

# **KUPU**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE  
As of and for the Year Ended September 30, 2013  
With Prior Year Comparative Information  
And Independent Auditors' Reports**



**CW Associates**

*A Hawaii Certified Public Accounting Corporation*

# KUPU

## INTRODUCTION

**For the Year Ended September 30, 2013**

Kupu is a nonprofit Hawaii 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. Since its inception, Kupu and its programs have grown. Today, there are seven programs that include four HYCC programs, Renewable Internships for Sustainable Employment (RISE), E<sup>2</sup>U, 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.

Kupu receives federal awards directly from the U.S. Department of Agriculture, Forest Service and the U.S. Department of the Interior, National Park Service. Kupu receives federal awards indirectly from the Corporation for National and Community Service; the U.S. Department of Commerce, National Oceanic and Atmospheric Administration; the U.S. Environmental Protection Agency, Office of Air and Radiation; the U.S. Department of Energy; and the U.S. Department of Defense, Department of the Navy, Office of the Chief of Naval Research. Substantial additional services are provided under contracts with the State of Hawaii, the City and County of Honolulu, and other non-federal agencies.

This report is the result of a single audit of Kupu conducted in accordance with auditing standards generally accepted in the United States of America; the *Government Auditing Standards* issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

This report includes the financial statements of Kupu as of and for the year ended September 30, 2013 (with prior year comparative information), and the accompanying notes to financial statements and independent auditors' report. It also includes the independent auditors' reports required by the Government Accountability Office's *Government Auditing Standards*, and the schedule of expenditures of federal awards and independent auditors' reports required by OMB Circular A-133 for the year ended September 30, 2013. Findings and questioned costs (if any), and a corrective action plan (if applicable), are reported by the auditors under those captions in the final sections of this report.

# KUPU

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# **KUPU**

## **FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**

**As of and for the Year Ended September 30, 2013  
(With Prior Year Comparative Information)**

## INDEPENDENT AUDITORS' REPORT

Kupu:

### Report on the Financial Statements

We have audited the accompanying financial statements of Kupu, a nonprofit Hawaii corporation, which comprise the statements of financial position as of September 30, 2013, 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.

### Auditors' 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 of 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 auditors' 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 auditors consider 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 on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kupu as of September 30, 2013, 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.

Report on Prior Year Comparative Information

We have previously audited the financial statements of Kupu as of and for the year ended September 30, 2012, and our report dated February 7, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the accompanying prior year comparative information is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2014, on our consideration of Kupu's internal control over financial reporting and on our tests of their 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 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 Kupu's internal control over financial reporting and compliance.

CW ASSOCIATES, CPAs

February 3, 2014

# KUPU

## STATEMENT OF FINANCIAL POSITION

As of September 30, 2013  
(With Prior Year Comparative Information)

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash (including interest-bearing accounts)	\$ 1,159,020	\$ 279,369
Accounts receivable – net	175,640	386,532
Prepaid expenses	17,726	22,735
Total current assets	<u>1,352,386</u>	<u>688,636</u>
<b>PROPERTY AND EQUIPMENT</b>		
Vehicles	50,680	60,680
Furniture, fixtures, and equipment	24,071	20,226
Construction-in-progress	1,155	1,155
Total	75,906	82,061
Accumulated depreciation	(48,509)	(36,849)
Property and equipment – net	<u>27,397</u>	<u>45,212</u>
<b>LEASE DEPOSITS</b>	<u>3,621</u>	<u>3,621</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,383,404</u>	<u>\$ 737,469</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 7,918	\$ 4,347
Accrued liabilities	113,316	86,250
Deferred revenue	565,629	85,749
Total current liabilities	<u>686,863</u>	<u>176,346</u>
<b>NET ASSETS</b>		
Unrestricted net assets	650,099	560,873
Temporarily restricted net assets	46,442	250
Total net assets	<u>696,541</u>	<u>561,123</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,383,404</u>	<u>\$ 737,469</u>

See accompanying notes to financial statements.

# KUPU

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2013  
(With Prior Year Comparative Information)

	<u>2013</u>	<u>2012</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
Revenue and support		
Government grants and contracts	\$ 1,542,974	\$ 1,919,496
Private grants	727,980	556,539
Program service fees	652,829	775,380
In-kind contributions	103,272	141,350
Net assets released from restrictions for programs	16,444	-
Other revenue and support	15,790	44,469
Total revenue and support	<u>3,059,289</u>	<u>3,437,234</u>
Expenses		
Program services	2,557,765	2,793,362
Management and general	378,662	331,850
Fundraising and development	79,637	69,790
Total expenses	<u>3,016,064</u>	<u>3,195,002</u>
Revenue and support less expenses	43,225	242,232
Net assets released from restrictions for capital campaign	46,001	950
Increase in unrestricted net assets	<u>89,226</u>	<u>243,182</u>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Temporarily restricted contributions for capital campaign	86,584	1,200
Other temporarily restricted contributions	22,053	-
Net assets released from restrictions	<u>(62,445)</u>	<u>(950)</u>
Increase in temporarily restricted net assets	<u>46,192</u>	<u>250</u>
<b>INCREASE IN NET ASSETS</b>	135,418	243,432
<b>NET ASSETS – Beginning of year</b>	<u>561,123</u>	<u>317,691</u>
<b>NET ASSETS – End of year</b>	<u>\$ 696,541</u>	<u>\$ 561,123</u>

See accompanying notes to financial statements.



# KUPU

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2013  
(With Prior Year Comparative Information)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising and Development</u>	<u>2013 Total</u>	<u>2012 Total</u>
Salaries, wages, and benefits	\$2,120,303	\$275,231	\$38,188	\$2,433,722	\$2,555,303
Occupancy and utilities	124,460	40,953	-	165,413	153,841
Travel	142,058	85	20	142,163	156,733
Contract services	13,080	35,217	31,175	79,472	134,203
Training	75,555	299	6	75,860	74,829
Supplies	47,316	1,154	8,914	57,384	65,385
Depreciation	15,091	255	-	15,346	19,302
Insurance	1,583	10,606	-	12,189	10,678
Recruiting	8,216	-	-	8,216	7,644
Marketing	373	3,868	-	4,241	2,152
Other expenses	<u>9,730</u>	<u>10,994</u>	<u>1,334</u>	<u>22,058</u>	<u>14,932</u>
Total expenses	<u>\$2,557,765</u>	<u>\$378,662</u>	<u>\$79,637</u>	<u>\$3,016,064</u>	<u>\$3,195,002</u>

See accompanying notes to financial statements.

# KUPU

## STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2013  
(With Prior Year Comparative Information)

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 135,418	\$243,432
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	15,346	19,302
Loss on disposal of property and equipment	1,264	-
(Increase) decrease in:		
Accounts receivable	210,892	(171,593)
Prepaid expenses	5,009	(8,034)
Increase in:		
Accounts payable	3,571	361
Accrued liabilities	27,066	13,306
Deferred revenue	479,880	10,605
Net cash provided by operating activities	<u>878,446</u>	<u>107,379</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(4,295)	(7,278)
Proceeds from sale of property and equipment	5,500	-
Net cash provided (used) by investing activities	<u>1,205</u>	<u>(7,278)</u>
<b>NET INCREASE IN CASH</b>	879,651	100,101
<b>CASH – Beginning of year</b>	<u>279,369</u>	<u>179,268</u>
<b>CASH – End of year</b>	<u>\$1,159,020</u>	<u>\$279,369</u>

See accompanying notes to financial statements.

# KUPU

## NOTES TO FINANCIAL STATEMENTS

**As of and for the Year Ended September 30, 2013  
(With Prior Year Comparative Information)**

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization and Activity

Kupu is a nonprofit Hawaii 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. Since its inception, Kupu and its programs have grown. Today, there are seven programs that include four HYCC programs, Renewable Internships for Sustainable Employment (RISE), E<sup>2</sup>U, 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. Kupu is related to Pono Pacific Land Management, LLC by certain common management.

#### Basis of Accounting

Kupu reports its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets (none in 2013 and 2012). When a temporary restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets. Support is reported when pledged and is considered to be available for unrestricted use unless restricted by the donor. Revenue from government grants is recognized to the extent of expenditures made in accordance with the related agreements. Revenue from program service fees is recognized when the required services are performed. Expenses are recorded when the related liability is incurred. In-kind contributions are reflected as contributions at their fair market value and are recorded as expenses in the same amount. Expenses are allocated on a functional basis among programs and support services based on estimates by management. Other expenses that are common to several functions are allocated by various bases.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills, are performed by people with those skills, and would otherwise be purchased by Kupu. A substantial number of unpaid student participants have made contributions of their time to the HYCC Summer Program. The value of this time is not reflected in the accompanying financial statements because it does not meet the criteria for recognition.

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

### Basis of Accounting (Continued)

Amounts received for government grants and contracts are subject to audit and adjustment by various government agencies. Any disallowed claim, including amounts already collected, may constitute a liability. Management expects such amounts, if any, to be immaterial to the financial statements. Revenue and support is derived principally from government grants and contracts, the loss of which could have a material adverse effect on Kupu.

### Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in accordance with such generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, and it is reasonably possible that such estimates may change within the near term.

### Concentrations of Credit Risk

Financial instruments that potentially subject Kupu to credit risk include cash and accounts receivable. Cash on deposit with financial institutions, which was fully insured at September 30, 2012, exceeded the related federal deposit insurance by approximately \$894,600 at September 30, 2013. Management evaluates the credit standings of these financial institutions to ensure that all funds are adequately safeguarded as required by federal regulations. Kupu had unsecured accounts receivable due primarily from federal, state, and local government agencies, which have been reduced by estimated allowances for doubtful accounts of \$1,836 at September 30, 2013 and \$0 at September 30, 2012. Accounts receivable are determined to be collectible or uncollectible based on an assessment by management of the facts and circumstances related to the individual accounts.

### Property and Equipment

Property and equipment is stated at cost or, if donated, at estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of 5 years for vehicles, and 3 to 7 years for furniture, fixtures, and equipment. Property and equipment and other long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their related carrying amounts may not be recoverable. Major improvements and expenditures for property and equipment in excess of \$500 are capitalized. Repairs and maintenance are expensed.

### Leases

Kupu leases office space from New Hope Diamond Head under an operating lease that expired in December 2013 and became a month-to-month agreement. Operating leases are expensed when the lease payments are due. Lease rent expense amounted to \$47,343 and \$41,291 for the years ended September 30, 2013 and 2012, respectively.

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

### Leases (Continued)

Kupu also leases 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) amounted to \$95,997 for the years ended September 30, 2013 and 2012.

### Ho ‘āhu 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 heartbeat 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 modern 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.

Kupu initiated the Ho ‘āhu Capital Campaign to transform the Kewalo Basin Park facility in August 2012, and expects to begin site development in 2014.

### Retirement Savings Plan

Kupu sponsors a retirement savings plan for the benefit of their eligible employees. Participating employees may make voluntary contributions to the plan. Kupu may make contributions to the plan in amounts determined by management up to the maximum allowed under the Internal Revenue Code Section 401(k). For the year ended September 30, 2013, contributions by Kupu under this plan amounted to \$11,786. There were no contributions by Kupu under this plan for the year ended September 30, 2012.

### Hawaii General Excise Tax

The State of Hawaii imposes a general excise tax of 4% on certain gross receipts of an entity within the State, plus an additional 0.5% on gross receipts within the City and County of Honolulu. The activities of Kupu were exempt from the Hawaii general excise tax during the years ended September 30, 2013 and 2012.

### Income Taxes

Accounting principles generally accepted in the United States of America require uncertain tax positions to be recognized in the financial statements if they are more likely than not to fail upon regulatory examination. Management has evaluated the tax positions of Kupu as of and for the years ended September 30, 2013 and 2012 by reviewing its income tax returns and conferring with its tax advisors, and determined that it had no uncertain tax positions required to be reported in accordance with such generally accepted accounting principles. Kupu’s income returns are generally open for examination by taxing authorities until the statutes of limitations expire.

## NOTE B – TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2013 and 2012, temporarily restricted net assets consisted of the following:

	<u>2013</u>	<u>2012</u>
Temporarily restricted for:		
Capital campaign	\$40,832	\$ 250
Various programs	<u>5,610</u>	<u>-</u>
 Total temporarily restricted net assets	 <u>\$46,442</u>	 <u>\$ 250</u>

## NOTE C – SUBSEQUENT EVENT

On December 11, 2013, Kupu and Pono Pacific Land Management, LLC, which is related to Kupu by common management, executed a new operating lease agreement for office rental space with Ala Moana Property Owner LLC. The lease states that the “rent commencement date” shall be the earlier to occur of (a) the date the improvements are substantially complete and the premises ready for occupancy, (b) 90 days after the date of execution of this lease, or (c) the date tenants begin operating its business in the premises, subject to extension as set forth in Section 2.02 of Exhibit B of the lease. The term of the lease is ten years and eight months after the “rent commencement date.” The “rent commencement date” has not yet been determined.

## NOTE D – FINANCIAL STATEMENT PRESENTATION

The financial statements include certain prior year comparative information. Such information does not include sufficient detail to constitute a complete presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements of Kupu as of and for the year ended September 30, 2012, from which the comparative information was derived.

Certain amounts in the prior year comparative information have been reclassified to conform to the current year presentation. Management has evaluated subsequent events through the date of the independent auditors’ report, which is the date the financial statements were available to be issued. Kupu operates in the State of Hawaii. National and international events can have severe, adverse effects on economic conditions in Hawaii. The effects on the financial statements of Kupu, if any, from such changes in economic conditions are not presently determinable.

# **KUPU**

**REPORTS REQUIRED BY  
GAO GOVERNMENT AUDITING STANDARDS**

**For the Year Ended September 30, 2013**

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

Kupu:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kupu, a nonprofit Hawaii corporation, which comprise the statement of financial position as of September 30, 2013, 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 3, 2014.

Internal Control over Financial Reporting

The management of Kupu is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered Kupu's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on Kupu's financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kupu's internal control. Accordingly, we do not express an opinion on the effectiveness of Kupu'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 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 Kupu's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### 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 entity'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 entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

CW ASSOCIATES, CPAs

February 3, 2014

# **KUPU**

**REPORTS REQUIRED BY OMB CIRCULAR A-133**

**For the Year Ended September 30, 2013**



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

Kupu:

Report on Compliance for Major Federal Program

We have audited the compliance of Kupu, a nonprofit Hawaii corporation, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on Kupu's major federal program for the year ended September 30, 2013. Kupu's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Kupu's major federal program 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 Kupu'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 the major federal program. However, our audit does not provide a legal determination of Kupu's compliance.

Opinion on Major Federal Program

In our opinion, Kupu complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2013.

## Report on Internal Control over Compliance

The management of Kupu 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 Kupu's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstance 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 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 Kupu'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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.

## Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Kupu as of and for the year ended September 30, 2013, and have issued our report thereon dated February 3, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, 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.

*CW ASSOCIATES, CPAs*

February 3, 2014

# KUPU

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2013

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
<u>Corporation for National and Community Service</u>			
Passed through the Hawaii Commission for National and Community Services AmeriCorps	94.006*	10ACHHI0010001	<u>\$1,256,020</u> *
Total Corporation for National and Community Service			<u>1,256,020</u>
<u>U.S. Department of Commerce, National Oceanic and Atmospheric Administration</u>			
Passed through Hawaii Community Foundation Habitat Conservation	11.463	12HCF-59072	<u>68,446</u>
Total U.S. Department of Energy, National Oceanic and Atmospheric Administration			<u>68,446</u>
<u>U.S. Department of Agriculture, Forest Service</u>			
Direct program: Forestry Research	10.652	11-PA-11272139-032	<u>38,994</u>
Total U.S. Department of Agriculture, Forest Service			<u>38,994</u>
<u>U.S. Environmental Protection Agency, Office of Air and Radiation</u>			
Passed through the State of Hawaii, Department of Health State Clean Diesel Grant Program	66.040	None	20,118
Passed through the City & County of Honolulu, Honolulu Clean Cities Program National Clean Diesel Emissions Reduction Program	66.039	None	<u>6,464</u>
Total U.S. Environmental Protection Agency, Office of Air and Radiation			<u>26,582</u>

(Continued)

# KUPU

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended September 30, 2013

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of the Interior, National Park Service</u>			
Direct program:			
Cooperative Research and Training Programs - Resources of the National Park System	15.945	P13AC00132	\$ <u>23,176</u>
Total U.S. Department of the Interior, National Park Service			<u>23,176</u>
<u>U.S. Department of Energy</u>			
Passed through the City & County of Honolulu, Honolulu Clean Cities Program			
Conservation Research and Development Clean Cities Community Readiness and Planning for Plug-In Electric Vehicles and Charging Infrastructure	81.086	None	<u>7,576</u>
Total U.S. Department of Energy			<u>7,576</u>
<u>U.S. Department of Defense, Department of the Navy, Office of the Chief of Naval Research</u>			
Passed through Pacific International Center for High Technology Research			
Basic and Applied Scientific Research	12.300	None	<u>2,000</u>
Total U.S. Department of Defense, Department of the Navy, Office of the Chief of Naval Research			<u>2,000</u>
Total Expenditures of Federal Awards			<u>\$1,422,794</u>

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of 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, comprising 88% of total expenditures of federal awards.

# **KUPU**

## **FINDINGS AND QUESTIONED COSTS**

**For the Year Ended September 30, 2013**

# **KUPU**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended September 30, 2013**

### **SUMMARY OF AUDIT RESULTS**

The auditors expressed an unmodified opinion on the financial statements of Kupu.

No deficiencies or combinations of deficiencies material to Kupu's internal control over financial reporting were reported by the auditors.

No instances of noncompliance material to Kupu's financial statements were reported by the auditors.

The auditors expressed an unmodified opinion on compliance for Kupu's major federal award programs.

No deficiencies or combinations of deficiencies material to Kupu's internal control over compliance were reported by the auditors.

No audit findings related to Kupu's major federal award programs were reported by the auditors.

The program tested as a major program was AmeriCorps (CFDA #94.006), passed through the Hawaii Commission for National and Community Services, comprising 88% of total expenditures of federal awards.

The threshold for distinguishing Types A and B programs was \$300,000.

Kupu was determined to be a low-risk auditee because there were no significant deficiencies or combination of deficiencies, and no material findings or questioned costs reported in either of their two preceding annual single audits.

### **FINDINGS – FINANCIAL STATEMENTS AUDIT**

In the current year, no deficiencies or combinations of deficiencies material to Kupu's internal control over financial reporting and no instances of noncompliance material to Kupu's financial statements were reported by the auditors.

### **FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

In the current year, the auditors expressed an unmodified opinion on compliance for Kupu's major federal award program. No deficiencies or combinations of deficiencies material to Kupu's internal control over compliance were reported by the auditors in the current year.



# **KUPU**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**For the Year Ended September 30, 2013**

### **FINDINGS – FINANCIAL STATEMENTS AUDIT**

In the prior year, no deficiencies or combinations of deficiencies material to Kupu's internal control over financial reporting and no instances of noncompliance material to Kupu's financial statements were reported by the auditors.

### **FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

In the prior year, the auditors expressed an unmodified opinion on compliance for Kupu's major federal award programs. No deficiencies or combinations of deficiencies material to Kupu's internal control over compliance were reported by the auditors in the prior year.

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# **KUPU**

## **CORRECTIVE ACTION PLAN**

**For the Year Ended September 30, 2013**

# **KUPU**

## **CORRECTIVE ACTION PLAN**

**For the Year Ended September 30, 2013**

### **CORRECTIVE ACTION PLAN**

A corrective action plan for the year ended September 30, 2013 for Kupu was not required because there were no current year findings or questioned costs.

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