

**KANU O KA `ĀINA NEW CENTURY
PUBLIC CHARTER SCHOOL (KANU)**

**FINANCIAL STATEMENTS,
INDEPENDENT AUDITOR'S REPORTS,
AND SUPPLEMENTARY INFORMATION**

For the Years Ended June 30, 2023 and 2022



**KANU O KA `ĀINA NEW CENTURY
PUBLIC CHARTER SCHOOL (KANU)**

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Kanu o ka `Āina New Century Public Charter School (KANU):

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kanu o ka `Āina New Century Public Charter School (KANU), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise KANU's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of KANU as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of KANU and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note A to the financial statements, during the year ended June 30, 2023, KANU adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

KANU's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KANU's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KANU's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KANU's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

U.S. GAAP requires that the management's discussion and analysis be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise KANU's financial statements. The Schedule of Functional Expenses for the year ended June 30, 2023, with prior year comparative information and the Schedule of Expenditures of Federal Awards for the year ended June 30, 2023, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Functional Expenses and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the Schedule of Functional Expenses and Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

Unaudited Component Unit – KANU Support Group

Because we were not engaged to audit the financial statements of KANU Support Group, a component unit of Kanu o ka `Āina Learning Ohana (KALO), and a discretely presented component unit of KANU, as of and for the years ended June 30, 2023 and 2022, we did not extend our auditing procedures to enable us to express an opinion on those financial statements and, accordingly, we express no opinion on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2023 on our consideration of KANU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of KANU'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 KANU's internal control over financial reporting and compliance.

CW Associates, CPAs

CW Associates, CPAs
Honolulu, Hawaii
September 25, 2023



**KANU O KA `ĀINA NEW CENTURY
PUBLIC CHARTER SCHOOL (KANU)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended June 30, 2023 and 2022

Management's discussion and analysis of the financial performance of Kanu o ka `Āina New Century Public Charter School (KANU), a business-type governmental entity, provides an overview of the financial activities of KANU for the years ended June 30, 2023 and 2022. Please read it in conjunction with the financial statements and the related notes to the financial statements of KANU, which follow.

KANU as a Whole

KANU is a public charter school with students in grades kindergarten through twelve, organized as a community-based learning `ohana serving the State of Hawaii. With a mission of *kūlia i ka nu`u*, or strive for the highest, KANU is steadfast in cultivating compassionate, empowered, highly competent learners of all ages, grounded in Native Hawaiian culture and language. Student enrollment was 612 and 589 for the years ended June 30, 2023 and 2022, respectively.

KANU's instructional strategies for its learners include place-based, project, or inquiry-based learning as well as blended and virtual learning approaches. The Ka Oha Virtual Program is a form of distance education that uses the Internet and computer technologies to connect teachers and students. KANU's Blended Program offers additional instruction at a supervised brick and mortar school site and in part through a virtual learning program or alternative learning experience in which students have some element of control over time, place, path, and/or pace. Various vendors are used for the virtual delivery in an effort to meet the unique needs, capabilities, and interests of students.

KANU has an affiliation with Kanu o ka `Āina Learning `Ohana (KALO), a nonprofit Hawaii corporation, through its component unit, KANU Support Group, which provides financial support for KANU. Accordingly, KANU Support Group is reported as a discrete component unit in the accompanying financial statements. The financial statements of KALO are audited annually; however, the financial statements of KANU Support Group were not independently audited as of and for the years ended June 30, 2023 and 2022.

Using This Annual Report

This annual report consists of a series of financial statements and a supplemental schedule. In accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34), KANU issues a Statement of Net Assets; Statements of Revenue, Expenses and Changes in Net Assets; and Statements of Cash Flows, and the related notes to the financial statements. These financial statements, related notes to the financial statements, and the supplemental Schedule of Functional Expenses provide information about the financial activities of KANU, as a whole. This annual report also includes the independent auditor's reports required by the Government Accountability Office's *Government Auditing Standards* for the year ended June 30, 2023 and the independent auditor's reports required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**KANU O KA `ĀINA NEW CENTURY
PUBLIC CHARTER SCHOOL (KANU)**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Years Ended June 30, 2023 and 2022

Financial Highlights

For the year ended June 30, 2023, KANU reported operating revenue of \$8,384,371 and operating expenses of \$7,056,883, resulting in income from operations of \$1,327,488. KANU reported total nonoperating revenue of \$38,038 for the year ended June 30, 2023, resulting in an increase in net assets of \$1,365,526. For the year ended June 30, 2022, KANU reported operating revenue of \$6,316,990 and operating expenses of \$5,610,394, resulting in income from operations of \$706,596. KANU reported total nonoperating revenue of \$8,529 for the year ended June 30, 2022, resulting in an increase in net assets of \$715,125.

KANU reported cash provided by operating activities of \$1,089,141 and cash used by investing activities of \$382,076, resulting in an increase in cash of \$707,065 for the year ended June 30, 2023. KANU reported cash provided by operating activities of \$2,313,312 and cash used by investing activities of \$13,806, resulting in an increase in cash of \$2,299,506 for the year ended June 30, 2022.

Financial Statements and Supplemental Schedule

The Statements of Net Assets and the Statements of Revenue, Expenses, and Changes in Net Assets include the assets, liabilities, revenue, and expenses of KANU. This activity is recorded using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. Accordingly, all revenue and expenses are recognized when earned or incurred regardless of when the related cash is received or paid. In addition, these statements report the net assets of KANU and the related changes in them. Net assets are the difference between assets and liabilities and represent one way to measure the financial health or financial position of KANU. Over time, increases or decreases in net assets are one indicator of whether KANU's financial health is improving or declining. Management believes that a comprehensive assessment of KANU's financial health based on historic trends and near-term financial results, and of its future viability, would include an assessment of the additional financial support from the component unit KANU Support Group and other reliable sources that are needed to supplement shortfalls in charter school funding from the State of Hawaii.

The Statements of Revenue, Expenses, and Changes in Net Assets report all of the financial activity of KANU as business-type activities and divides it into two categories: operating activities and nonoperating activities. Operating activities included all financial activities associated with the operation of KANU and its related programs. Consequently, nonoperating activities included all financial activities not related to the operation of KANU.

The Statements of Cash Flows report KANU's sources and uses of cash using the direct method in three categories: cash flows from operating activities (exclusive of noncash expenses such as depreciation), cash flows from investing activities (principally purchases of capital assets), and cash flows from financing activities (none in 2023 and 2022). The supplemental Schedule of Functional Expenses reports KANU's operating expenses in matrix format for its instructional, pupil services, administration, and facilities activities. The supplemental schedule includes prior year comparative information.

**KANU O KA `ĀINA NEW CENTURY
PUBLIC CHARTER SCHOOL (KANU)**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Years Ended June 30, 2023 and 2022

Budgetary Highlights

For the years ended June 30, 2023 and 2022, KANU incurred \$7,056,883 and \$5,610,394 in actual expenses compared to budgeted expenses of \$6,854,385 and \$5,991,563, respectively. The majority of the difference between actual and budgeted expenses for the year ended June 30, 2023 is attributable to actual expenditures incurred for salaries and benefits, educational supplies, maintenance, and travel being more than budgeted. The majority of the difference between actual and budgeted expenses for the year ended June 30, 2022 is attributable to actual expenditures incurred for salaries and benefits, educational supplies, utilities, maintenance, food services, and transportation being less than budgeted.

Financial Activities

A substantial portion of the funding for KANU is received from the State of Hawaii, Department of Education, and is based on a standard rate per pupil. During the year ended June 30, 2023, KANU received \$5,620,310 in per pupil funding, which represents 67% of its revenue and support. In addition, KANU received federal, private, and State grants totaling \$1,217,700, \$891,569, and \$643,160, respectively. During the year ended June 30, 2022, KANU received \$4,723,143 in per pupil funding, which represents 75% of its revenue and support. In addition, KANU received federal, private, and State grants totaling \$733,653, \$622,769, and \$230,502, respectively. During the years ended June 30, 2023 and 2022, KANU received additional Impact Aid from federal grants of \$139,309 and \$158,473, respectively.

Contacting KANU's Financial Management

This report is designed to provide the reader with a general overview of KANU's finances and to demonstrate accountability for the funds it received. If you have questions about this report or need additional information, contact KANU's Administrative Office.

**KANU O KA `ĀINA NEW CENTURY
PUBLIC CHARTER SCHOOL (KANU)**

STATEMENTS OF NET ASSETS

As of June 30, 2023 and 2022

			<i>Unaudited</i>	
			Component Unit	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
ASSETS				
CURRENT ASSETS				
Cash (including interest-bearing accounts)	\$ 7,206,141	\$ 6,499,076	\$ 367,197	\$ 333,310
Grants and contracts receivable – net	807,543	369,571	-	-
Prepaid expenses and other current assets	40,747	12,621	-	-
Total current assets	<u>8,054,431</u>	<u>6,881,268</u>	<u>367,197</u>	<u>333,310</u>
CAPITAL ASSETS				
Leasehold improvements	450,101	394,542	-	-
Furniture and equipment	361,169	166,756	-	-
Construction in progress	126,297	-	-	-
Total	<u>937,567</u>	<u>561,298</u>	-	-
Accumulated depreciation	<u>(332,920)</u>	<u>(304,498)</u>	-	-
Capital assets – net	<u>604,647</u>	<u>256,800</u>	-	-
TOTAL ASSETS	<u>\$ 8,659,078</u>	<u>\$ 7,138,068</u>	<u>\$ 367,197</u>	<u>\$ 333,310</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 107,585	\$ 62,890	\$ -	\$ -
Accrued liabilities	334,319	269,077	-	-
Refundable advances	1,759,900	1,789,225	-	-
Due to Kanu o ka `Āina Learning `Ohana	117,061	42,189	-	-
Total current liabilities	<u>2,318,865</u>	<u>2,163,381</u>	<u>-</u>	<u>-</u>
NET ASSETS				
Unrestricted – undesignated	<u>6,340,213</u>	<u>4,974,687</u>	<u>367,197</u>	<u>333,310</u>
Total net assets	<u>6,340,213</u>	<u>4,974,687</u>	<u>367,197</u>	<u>333,310</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,659,078</u>	<u>\$ 7,138,068</u>	<u>\$ 367,197</u>	<u>\$ 333,310</u>

See accompanying notes to the financial statements.

**KANU O KA `ĀINA NEW CENTURY
PUBLIC CHARTER SCHOOL (KANU)**

**STATEMENTS OF REVENUE, EXPENSES,
AND CHANGES IN NET ASSETS**

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>	<i>Unaudited</i> Component Unit	
			<u>2023</u>	<u>2022</u>
OPERATING REVENUE				
State per pupil funding	\$ 5,620,310	\$ 4,723,143	\$ -	\$ -
Federal grants	1,217,700	733,653	-	-
Private grants	891,569	622,769	665,057	6,178
State grants	643,160	230,502	-	-
Food service	11,632	6,923	-	-
Total operating revenue	<u>8,384,371</u>	<u>6,316,990</u>	<u>665,057</u>	<u>6,178</u>
OPERATING EXPENSES				
Salaries and benefits	4,295,024	3,424,885	-	-
Occupancy	764,629	753,563	1,309	163
Contract services	685,785	660,255	577,340	16,711
Supplies	598,718	356,799	8,328	6,901
Repairs and maintenance	296,763	126,372	-	-
Classroom instructional technology	185,209	158,456	-	5,743
Travel and subsistence	102,140	26,445	560	-
Insurance	53,453	53,453	-	-
Depreciation	34,229	25,024	-	-
Equipment	28,083	15,434	-	7,920
Miscellaneous	12,850	9,708	10,536	12,587
Administrative fees	-	-	31,942	346
Professional development	-	-	760	-
Administrative fees	-	-	395	-
Total operating expenses	<u>7,056,883</u>	<u>5,610,394</u>	<u>631,170</u>	<u>50,371</u>
INCOME (LOSS) FROM OPERATIONS	<u>1,327,488</u>	<u>706,596</u>	<u>33,887</u>	<u>(44,193)</u>
NONOPERATING REVENUE				
Contributions and other income	<u>38,038</u>	<u>8,529</u>	<u>-</u>	<u>-</u>
Total nonoperating revenue	<u>38,038</u>	<u>8,529</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	<u>1,365,526</u>	<u>715,125</u>	<u>33,887</u>	<u>(44,193)</u>
NET ASSETS – Beginning of year	<u>4,974,687</u>	<u>4,259,562</u>	<u>333,310</u>	<u>377,503</u>
NET ASSETS – End of year	<u>\$ 6,340,213</u>	<u>\$ 4,974,687</u>	<u>\$ 367,197</u>	<u>\$ 333,310</u>

See accompanying notes to the financial statements.

**KANU O KA `ĀINA NEW CENTURY
PUBLIC CHARTER SCHOOL (KANU)**

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from grants and contracts	\$ 7,943,480	\$ 7,805,689
Receipts from food service	11,632	6,923
Payments to employees	(4,229,782)	(3,391,638)
Payments to vendors and suppliers	<u>(2,636,189)</u>	<u>(2,107,662)</u>
Net cash provided by operating activities	<u>1,089,141</u>	<u>2,313,312</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to caspital assets	<u>(382,076)</u>	<u>(13,806)</u>
Net cash used by investing activities	<u>(382,076)</u>	<u>(13,806)</u>
NET INCREASE IN CASH	707,065	2,299,506
CASH – Beginning of year	<u>6,499,076</u>	<u>4,199,570</u>
CASH – End of year	<u><u>\$ 7,206,141</u></u>	<u><u>\$ 6,499,076</u></u>
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Increase in net assets	\$ 1,365,526	\$ 715,125
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	34,229	25,024
(Increase) decrease in		
Grants and contracts receivable – net	(437,972)	(232,132)
Prepaid expenses and other current assets	(28,126)	9,811
Increase (decrease) in		
Accounts payable	44,695	38,305
Accrued liabilities	65,242	33,247
Refundable advances	(29,325)	1,719,225
Due to Kanu o ka `Āina Learning `Ohana	<u>74,872</u>	<u>4,707</u>
Net cash provided by operating activities	<u><u>\$ 1,089,141</u></u>	<u><u>\$ 2,313,312</u></u>

See accompanying notes to the financial statements.

**KANU O KA `ĀINA NEW CENTURY
PUBLIC CHARTER SCHOOL (KANU)**

**STATEMENTS OF CASH FLOWS – COMPONENT UNIT
KANU SUPPORT GROUP
(UNAUDITED)**

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 33,887	\$ (44,193)
Net cash provided (used) by operating activities	<u>33,887</u>	<u>(44,193)</u>
NET INCREASE (DECREASE) IN CASH	33,887	(44,193)
CASH – Beginning of year	<u>333,310</u>	<u>377,503</u>
CASH – End of year	<u>\$367,197</u>	<u>\$333,310</u>

See accompanying notes to the financial statements.

**KANU O KA `ĀINA NEW CENTURY
PUBLIC CHARTER SCHOOL (KANU)**

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activity

Kanu o ka `Āina New Century Public Charter School (KANU), is a public charter school that is administered by a Governing Board. Financial support is provided in part by Kanu o ka `Āina Learning `Ohana (KALO) through its component unit, KANU Support Group. KANU was organized as a community-based learning `ohana, in the Hamakua and North Hawaii areas on the Island of Hawaii, and is steadfast in cultivating passionate, empowered, highly competent learners across the State of Hawaii, grounded in Native Hawaiian culture and language.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, KANU is considered a special purpose government entity that engages in only business-type activities.

The majority of KANU’s revenue is received from the State of Hawaii, Department of Education (DOE). Revenue from State per pupil funding, other State funding, and private grants are recognized when earned. Revenue from Federal grants is recognized to the extent of expenditures made in accordance with the related agreements (including expenditures for property and equipment, which may be capitalized and depreciated for financial reporting purposes). Food service revenue is recognized when the required services are performed. Revenue from grants received before the services are performed or the expenditures are incurred are recognized as refundable advances.

KANU allocates its expenses on a functional basis between its instructional program, administration, and facilities based on estimates by management. Expenses that can be identified with its instructional program, administration, and facilities are charged directly to instructional program, administration, and facilities. Other expenses that are common to several functions are allocated based on management’s estimates of time spent by personnel. Expenses are recognized when the related liability is incurred.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, it is reasonably possible that such estimates may change within the near term, and such differences could be material to the financial statements.

**KANU O KA `ĀINA NEW CENTURY
PUBLIC CHARTER SCHOOL (KANU)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended June 30, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

Financial instruments that potentially subject KANU to credit risk include cash on deposit with financial institutions at June 30, 2023 and 2022 (see below), and grants and contracts receivable. Grants and contracts receivable, which are determined to be collectible or uncollectible based on an assessment by management of the facts and circumstances related to the individual accounts, including historical experience, an assessment of economic conditions, and a review of subsequent collections, have been adjusted for all known doubtful accounts (none at June 30, 2023 and 2022).

KANU maintains cash at two financial institutions. These balances, at times, may exceed the Federal Deposit Insurance Corporation insured limit of \$250,000 per depositor. Management acknowledges the possibility of risk in this arrangement. However, management believes the size and longevity of the depository institutions minimized such risk. As required by GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, the following represents a summary of deposits as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Fully insured deposits	\$ 500,000	\$ 500,000
Uninsured deposits	6,726,107	6,017,365
Reconciling items	<u>(19,966)</u>	<u>(18,289)</u>
 Cash per financial statements	 <u>\$ 7,206,141</u>	 <u>\$ 6,499,076</u>

Capital Assets Being Depreciated

Capital assets are 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 estimated useful lives of five to 15 years for leasehold improvements and three years for furniture and equipment. Capital 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 in excess of \$5,000 are capitalized. Repairs and maintenance are expensed as incurred.

KANU Support Group – Component Unit

KANU Support Group is a nonprofit organization that reports in accordance with Financial Accounting Standards Board standards. As such, certain presentation features are different from GASB presentation features. There has been no modification to KANU Support Group’s unaudited financial information in KANU’s financial statements for these differences. Consequently, KANU Support Group’s statement of cash flows is presented as a separate financial statement using the indirect method.

**KANU O KA `ĀINA NEW CENTURY
PUBLIC CHARTER SCHOOL (KANU)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended June 30, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of New GASB Pronouncement

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. GASB No. 96 (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Implementation of GASB No. 96 did not have a significant effect on the KANU’s financial statements for the year ended June 30, 2023 as KANU did not have material SBITAs.

NOTE B – RETIREMENT PLANS

The employees of KANU are employees of the State of Hawaii. Substantially all eligible employees of the State of Hawaii are required to become members of the Employees’ Retirement System (ERS) of the State of Hawaii. Prior to June 30, 1984, the plan consisted of only a contributory plan. In 1984, a new non-contributory plan was added for members of the ERS who are also covered under Social Security. The non-contributory plan provides for reduced benefits and covers most eligible employees hired after June 30, 1984.

Employees hired before that date were allowed to continue under the contributory plan or to elect the new non-contributory plan and receive a refund of employee contributions. On July 1, 2007, a new hybrid contributory plan became effective pursuant to Act 170, SLH of 2004. All members of the non-contributory plan and certain members of the contributory plan are eligible to join the new hybrid plan. Most of the new employees hired from July 1, 2006, are required to join the hybrid plan. Employer contributions to the plans are made by the DOE.

NOTE C – COMPONENT UNIT – KANU SUPPORT GROUP

KANU Support Group, a component unit of KANU, is also a component unit of Kanu o ka `Āina Learning `Ohana (KALO), a nonprofit Hawaii corporation exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, qualifying contributions to KALO and the KANU Support Group are tax deductible. KALO was established in December 2000 to administer programs for the advancement of the education, culture, and traditions of Hawaiian people.

KANU utilizes facilities owned by KALO during the school day under a month-to-month operating lease agreement. Lease rent expense amounted to \$685,719 and \$686,144 for the years ended June 30, 2023 and 2022, respectively. Amounts due to KALO consist primarily of rent or other expenses payable by KANU to KALO.

**KANU O KA `ĀINA NEW CENTURY
PUBLIC CHARTER SCHOOL (KANU)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended June 30, 2023 and 2022

NOTE D – TRANSACTIONS WITH THE STATE OF HAWAII, DEPARTMENT OF EDUCATION

A substantial portion of the funding for KANU is received from the DOE, and is based on a standard rate per pupil. During the years ended June 30, 2023 and 2022, KANU received \$5,620,310 and \$4,723,143, respectively, in per pupil funding, which represents about 67% and 75% of operating revenue for each of those years. Federal grants and State grants received by KANU from the DOE were \$1,217,700 and \$643,160, respectively, for the year ended June 30, 2023 and \$733,653 and \$230,502, respectively, for the year ended June 30, 2022.

KANU receives reimbursement from the DOE for the employer portion of payroll taxes for employees that were not enrolled in the DOE's payroll system. Such reimbursements, included in State grants in the Statements of Revenue, Expenses, and Changes in Net Assets, amounted to \$279,085 and \$222,069 for the years ended June 30, 2023 and 2022, respectively.

NOTE E – LEASES

In addition to the facilities that KANU leased from KALO, KANU has a license from the State of Hawaii, Department of Hawaiian Home Lands to utilize land as a cultural learning center at a cost of \$600 per year. The license terminates when KANU ceases to operate a cultural learning center or other permitted use.

In June 2023, KANU entered into a facilities operating lease agreement with KALO which became effective July 2023 and expires in June 2028.

NOTE F – CONTINGENCIES

KANU may be subject to legal proceedings, claims, or litigation arising in the ordinary course of business for which it may seek the advice of the Attorney General of the State of Hawaii. Management estimates that the cost to resolve such matters, if any, would not be material to the financial statements. However, it is reasonably possible that such estimates may change within the near term.

The State Public Charter School Commission (Commission) monitors Hawaii's public charter schools against standards and other measures in the areas of financial, academic and operating performance. The Commission has the authority to revoke a school's charter should the Commission determine that the school is not meeting the standards and measures. Revocation of a school's charter would result in the closure of the school. Management believes that KANU is performing in accordance with the Commission's standards and measures. However, it is reasonably possible that the operations and operating results of KANU could change within the near term, particularly if there was a reduction in the per pupil funding.

**KANU O KA `ĀINA NEW CENTURY
PUBLIC CHARTER SCHOOL (KANU)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Years Ended June 30, 2023 and 2022

NOTE F – CONTINGENCIES (Continued)

KANU operates in the State of Hawaii. Local, national, and international events can have severe, adverse effects on economic conditions in Hawaii. These financial statements do not include the adjustments that would result if KANU were to account for future losses or asset impairments, as the effects on the financial statements of KANU from such changes in economic conditions are not presently determinable.

NOTE G – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 25, 2023, which is the date the financial statements were available to be issued, and determined that KANU did not have any subsequent events requiring adjustment to the financial statements or disclosure in the notes to the financial statements, except as disclosed in Note E to the financial statements.

**KANU O KA `ĀINA NEW CENTURY
PUBLIC CHARTER SCHOOL (KANU)**

SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2023

**KANU O KA `ĀINA NEW CENTURY
PUBLIC CHARTER SCHOOL (KANU)**

SCHEDULE OF FUNCTIONAL EXPENSES

**For the Year Ended June 30, 2023
(With Prior Year Comparative Information)**

	<u>Instructional</u>	<u>Admini- stration</u>	<u>Facilities</u>	<u>2023 Total</u>	<u>2022 Total</u>
Salaries and benefits	\$ 3,839,152	\$ 455,872	\$ -	\$ 4,295,024	\$ 3,424,885
Occupancy	20,992	-	743,637	764,629	753,563
Contract services	245,743	392,123	47,919	685,785	660,255
Supplies	579,472	17,907	1,339	598,718	356,799
Repair and maintenance	-	-	296,763	296,763	126,372
Classroom instructional technology	185,209	-	-	185,209	158,456
Travel and subsistence	95,357	6,783	-	102,140	26,445
Insurance	-	53,453	-	53,453	53,453
Depreciation	-	-	34,229	34,229	25,024
Equipment	7,499	3,238	17,346	28,083	15,434
Miscellaneous	60	12,790	-	12,850	9,708
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 4,973,484</u>	<u>\$ 942,166</u>	<u>\$ 1,141,233</u>	<u>\$ 7,056,883</u>	<u>\$ 5,610,394</u>

**KANU O KA `ĀINA NEW CENTURY
PUBLIC CHARTER SCHOOL (KANU)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

<u>Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>	<u>Amount Provided to Sub- recipients</u>
<u>U.S. Department of Education</u>				
Passed through the State Public Charter School Commission				
Education Stabilization Fund	84.425U *	N/A	\$ 735,936 *	\$ -
Title I Grants to Local Educational Agencies	84.010	N/A	188,700	-
Impact Aid	84.041	N/A	<u>139,309</u>	<u>-</u>
Total Passed through the State Public Charter School Commission			<u>1,063,945</u>	<u>-</u>
Passed through The Research Corporation of University of Hawaii				
Education Stabilization Fund	84.425C*	N/A	<u>35,000</u>	<u>-</u>
Total U.S. Department of Education			<u>1,098,945</u>	<u>-</u>
<u>Federal Communications Commission</u>				
Direct Program				
Emergency Connectivity Fund Program	32.009		<u>118,754</u>	<u>-</u>
Total Federal Communications Commission			<u>118,754</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,217,699</u>	<u>\$ -</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**KANU O KA `ĀINA NEW CENTURY
PUBLIC CHARTER SCHOOL (KANU)**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Kanu o ka 'Aina New Century Public Charter School (KANU) and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, certain amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements of KANU.

* Denotes major program.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. In addition, agency or pass-through numbers are presented where available.

NOTE C – INDIRECT COST RATES

KANU has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**KANU O KA `ĀINA NEW CENTURY
PUBLIC CHARTER SCHOOL (KANU)**

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

For the Year Ended June 30, 2023



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

Kanu o ka `Āina New Century Public Charter School (KANU):

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kanu o ka `Āina New Century Public Charter School (KANU), a business-type governmental entity, which comprise the statement of net assets as of June 30, 2023, and the related statements of revenue, expenses, and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered KANU’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KANU’s internal control. Accordingly, we do not express an opinion on the effectiveness of KANU’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether KANU's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of These Reports

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

CW Associates, CPAs

CW Associates, CPAs
Honolulu, Hawaii
September 25, 2023



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**KANU O KA `ĀINA NEW CENTURY
PUBLIC CHARTER SCHOOL (KANU)**

REPORTS IN ACCORDANCE WITH THE UNIFORM GUIDANCE

For the Year Ended June 30, 2023



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Kanu o ka 'Aina New Century Public Charter School (KANU):

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kanu o ka `Aina New Century Public Charter School (KANU)’s (Organization), a business-type governmental entity, compliance with the types of compliance requirements identified as subject to audit in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2023. KANU’s major federal program is identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, KANU complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor’s Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of KANU and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of KANU’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to KANU's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on KANU's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about KANU's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding KANU's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of KANU's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of KANU's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Report on Internal Control over Compliance (continued)

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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

CW Associates, CPAs

CW Associates, CPAs
Honolulu, Hawaii
September 25, 2023



**KANU O KA `ĀINA NEW CENTURY
PUBLIC CHARTER SCHOOL (KANU)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2023

**KANU O KA `ĀINA NEW CENTURY
PUBLIC CHARTER SCHOOL (KANU)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2023

SUMMARY OF AUDITOR’S RESULTS

Financial statements

Type of auditor's report issued on the financial statements	<input checked="" type="checkbox"/> Unmodified	<input type="checkbox"/> Qualified
	<input type="checkbox"/> Adverse	<input type="checkbox"/> Disclaimer
Internal control over financial reporting		
Material weaknesses(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Noncompliance material to the financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal awards

Internal control over the major federal program		
Material weaknesses(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported

Type of auditor's report on compliance for the major federal program	<input checked="" type="checkbox"/> Unmodified	<input type="checkbox"/> Qualified
	<input type="checkbox"/> Adverse	<input type="checkbox"/> Disclaimer

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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Identification of major federal award program
Assistance Listing No. 84.425 Education Stabalization Fund

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

Auditee qualified as a low-risk auditee	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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FINDINGS – FINANCIAL STATEMENT AUDIT

No matters were reported.

FINDINGS – FEDERAL AWARDS AUDIT

No matters were reported.