	$ 7,918
Accrued expenses	133,002	113,316
Deferred revenue	608,200	565,629
Deferred rent	57,226	-
Total current liabilities	802,913	686,863
COMMITMENTS AND CONTINGENCIES	-	-
Total liabilities	802,913	686,863
NET ASSETS		
Unrestricted net assets	875,786	650,099
Temporarily restricted net assets	138,808	46,442
Total net assets	1,014,594	696,541
TOTAL LIABILITIES AND NET ASSETS	$ 1,817,507	$ 1,383,404

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

Kupu

STATEMENT OF ACTIVITIES

For the year ended September 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support:				
Government grants and contracts	$ 1,418,034	$ -	$ -	$ 1,418,034
Private grants and contracts	949,420	-	-	949,420
Program service fees	944,223	-	-	944,223
Donations and contributions	111,906	150,240	-	262,146
Other revenue and support	3,978	-	-	3,978
Net assets released from restrictions	57,874	(57,874)	-	-
Total revenue and support	3,485,435	92,366	-	3,577,801
Expenses:				
Program services	2,720,376	-	-	2,720,376
Management and general	468,779	-	-	468,779
Fundraising	70,593	-	-	70,593
Total expenses	3,259,748	-	-	3,259,748
Change in net assets	225,687	92,366	-	318,053
Net assets at the beginning of the year	650,099	46,442	-	696,541
Net assets at the end of the year	$ 875,786	$ 138,808	$ -	$ 1,014,594

The accompanying notes are an integral part of this financial statement.

Kupu

STATEMENT OF ACTIVITIES

For the year ended September 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support:				
Government grants and contracts	$ 1,542,974	$ -	$ -	$ 1,542,974
Private grants and contracts	727,980	-	-	727,980
Program service fees	652,829			652,829
Donations and contributions	107,872	108,637	-	216,509
Other revenue and support	11,190	-	-	11,190
Net assets released from restrictions	62,445	(62,445)	-	-
Total revenue and support	3,105,290	46,192	-	3,151,482
Expenses:				
Program services	2,557,765	-	-	2,557,765
Management and general	378,662	-	-	378,662
Fundraising	79,637	-	-	79,637
Total expenses	3,016,064	-	-	3,016,064
Change in net assets	89,226	46,192	-	135,418
Net assets at the beginning of the year	560,873	250	-	561,123
Net assets at the end of the year	$ 650,099	$ 46,442	$ -	$ 696,541

The accompanying notes are an integral part of this financial statement.

Kupu

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2014

	Program Services	Management and General	Fund-Raising and Development	Total
Salaries and wages	$ 2,340,218	$ 302,302	$ 24,732	$ 2,667,252
Occupancy and utilities	94,301	78,014	-	172,315
Contracted services	19,274	40,904	44,825	105,003
Travel expenses	102,455	51	24	102,530
Training expenses	90,852	4,160	-	95,012
Supplies and equipment	59,894	8,213	768	68,875
Depreciation	761	14,752	-	15,513
Insurance expenses	2,412	10,343	-	12,755
Recruiting	4,703	-	-	4,703
Marketing	94	914	-	1,008
Other expenses	5,412	9,126	244	14,782
Total expenses	$ 2,720,376	$ 468,779	$ 70,593	$ 3,259,748

The accompanying notes are an integral part of this financial statement.

Kupu

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2013

	Program Services	Management and General	Fund-Raising and Development	Total
Salaries and wages	$ 2,120,303	$ 275,231	$ 38,188	$ 2,433,722
Occupancy and utilities	124,460	40,953	-	165,413
Contracted services	13,080	35,217	31,175	79,472
Travel expenses	142,058	85	20	142,163
Training expenses	75,555	299	6	75,860
Supplies and equipment	47,316	1,154	8,914	57,384
Depreciation	15,091	255	-	15,346
Insurance expenses	1,583	10,606	-	12,189
Recruiting	8,216	-	-	8,216
Marketing	373	3,868	-	4,241
Other expenses	9,730	10,994	1,334	22,058
Total expenses	$ 2,557,765	$ 378,662	$ 79,637	$ 3,016,064

The accompanying notes are an integral part of this financial statement.

Kupu

STATEMENTS OF CASH FLOWS

For the years ended September 30,

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ 318,053	$ 135,418
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	15,513	15,346
(Recovery) provision for the allowance of doubtful accounts	(566)	1,836
Loss on sale of property and equipment	251	1,264
Changes in assets and liabilities:		
Accounts receivable	(119,268)	210,892
Prepaid expenses and other assets	3,042	5,009
Restricted certifcate of deposit	(200,000)	-
Pledges receivable	3,966	-
Deposits	3,621	-
Accounts payable	(3,433)	3,571
Accrued expenses	19,686	25,230
Deferred revenue	42,571	479,880
Deferred rent	57,226	-
Net cash provided by operating activities	140,662	878,446
Cash flows from investing activities:		
Proceeds from the sale of property and equipment	-	5,500
Purchases of property and equipment	(11,019)	(4,295)
Net cash (used in) provided by investing activities	(11,019)	1,205
NET INCREASE IN CASH AND CASH EQUIVALENTS	129,643	879,651
Cash and cash equivalents at the beginning of the year	1,159,020	279,369
Cash and cash equivalents at the end of the year	$ 1,288,663	$ 1,159,020

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

NOTE 1 – ORGANIZATION BACKGROUND

Kupu (the “Organization”) is a Hawaii nonprofit corporation chartered in January 2007 to provide a home organization for the Hawaii Youth Conservation Corps (“HYCC”), which was originally developed in 1995 by the State of Hawaii, Department of Land and Natural Resources. Kupu was formed to help HYCC grow and become a self-sustaining organization. Today, there are seven programs that include four HYCC programs: Renewable Internships for Sustainable Employment (RISE), E2U, and CommunityU. These programs are training young adults in the emerging "green" job sector to help make Hawaii more self-sustaining, while engaging these youth members in relevant and important community service throughout the State. Program focuses include conservation, renewable energy, sustainable agriculture, energy audits, and Hawaiian cultural conservation and agriculture activities.

Kupu 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 Kupu are tax deductible.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Organization’s significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

Basis of accounting and financial statement presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. Net assets, revenues and support, and expenses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted – Net assets for which the board of directors has discretionary control.
- Temporarily restricted – Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or that can be fulfilled by actions of the Organization pursuant to those stipulations.
- Permanently restricted – Net assets whose use are limited by donor-imposed restrictions that neither expire with the passage of time nor can be fulfilled or otherwise removed by the actions of the Organization.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles (“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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

The Organization considers all highly liquid investments purchased with original maturities of three months or less and money market funds to be cash equivalents.

The Organization maintains cash and cash equivalent balances at several financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to $250,000. As of September 30, 2014 and 2013, there were $637,740 and $894,600 in uninsured bank balances.

Accounts receivable, net

Accounts receivable consists primarily of grants receivable. Accounts receivable and are recorded at the invoiced amount, net of an allowance for doubtful accounts of $0 and $1,836, as of September 30, 2014 and 2013, respectively.

The Organization provides an allowance for doubtful collections, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Normal receivables are unsecured, do not accrue interest, and are due upon receipt of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances.

Restricted certificate of deposit

The Organization maintains a $200,000 certificate of deposit at a financial institution in lieu of a security deposit for the office space maintained at 677 Ala Moana Blvd. The certificate of deposit is assigned to the landlord. After twelve months past the commencement date of the lease, the certificate can be reduced to $40,000.

Pledges receivable

The Organization recognizes unconditional promises to give as pledges receivable when it is received. Based on the Organization’s collection experience, the Organization has not recorded a reserve as of September 30, 2014 and 2013.

Property and equipment, net

Property and equipment are recorded at cost and depreciated over the shorter of the remaining lease term or estimated useful lives of the related assets using the straight-line method. Donated assets are recorded at their estimated fair market value at the date of donation.

The estimated useful lives of property and equipment for purposes of computing depreciation are as follows:

Vehicles	5
Furniture, fixtures, and equipment	3 to 7
Leasehold improvements	7 to 11
Machinery and equipment	3 to 7

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment, net (continued)

It is the Organization's policy to capitalize purchased or donated assets in excess of $500 with an estimated useful life of at least one year. Expenditures for maintenance, repairs, and renewals of minor items are charged to earnings as incurred. Major renewals and improvements are capitalized. Upon disposition, the cost and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in the financial statements.

Property and equipment are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. Impairment losses are recognized if expected future cash flows from the assets are less than their carrying values.

Restricted and unrestricted revenues and support

Contributions and revenues and support are recorded in the period earned as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the financial statements.

Recognition of governmental grant revenue

The Organization records grant awards accounted for as exchange transactions as deferred revenue until the related services are performed, at which time they are recognized as revenue. Revenues on cost reimbursement contracts are recognized when allowable and reimbursable expenses are incurred, and upon meeting the legal and contractual requirements of the funding source. Revenues of fee for service contracts are recognized when the services required by the contractual agreements are satisfactorily performed. Exchange transactions are recorded as revenues of the unrestricted net asset class.

Donated property and equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and cash contributions that must be used to acquire property and equipment are reported as temporarily restricted support. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service unless donors stipulate how long the donated assets must be maintained.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated services and facilities

Donated use of services and facilities are recorded as support at their estimated fair value at the date of donation. Contributed services are recognized at fair value, except for the work of volunteers for which no monetary value has been assigned.

Donated services and facilities are reported as unrestricted support unless the donor has restricted the donations to a specific purpose. Expenses in the same amount are reflected in the financial statements.

Income taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. The Organization is also exempt from state income taxes under Section 235 of the Hawaii Revised Statutes.

In evaluating a tax position for recognition, the Organization evaluates whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of related appeals or litigation processes, based on the technical merits of the position. If the tax position meets the more-likely-than-not recognition threshold, the tax position is measured and recognized as the largest amount of tax benefit that, in management's judgment, is greater than 50% likely of being realized upon ultimate settlement.

The Organization files information returns in the United States ("U.S.") Federal jurisdiction. The Organization's evaluation of tax positions was performed for the fiscal years September 30, 2012 through 2014, for the U.S. Federal jurisdiction, the tax years which remain subject to examination by the Internal Revenue Service as of September 30, 2014.

It is the Organization's policy to recognize accrued interest related to any unrecognized tax benefits, as well as, any related penalties in other expenses. The Organization did not recognize any interest or penalties associated with unrecognized tax benefits as of September 30, 2014 and 2013.

Functional classification of expenses

In accordance with generally accepted accounting principles, expenses are categorized principally in terms of the Organization's individual program activities or functions.

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassification
Certain items in the 2013 financial statements have been reclassified for comparability purposes with the 2014 financial statements. These reclassifications had no effect on previously reported changes in net assets.

NOTE 3 – PROPERTY AND EQUIPMENT, net

Property and equipment, net, consists of the following as of September 30:

	2014	2013
Vehicles	$ 50,680	$ 50,680
Furniture, fixtures, and equipment	25,260	14,742
Leasehold improvements	-	6,815
Machinery and equipment	2,514	2,514
	78,454	74,751
Less accumulated depreciation	(56,957)	(48,509)
	21,497	26,242
Construction-in-progress	1,155	1,155
	$ 22,652	$ 27,397

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of September 30:

	2014	2013
Temporarily restricted for:		
Ho 'ahu capital campaign	$ 122,952	$ 40,832
Various programs	15,856	5,610
	$ 138,808	$ 46,442

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS (continued)

Ho 'ahu Capital Campaign

Kupu's vision is to transform the Kewalo Basin Park facility and the surrounding waterfront area into an open and inclusive space to be used for the public benefit and serve as the model of sustainability, environmental restoration, and community and cultural collaboration. The project is intended to provide a center for appreciation and respect for the past, coupled with the renewal and vitality for Hawaii's future.

Kupu's long-term vision of the Kewalo Basin Park facility is to create, in the center of the Island of Oahu, a modem day sustainable *kauhale*, or separate buildings, that house different functions and together create an integrated community to expand program impact, equip members, and provide collaborative space for partnerships. Kupu's Kewalo Basin Park facility initiatives are consistent with the master plan for the waterfront being developed in conjunction with the Hawaii Community Development Authority.

NOTE 5 – LEASES

Kewalo Basin Park

The Organization is on a month-to-month lease for an open air facility located at Kewalo Basin Park from the Hawaii Community Development Authority for one dollar per year, which it utilizes as a training center. Donated rent (included in in-kind contributions) was $79,997 and $95,997 for the years ended September 30, 2014 and 2013, respectively.

New Hope Diamond Head

The Organization leased office space from New Hope Diamond Head under an operating lease that expired in December 2013 and became a month-to-month agreement through January 2014. Rent expense under this lease was $15,035 and $47,343, for the years ended September 30, 2014 and 2013, respectively.

Ala Moana Blvd.

The Organization entered into an operating lease for office space on Ala Moana Blvd. on February 1, 2014. This lease expires on July 31, 2024. Rent expense under this lease was $40,756, for the year ended September 30, 2014.

NOTE 5 – LEASES (continued)

Maturities
Future minimum rental payments under non-cancellable operating leases are as follows:

Year ended September 30,	Amount
2015	$ 58,320
2016	60,070
2017	61,872
2018	63,728
2019	65,640
Thereafter	358,945
	$ 668,575

NOTE 6 – LINE OF CREDIT

On April 12, 2012, the Organization entered into an unsecured line of credit with a financial institution, which allows for the Organization to draw up to $75,000, at the prime rate plus 1.75% (5% as of September 30, 2014). All principal and interest outstanding are due on April 30, 2015. As of September 30, 2014 and 2013, the outstanding balance of the line of credit was $0.

NOTE 7 – RELATED PARTY TRANSACTIONS

Pono Pacific Land Management, LLC
Under a joint agreement, Pono Pacific Management, LLC, (a related party through common management) and Kupu share office space, and other overhead costs. Under the terms of this agreement office space is shared based upon the square footage occupied by each entity and common space is split evenly between each entity.

Due from employees
Due from employees of $721 and $40 as of September 30, 2014 and 2013, respectively, are typically repaid within one month and do not accrue interest. Due from employees is presented in accounts receivable in the statements of financial position.

NOTE 8 – CONCENTRATION OF CREDIT RISK

The majority of the Organization's activities are with Corporation of National and Community Service ("CNCS"). Revenues earned on its grants with CNCS were $1,190,806 and $1,256,020 for the years ended September 30, 2014 and 2013, respectively. Receivables under this grant were $125,131 and $0 as of September 30, 2014 and 2013, respectively.

NOTE 9 – RETIREMENT SAVINGS PLAN

The Organization participates in a multiple-employer plan for the benefit of their eligible employees. The Organization's employees are eligible to participate in the plans after one full year of employment and attaining the age of 21. Eligible employees may make voluntary pre-tax and Roth contributions to the plan.

The Organization provides for matching of 100% of the participants first 4% of contributions. These matching contributions vest over a six-year grading schedule. For the years ended September 30, 2014 and 2013, contributions by the Organization under this plan were $14,896 and $11,786, respectively.

NOTE 10 – SUBSEQUENT EVENTS

The Organization evaluated its September 30, 2014, financial statements for subsequent events through February 27, 2015, the date the financial statements were available to be issued.

Supplementary Information

KUPU

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2014

Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
Corporation for National and Community Service			
Passed through the Hawaii Commission for National and Community Services			
AmeriCorps		13ACHHI001	$ 1,190,643
AmeriCorps		13ACHHI001	163
Total Corporation for National and Community Service	94.006		1,190,806 *
Department of Agriculture, Forest Service			
Direct Program:			
Forestry Research	10.652	11-PA-11272139-032	42,477
Forestry Research	none	14-PA-11272136-09	2,815
Total Department of Agriculture Forest Service			45,292
Environmental Protection Agency Office of Air and Radiation			
Passed through the State of Hawaii, Department of Health			
State Clean Diesel Grant Program	66.040	None	3,279
Total Environmental Protection Agency Office of Air and Radiation			3,279
Department of the Interior National Park Service			
Direct programs:			
Cooperative Research and Training Programs - Resources of the National Park System	15.945	P13AC00132	25,592
Conservation Activities by Youth Service Organizations	15.931	P11AC80334	14,000
Total Department of the Interior National Park Service			39,592

KUPU

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

For the year ended September 30, 2014

Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
Department of Commerce			
Direct programs:			
National Oceanic and Atmospheric Administration Bay Watershed Education and Training Program	11.473	NA14NOS4730146	2,166
National Oceanic and Atmospheric Administration National Marine Fisheries Service	11.452	NA13NMF4520123	50,000
Passed through Hawai`i Community Foundation National Oceanic and Atmospheric Administration Restoration Center	11.463	12HCF-59072	1,348
National Oceanic and Atmospheric Administration Restoration Center	11.463	13HCF-62993	43,871
Total Department of Commerce			97,385
Total Expenditures of Federal Awards			$ 1,376,354

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying scheduled of expenditures and federal awards was prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

* Denotes the major program, compromising 87% of total expenditures of federal awards.

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards

VERITY
Certified Public Accountants

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors,
Kupu:

We have audited the financial statements of Kupu (a nonprofit organization; the "Organization"), which comprise the statement of financial position as of September 30, 2014, 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 February 27, 2015. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The financial statements of the Organization were not audited in accordance with Government Auditing Standards and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Organization.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Verity CPAs

February 27, 2015

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance required by OMB Circular A-133

To the Board of Directors,
Kupu:

Report on Compliance for Each Major Federal Program

We have audited Kupu's (the "Organization") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2014. The Organization's major federal program is 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 each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 the Organization'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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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 September 30, 2014.

Report on Internal Control over Compliance

Management of the Organization 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, we considered the Organization's internal control over compliance with the 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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the Organization'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Verity CPAs

February 27, 2015

Schedule of Findings and Questioned Costs

Kupu

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2014

Section 1 – Summary of Auditor's Results

Financial Statements

Type of Auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ______ Yes __√__ No
- Significant deficiencies identified that are not considered to be material weaknesses? ______ Yes __√__ No

Noncompliance material to financial statements noted? ______ Yes __√__ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ______ Yes __√__ No
- Significant deficiencies identified that are not considered to be material weaknesses? ______ Yes __√__ No

Type of Auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? ______ Yes __√__ No

Identification of major programs:

CFDA No.	Name of Federal Program or Cluster
94.006	AmeriCorps

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? (OMB Circular A-133, Section 530) __√__ Yes ______ No

Section 2 – Financial Statement Findings

None.

Section 3 – Federal Award Findings and Questioned Costs

None.