Consolidated Financial Statements and Report of Independent Certified Public Accountants

Kupu and its Wholly-Owned Subsidiary, ‘Āina & Innovation Workforce Hawaii

September 30, 2022 and 2021

Executive Summary

Aloha,

O ke kahua mamua, mahope ke kūkulu.

Learn all you can, then practice. #2459

Fiscal Year 2021-22 (October 1, 2021 to September 30, 2022), like the year before it, was a time of change and uncertainty for many in the world. The youth and young adults we serve found themselves returning to many of the activities, places, and expectations they knew from the world before the Covid-19 pandemic. At the same time, the world was still reorienting, and many came to realize that there was no real return to life as we knew it. We, and the world, have changed.

For those of us who are lucky enough to work at Kupu, our question was how to lean into this period with open eyes, open hearts, and hands ready to do the work. With over a decade-and-a-half of experience now behind us, and our recent expansion during the pandemic period, we took ownership of how we had grown and created a stronger footing for the future we wanted. Not because we believe we have it all figured out – we don't – but because we know that this is a time for action.

We once again chose a theme for this year, which draws from ʻōlelo noʻeau, Hawaiian language proverbs of wisdom passed down generations. ***O ke kahua mamua, mahope ke kūkulu***, literally tells us "first the foundation, then the building." Esteemed Native Hawaiian scholar and community leader Mary Kawena Pukui, in her seminal *ʻŌlelo Noʻeau: Hawaiian Proverbs & Poetical Sayings,* ascribed a related message to her readers from this proverb: "Learn all you can, then practice."

Kupu can always learn more, but we take to heart this message that there is a time to observe, and a time to apply. For us this meant using our experience and knowledge as a ***kahua***, a foundation, to build upon for lasting programs and lasting impact. After a decade as an AmeriCorps grantee, we have transitioned into a multi-year "national direct" grant which provides us with greater flexibility and a direct relationship with the federal agency. This funding makes it possible for Kupu to expand its work into various parts of the U.S. affiliated Pacific, allowing us to go deeper here at home (in Hawaiʻi) and broader with new communities.

With roughly the same amount of experience managing alternative diploma programs, we signed an agreement with the State Department of Education to serve as a recognized Alternative Learning Center. This partnership means more opportunities for youth to earn their diplomas with us, and better outcomes for the youth who do. Along with our diploma programs, we also expanded our Environmental Education Department and its various programs. Kupu takes to heart that the pandemic has disrupted youth education in a variety of ways, and we are expanding our efforts to reach more students inside and outside of the classroom.

Lastly, we relaunched the Kupu ʻĀina Corps, a green jobs program helping young adults transition into sustainability-focused careers in areas like sustainable agriculture, sustainable energy, and conservation. Kupu ʻĀina Corps started as a temporary emergency response to record-high unemployment in 2020, but in its relaunch in early 2022 we re-envisioned it as a force for long-term, people-first change for our economy and environment. While the first cohort was still going strong at the end of this fiscal year, some participants had already been promised jobs or promotions at the end of their participation.

Our successes this year were only possible thanks to everyone who worked to establish a strong foundation in the years before. With the blessing of their gifts, and the gift of experience, we embrace this season of action and all of its possibilities.

Me ke aloha,

John Leong
Kupu, Chief Executive Officer

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Report of Independent Certified Public Accountants

To Management and the Board of Directors, Kupu and its wholly-owned subsidiary, ʻĀina & Innovation Workforce Hawaii:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Kupu and its wholly owned subsidiary, ʻĀina & Innovation Workforce Hawaii, LLC, (collectively, the "Organization"), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kupu as of September 30, 2022 and 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. 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 Organization and to meet our ethical responsibilities, in accordance with the 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 audit opinions.

Responsibility of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue the 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 generally accepted auditing standards 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, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 consolidated 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 consolidated 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 Organization'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 audit.

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Other Matter – Supplementary Information
Our audits were conducted for the purpose of forming an opinion on the consolidated 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 June 26, 2023, on our consideration of the Organizationn'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 the effectiveness of the Organization'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 Organization's internal control over financial reporting and compliance.

Verity CPAs

June 26, 2023

Kupu and its Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of September 30,

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 854,145	$ 685,567
Accounts receivable, net	4,476,866	3,757,509
Pledges receivable, current portion	5,672	40,077
Prepaid expenses and other assets	104,711	88,310
Inventory	38,986	28,486
Investments in marketable securities	213,579	166,664
Total current assets	5,693,959	4,766,613
PROPERTY AND EQUIPMENT, net	4,988,920	5,287,144
PLEDGES RECEIVABLE, less current portion	200,000	205,000
RESTRICTED CERTIFICATE OF DEPOSIT	40,583	40,552
TOTAL ASSETS	$ 10,923,462	$ 10,299,309
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 97,881	$ 91,819
Accrued expenses	608,166	677,486
Deferred revenue	2,425,912	386,622
Deferred rent	75,505	98,616
Total current liabilities	3,207,464	1,254,543
SBA's PAYROLL PROTECTION PROGRAM LOAN	-	1,428,852
COMMITMENTS AND CONTINGENCIES	-	-
Total liabilities	3,207,464	2,683,395
NET ASSETS		
Without donor restrictions	7,437,872	7,305,953
With donor restrictions	278,126	309,961
Total net assets	7,715,998	7,615,914
TOTAL LIABILITIES AND NET ASSETS	$ 10,923,462	$ 10,299,309

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

Kupu and its Subsidiary

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Government grants and contracts	$ 6,293,410	$ -	$ 6,293,410
Private grants and contracts	1,717,491	106,136	1,823,627
Program service fees	1,807,927	-	1,807,927
Gain on debt extinguishment	1,428,852	-	1,428,852
Donations and contributions	342,946	132,684	475,630
Other revenue and support	9,183	-	9,183
Change in value of investments in marketable securities, net	(65,743)	-	(65,743)
Net assets released from restrictions	270,655	(270,655)	-
Total revenue and support	11,804,721	(31,835)	11,772,886
EXPENSES:			
Youth program services	9,411,609	-	9,411,609
Management and general	2,041,856	-	2,041,856
Fundraising	219,337	-	219,337
Total expenses	11,672,802	-	11,672,802
Change in net assets	131,919	(31,835)	100,084
NET ASSETS AT BEGINNING OF YEAR	7,305,953	309,961	7,615,914
NET ASSETS AT END OF YEAR	$ 7,437,872	$ 278,126	$ 7,715,998

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

Kupu and its Subsidiary

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Government grants and contracts	$ 6,867,012	$ -	$ 6,867,012
Private grants and contracts	1,423,156	227,505	1,650,661
Program service fees	1,234,920	-	1,234,920
Gain on debt extinguishment	1,034,300	-	1,034,300
Donations and contributions	406,763	208,741	615,504
Other revenue and support	4,720	-	4,720
Change in value of investments in marketable securities, net	2,003	-	2,003
Net assets released from restrictions	725,219	(725,219)	-
Total revenue and support	11,698,093	(288,973)	11,409,120
EXPENSES:			
Youth program services	9,229,106	-	9,229,106
Management and general	1,841,290	-	1,841,290
Fundraising	191,073	-	191,073
Total expenses	11,261,469	-	11,261,469
Change in net assets	436,624	(288,973)	147,651
NET ASSETS AT BEGINNING OF YEAR	6,869,329	598,934	7,468,263
NET ASSETS AT END OF YEAR	$ 7,305,953	$ 309,961	$ 7,615,914

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

Kupu and its Subsidiary

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2022

	Youth Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 7,184,696	$ 1,561,267	$ 194,510	$ 8,940,473
Other expenses	668,134	31,816	74	700,024
Occupancy and utilities	449,487	103,716	9,247	562,450
Contracted services	168,456	194,114	7,709	370,279
Depreciation	295,001	3,223	-	298,224
Supplies and equipment	164,310	59,224	6,994	230,528
Travel expenses	168,713	18,674	-	187,387
Bad debt expense	165,171	2,146	-	167,317
Training expenses	79,670	1,675	490	81,835
Insurance expenses	34,686	38,648	133	73,467
Other employee benefits	14,290	23,960	180	38,430
Recruiting	18,895	1,261	-	20,156
Marketing	100	2,132	-	2,232
Total expenses	$ 9,411,609	$ 2,041,856	$ 219,337	$ 11,672,802

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

Kupu and its Subsidiary

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2021

	Youth Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 7,417,653	$ 1,396,105	$ 155,768	$ 8,969,526
Other expenses	199,284	19,804	4,148	223,236
Occupancy and utilities	421,616	124,272	14,582	560,470
Contracted services	180,329	185,924	11,748	378,001
Depreciation	275,683	4,792	252	280,727
Supplies and equipment	315,502	55,325	4,418	375,245
Travel expenses	176,840	4,349	-	181,189
Bad debt expense	2,501	2,998	-	5,499
Training expenses	188,025	5,238	19	193,282
Insurance expenses	34,357	26,658	37	61,052
Other employee benefits	7,585	12,362	101	20,048
Recruiting	9,359	630	-	9,989
Marketing	372	2,833	-	3,205
Total expenses	$ 9,229,106	$ 1,841,290	$ 191,073	$ 11,261,469

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

Kupu and its Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended September 30,

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 100,084	$ 147,651
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Gain on debt extinguishment	(1,428,852)	(1,034,300)
Losses (gains) on investments in marketable securities, net	67,321	(2,003)
Depreciation	298,224	280,727
Bad debt expense	167,317	5,499
Changes in assets and liabilities:		
Accounts receivable	(886,674)	(2,355,673)
Pledges receivable	39,405	(22,408)
Prepaid expenses and other assets	(16,401)	(36,416)
Inventory	(10,500)	16,126
Restricted certificate of deposit	(31)	(51)
Accounts payable	6,062	25,401
Accrued expenses	(69,320)	144,311
Deferred revenue	2,039,290	(2,816,848)
Deferred rent	(23,111)	12,823
Net cash provided by (used in) operating activities	282,814	(5,635,161)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	-	(164,910)
Purchase of investments in marketable securities	(146,269)	(170,893)
Proceeds from sale of investments of marketable securities	32,033	6,232
Net cash used in investing activities	(114,236)	(329,571)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from SBA's payroll protection program loan	-	1,428,852
Net cash provided by financing activities	-	1,428,852
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	168,578	(4,535,880)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	685,567	5,221,447
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 854,145	$ 685,567

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

NOTE 1 – ORGANIZATION BACKGROUND

Kupu 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, Kupu 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, culinary training, 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.

In July 2020, Kupu formed ‘Āina & Innovation Workforce Hawaii, LLC, as a wholly-owned subsidiary for the purpose of providing and managing an internship program for a potential subcontract. This program never came to fruition and ‘Āina & Innovation Workforce Hawaii, LLC, was dissolved on November 30, 2020.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Organization’s significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

Basis of accounting and financial statement presentation

The consolidated financial statements of Kupu and its wholly-owned subsidiary ‘Āina & Innovation Workforce Hawaii, LLC, (collectively, the “Organization”), have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). All significant inter-organization accounts and transactions have been eliminated in consolidation. 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:

- *Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the organization’s management and the board of directors.

- *Net assets with donor restrictions* - 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 Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of consolidated financial statements in conformity 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Going concern

Management has evaluated the Organization's ability to continue as a going concern for one year after the consolidated financial statement issuance date and has determined that no conditions or events that would raise substantial doubt exist.

Cash and cash equivalents

The Organization considers all highly liquid investments purchased with 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, 2022 and 2021, there were $536,111 and $393,316, respectively, in uninsured bank balances.

Investments in marketable securities

Investments in marketable securities consist of equity investments in publicly traded companies. Investments are presented in the financial statements at fair value and consist of investments held in the Organization's investment brokerage account. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Realized and unrealized gains and losses, determined using the specific identification method, are included in earnings. Investment income and losses, including unrealized gains and losses, are reported as changes in net assets without donor restrictions.

Securities are carried in the consolidated financial statements at fair value. Declines in value that are judged to be other-than-temporary are included in other income.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable, net

Accounts receivable consist primarily of grants receivable. Accounts receivable are recorded at the invoiced amount, net of an allowance for doubtful accounts of $4,476,866 and $3,757,509 as of September 30, 2022 and 2021, 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. The Organization recorded bad debt expenses related to these receivables in the amount of $161,699 and $5,499 for the years ended September 30, 2022 and 2021, respectively.

Restricted certificate of deposit

The Organization maintains a $40,583 (2022) and $40,552 (2021) certificate of deposit at a financial institution in lieu of a security deposit for their office space. The certificate of deposit is assigned to the landlord. After twelve months past the commencement date of the lease, the certificate can be reduced by $40,000 annually until the amount reaches $25,752, which must be maintained for the remainder of the lease term.

Pledges receivable

The Organization recognizes unconditional promises to give as pledges receivable when they are received. The Organization provides an allowance for doubtful collections, which is based upon a review of outstanding pledge receivables, historical collection information, and existing economic conditions. Normal pledge receivables are unsecured, do not accrue interest, and are due upon date specified when the pledge is made. Delinquent pledge receivables are written off based on individual credit evaluation and specific circumstances. Based upon this analysis, the Organization did not record an allowance as of September 30, 2022 and 2021. The Organization recorded bad debt expenses related to these pledges in the amount of $5,618 and $2,998 for the years ended September 30, 2022 and 2021, respectively.

Property and equipment, net

Property and equipment, including leasehold improvements, are recorded at cost and depreciated over the shorter of the remaining lease term and automatic extension options 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:

Ho’okupu Center	15
Furniture, fixtures, and equipment	3 to 7
Vehicles	5
Leasehold improvements	25
Machinery and equipment	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 $5,000 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 consolidated 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.

Revenues and support

Contributions and revenues and support are recorded in the period earned as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Contributions with donor restrictions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the consolidated 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 net assets without donor restrictions.

The following represents the Organization's contract receivables which are included in account receivables and deferred revenue. These amounts were included in grants and contract receivables and deferred revenue in the accompanying Statements of Financial Position:

	September 30, 2022	September 30, 2021	October 1, 2020
Accounts receivable, net	$ 4,476,866	$ 3,757,509	$ 1,407,335
Pledges receivable	205,672	245,077	222,669
Deferred revenue	(2,425,912)	(386,622)	(3,203,407)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 support without donor restrictions 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 support with donor restrictions. 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.

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 support without donor restrictions unless the donor has restricted the donations to a specific purpose. Expenses in the same amount are reflected in the consolidated 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. However, Kupu is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Internal Revenue Code.

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 determined that it had no uncertain tax positions required to be reported in accordance with U.S. GAAP as of September 30, 2022 and 2021.

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, 2022 and 2021.

Hawaii general excise tax

The State of Hawaii imposes a general excise tax of 4.0% on certain gross receipts, such as fundraising income generated within the State, plus an additional 0.5% on such gross receipts within the City and County of Honolulu. The Organization reported Hawaii general excise tax on catering revenues, product sales, and room rental revenues in the amount of $25,264 and $15,979 , for the years ended September 30, 2022 and 2021, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Hawaii general excise tax (continued)

Revenues, as presented on the accompanying Statement of Activities, include taxes collected from customers and remitted to governmental authorities. The Organization has elected to present the amounts billed to customers for these taxes in Revenues and the amounts remitted to the governmental authorities in Other expenses in the accompanying Statement of Activities.

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 based on time spent, square footage, and other applicable variables. 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.

Fair value measurements

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2: Inputs to the valuation methodology 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 to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in methodologies during the year ended September 30, 2022.

Equity securities. These investments are valued at the closing price reported on the active market on which the individual securities are traded.

Recently adopted accounting standards

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, requiring an organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. ASU No. 2020-07 includes additional disclosure requirements about contributed nonfinancial assets for not-for-profit entities, including additional disclosure requirements for recognized contributed services. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, with early adoption permitted. The ASU is effective for the Organization beginning October 1, 2021. The adoption of ASU No. 2020-07 did not have a material impact on the Organization's financial statements.

Other recent accounting pronouncements to be adopted in future periods

In February 2016, the FASB issued ASU No. 2016-02, *Leases.* This ASU requires management to recognize lease assets and lease liabilities for all leases. ASU No. 2016-02 retains a distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous leases guidance. The result of retaining a distinction between finance leases and operating leases is that under the lessee accounting model, the effect of leases in the statement of income and the statement of cash flows is largely unchanged from previous U.S. GAAP.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which modifies how expected credit losses on financial instruments are developed. ASU No. 2016-13 changes the impairment model for most financial assets that are measured at amortized costs and certain other instruments from an incurred loss model to an expected loss model. Entities will be required to estimate credit losses over the entire contractual term of an instrument. In November 2018, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses (Topic 326)*, which provides amendments to ASU No. 2016-13 and defers the effective date to years beginning after December 15, 2021. The ASU is effective for the Organization beginning October 1, 2022. The Organization is currently evaluating the impact that this ASU has on the Organization's consolidated financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other recent accounting pronouncements to be adopted in future periods

In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates.* This ASU deferred the effective date of ASU No. 2016-02, *Leases (Topic 842),* for non-public business entities and other entities do not file with the Securities and Exchange Commission. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities.* The ASU deferred the effective date of Topic 842 to fiscal years beginning after December 15, 2021. This ASU is effective for the Organization as of October 1, 2022. Early application is allowed. The Organization is currently evaluating the impact this ASU on the Organization's consolidated financial statements.

NOTE 3 – AVAILABILITY AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other financial commitments. For purposes of analyzing resources available to meet these requirements over the next twelve-month period, the Organization considers all youth program services, management and general, and fundraising to be general expenses. The Organization's liquidity is maintained in interest and non-interest bearing checking, savings, and money market accounts.

The Organization is substantially supported by contributions, pledges and grants from individuals, foundations, and government entities. The contributions from individuals and foundations are received with and without donor restrictions. The Organization prepares an annual operating budget, which is used to plan the level of fundraising activity and other sources of funding required for the coming twelve months for general and capital expenses. The Organization operates within its annual operating budget and anticipates collecting sufficient funds to cover general and capital expenses.

The following represents the Organization's financial assets available for general expenditures, without donor restrictions limiting their use, within one year as of September 30:

	2022	2021
Cash and cash equivalents	$ 854,145	$ 685,567
Accounts receivable, net	4,476,866	3,757,509
Pledges receivable, current portion	5,672	40,077
Total financial assets at year-end	5,336,683	4,483,153
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(278,126)	(309,961)
	$ 5,058,557	$ 4,173,192

NOTE 4 – INVESTMENTS IN MARKETABLE SECURITIES

The following sets forth, within the fair value hierarchy the Organization's investments in marketable securities at fair value are as follows as of September 30:

	2022			
	Level 1	Level 2	Level 3	Total
Equity securities	$ 213,579	$ -	$ -	$ 213,579
Total investments at fair value	$ 213,579	$ -	$ -	$ 213,579

	2021			
	Level 1	Level 2	Level 3	Total
Equity securities	$ 166,664	$ -	$ -	$ 166,664
Total investments at fair value	$ 166,664	$ -	$ -	$ 166,664

The Organization's investments are exposed to risks, such as market and credit risks. Because of the risk associated with such investments, it is possible those changes in fair values will occur and that such changes would materially affect the Organization's consolidated financial statements.

NOTE 5 – PLEDGES RECEIVABLE

The following is the summary of unconditional promises to give for the Organization as of September 30:

	2022	2021
Pledges receivable due in less than one year	$ 5,672	$ 40,077
Pledges receivable due in one to five years	200,000	205,000
Total pledges receivable	205,672	245,077
Less current portion	(5,672)	(40,077)
Total long term portion	$ 200,000	$ 205,000

NOTE 6 – GOVERNMENT GRANTS AND CONTRACTS REVENUE

The following is a reconciliation between the total Federal Expenditures listed on the Schedule of Expenditures of Federal Awards and total government grants and contracts revenue listed on the Consolidated Statement of Activities as of September 30:

	2022	2021
Federal expenditures per the Schedule of Expenditures of Federal Awards	$ 5,262,607	$ 5,850,233
Revenue from federal sources - per consolidated financial statements	5,262,607	5,850,233
Other government grants and contracts revenue sources	1,030,803	1,016,779
Total government grants and contracts revenue - per Consolidated Statement of Activities	$ 6,293,410	$ 6,867,012

NOTE 7 – PROPERTY AND EQUIPMENT, net

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

	2022	2021
Ho'okupu Center	$ 5,248,995	$ 5,248,995
Furniture, fixtures, and equipment	357,871	357,871
Vehicles	313,576	313,576
Leasehold improvements	220,555	220,555
Machinery and equipment	6,320	6,320
	6,147,317	6,147,317
Less accumulated depreciation	(1,158,397)	(860,173)
	$ 4,988,920	$ 5,287,144

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of September 30:

	2022	2021
Specific purpose:		
Various programs	$ 278,126	$ 309,961
	$ 278,126	$ 309,961

NOTE 9 – LEASES

Kewalo Basin Park

The Organization has a long-term 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 $147,420 for both of the years ended September 30, 2022 and 2021.

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 September 30, 2024, with monthly base rent of $14,193. Rent expense under this lease was $106,759 and $131,867 for the years ended September 30, 2022 and 2021, respectively.

Future minimum lease commitments

Future minimum rental payments under non-cancellable operating leases are as follows for the years ending:

September 30,	Amount
2023	$ 133,763
2024	137,776
	$ 271,539

NOTE 10 – LINE OF CREDIT

The Organization had a revolving line of credit with a financial institution, which allows the Organization to draw up to $1,500,000, at an interest rate of 3.75% maturing on June 1, 2021. On June 1, 2021, the Organization renewed this line of credit which then matured on June 1, 2022. On December 20, 2022, the Organization renewed this line of credit which matured April 1, 2023. On March 28, 2023, the Organization renewed this line of credit which will mature on October 1, 2023. There were no outstanding amounts under the revolving line of credit as of September 20, 2022 and 2021.

NOTE 11 – SBA's PAYROLL PROTECTION PROGRAM LOAN

Small Business Administration's ("SBA") Paycheck Protection Program ("PPP") Loan 1

The Organization received $1,034,300 from the SBA under its PPP. Under the terms of this program up to 100% may be forgiven if certain terms and conditions are met. The unforgiven amount, if any, matures in April 2022 and accrues interest at 1.0% annual percentage rate with principal and interest payments starting in October 2020. The Organization was eligible for and received forgiveness of the full loan amount in August 2021. The forgiveness amount of $1,034,300 is recorded as a gain on debt extinguishment in the Consolidated Statement of Activities for the year ended September 30, 2021.

NOTE 11 – SBA's PAYROLL PROTECTION PROGRAM LOAN (continued)

SBA's PPP Loan 2

During the year ended September 30, 2021, the Company received a second round of PPP from the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP") in the amount of $1,428,852. Under the terms of this second PPP loan, up to 100% may be forgiven if certain terms and conditions are met. On July 20, 2022 the Organization was notified that the entire amount of the loan was forgiven and recorded as gain on debt extinguishment in the accompanying Statement of Activities for the year ended September 30, 2022.

NOTE 12 – RELATED PARTY TRANSACTIONS

Pono Pacific Land Management, LLC

Under a joint agreement, Pono Pacific Management, LLC, (a related party through common management, "Pono Pacific") and Kupu share office space, and other overhead costs. Under the terms of this agreement, both office space and common space are allocated based upon the square footage occupied by each entity.

The Organization paid $52,695 and $51,252 for reimbursement of costs incurred on Pono Pacific's behalf for the years ended September 30, 2022 and 2021, respectively. An outstanding balance related to these costs amounted to $52,694 and $24,711 for the years ended September 30, 2022 and 2021, respectively.

NOTE 13 – 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 $2,071,116 and $1,976,172, for the years ended September 30, 2022 and 2021, respectively. Receivables under this grant were $2,252,043 and $1,917,391, as of September 30, 2022 and 2021, respectively.

NOTE 14 – RETIREMENT SAVINGS PLAN

The Organization participates in a multiple-employer defined contribution 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, 2022 and 2021, contributions by the Organization under this plan were $44,418 and $37,865, respectively.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

During the year ended September 30, 2022, the Organization received a real property tax bill for the 2017, 2018, and 2019 property tax assessment years amounting to $181,000 related to the Ho’okupu Center. This expense was not paid or accrued for as of September 30, 2021 and 2022, as the Organization believes their 501(c)3 not for profit status and timely refiling of property tax exemptions exempts the Organization from real property tax expenses and liabilities.

NOTE 16 – SUBSEQUENT EVENTS

The Organization evaluated its September 30, 2022 and 2021, consolidated financial statements for subsequent events through June 26, 2023, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require additional recognition or disclosure in the consolidated financial statements.

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Supplementary Information

KUPU AND ITS SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Agency or Pass-through Number	Total Federal Expenditures
Corporation for National and Community Service			
Passed through the University of Hawaii, Hawaii Commission for National and Community Service			
AmeriCorps	94.006	19ACHHI001 MA1504 Amendment No 1, 2	$ 2,071,116 *
Total Corporation for National and Community Service			2,071,116
Department of Agriculture, Forest Service			
Direct Programs:			
Pacific Southwest Region Lake, Tahoe Basin Management Unit Blue Waters Exchange Program	10.699	17-PA-11051900-032	4,146
Hawaii Experimental Tropical Forest Program	None	18-PA-11272136-065	16,022
Kupu Urban Forest Inventory and Agroforestry Project	10.675	21-DG-11052021-260	25,905
Urban Forest Inventory of Honolulu - Youth Pilot	10.699	18-PA-11052021-203	15,210
Passed through University of Hawaii, State of Hawaii			
University of Hawaii, Experiential Learning 4 Resilient C	10.310	P.O.#Z10216970	360
Total Department of Agriculture Forest Service			61,643
Department of the Interior			
Direct programs:			
Conservation Activities by Youth Service Organizations	15.931	P15AC00049	221,844
Conservation Activities by Youth Service Organizations	15.931	P20AC00129	222,977
Conservation Activities by Youth Engagement, Education, and Employment	15.676	F18AC00994	295,816
Total Department of the Interior			740,637
Department of Treasury			
Passed through the Department of Land and Natural Resources (DLNR), State of Hawaii			
Coronavirus State and Local Fiscal Recovery Funds	21.027	69863	2,024,409 *
Total Department of Treasury			2,024,409
Department of Education, OESE			
Passed through the University of Hawaii, State of Hawaii			
Governor's Emergency Education Relief Fund	84.425C	N/A	297,233
Passed through the University of Hawaii			
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)	84.334S	MA1791	47,785
Total Department of Education, OESE			345,018
Department of Energy			
Passed through Hawaii State Energy Office			
Clean Energy Wayfinders Program	81.128	M650	14,652
Total Department of Energy			14,652
Department of Commerce			
Direct programs:			
National Oceanic & Atmospheric Administration	11.452	NA21NMF4520516	5,132
Total Department of Commerce			5,132
Total Expenditures of Federal Awards			$ 5,262,607

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Kupu and its wholly-owned subsidiary, ‘Āina & Innovation Workforce Hawaii, LLC, (collectively the “Organization”) under programs of the federal government for the years ended September 30, 2022 and 2021. The information on this Schedule is prepared in accordance with the 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”). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Organization’s significant accounting policies consistently applied in the preparation of the accompanying Schedule of Expenditures of Federal Awards.

Basis of accounting

Expenditures reported on the Schedule have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Cost principles

Expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

Indirect cost rate

The Organization has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - MATCHING REQUIREMENTS

Certain Federal programs require the Organization to contribute non-Federal funds, matching funds to support the Federally funded programs. The Organization has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE 4 – MAJOR PROGRAMS

* Denotes major program, which comprised 78% of total expenditures of federal awards.

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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 the Consolidated 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 Consolidated Financial Statements Performed in Accordance with Government Auditing Standards

To Management and the Board of Directors, Kupu and its wholly-owned subsidiary, ʻĀina & Innovation Workforce Hawaii:

We have audited, 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 consolidated financial statements of Kupu and its wholly-owned subsidiary, ʻĀina & Innovation Workforce Hawaii, LLC, (collectively the "Organization"), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, and the related consolidated statement of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 28, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

June 26, 2023

Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

VERITY
Certified Public Accountants

**Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control
Over Compliance Required by the
Uniform Guidance**

To Management and the Board of Directors, Kupu and its wholly-owned subsidiary, ʻĀina & Innovation Workforce Hawaii:

Report on Compliance for Each Major Federal Program

We have audited Kupu's and its wholly-owned subsidiary, ʻĀina & Innovation Workforce Hawaii, LLC's, (collectively the "Organization") compliance with the types of compliance requirements described in the *OMB 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, 2022. The Organization'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to 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 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). 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 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, 2022.

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 of compliance, we considered the Organization'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 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.

Purpose of this Report

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.

Verity CPAs

June 26, 2023

Schedule of Findings and Questioned Costs

Kupu and its Subsidiary

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2022

Section 1 – Summary of Auditor's Results

Consolidated Financial Statements

Type of Auditor's report issued: Unmodified

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 consolidated 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: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance?	______ Yes	__√__ No

Identification of major programs:

Assistance Listing No.	Name of Federal Program or Cluster
94.006	AmeriCorps
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee?	__√__ Yes	______ No

Section 2 – Consolidated Financial Statement Findings

None.

Section 3 – Federal Award Findings and Questioned Costs

None.

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