
J^{ay} M^{iyaki}, CPA, LLC

**KAWAIKINI
NEW CENTURY
PUBLIC CHARTER SCHOOL**
(Component Unit of the State of Hawaii,
Department of Education)

Financial Statements
For the Year Ended June 30, 2022

KAWAIKINI NEW CENTURY PUBLIC CHARTER SCHOOL

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KAWAIKINI NEW CENTURY PUBLIC CHARTER SCHOOL
INDEPENDENT AUDITOR'S REPORT
For the Year Ended June 30, 2022

INDEPENDENT AUDITOR'S REPORT

To the Governing Board and Management of
Kawaikini New Century Public Charter School:

Report on the Audit of the Financial Statements

Unmodified Opinion and Disclaimer of Opinion

We have audited the accompanying financial statements of Kawaikini New Century Public Charter School (School), a State of Hawaii Public Charter School and a component unit of the State of Hawaii Department of Education, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Unmodified Opinion on the financial statements of Kawaikini New Century Public Charter School.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Kawaikini New Century Public Charter School, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on the financial statements of the Discretely Presented Component Unit.

Because of the significance of the matter described in the Basis for Disclaimer of Opinion and Unmodified Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit of Kawaikini New Century Public Charter School. Accordingly, we do not express an opinion on the financial statements of the discretely presented component unit.

Basis for Unmodified Opinion and Disclaimer of Opinion

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

Matter Giving Rise to Disclaimer of Opinion on the Discretely Presented Component Unit.

The financial statements of the Discrete Component Unit have not been audited, and we were not engaged to audit the financial statements as part of our audit of Kawaikini New Century Public Charter School's basic financial statements.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note B to the financial statements, in July 2021 the School adopted new accounting guidance, GASB Statement No. 87, Leases, to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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 the School'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 opinions. 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 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 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 the School'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 the School's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2022 on our consideration of the School'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 the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Honolulu, Hawaii
October 29, 2022

KAWAIKINI NEW CENTURY PUBLIC CHARTER SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022

KAWAIKINI NEW CENTURY PUBLIC CHARTER SCHOOL

MANAGEMENT DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2022

The following discussion and analysis of the financial performance of Kawaikini New Century Public Charter School provides an overview of the School's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the School's financial statements and the related notes to the financial statements.

The School as a Whole

Kawaikini New Century Public Charter School received its charter on July 10, 2008. During the fiscal year ended June 30, 2022, the School operated grade levels kindergarten through grade twelve in Lihue, on the Island of Kauai, Hawaii.

Using This Annual Report

This annual report consists of a series of financial statements. In accordance with *Government Accounting Standards Board* pronouncements, the School is considered a special-purpose government engaged in business-type activities and issues a Statement of Net Position, a Statement of Revenue, Expenses, and Changes in Net Position, a Statement of Cash Flows, and the related notes to the financial statements, which collectively comprise the School's basic financial statements. These statements provide information about the financial activities of the School as a whole. The Governing Board reviews and approves the annual school budget; however, a budgetary comparison is not included as a supplementary schedule because it is not required.

Financial Statements

The financial statements provide readers with a broad overview of the School's finances, in a manner similar to that employed by a private-sector business.

The *Statement of Net Position* presents information on all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Revenue, Expenses, and Changes in Net Position* presents information on all revenues and expenses of the School and the changes in net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Statements (continued)

The *Statement of Cash Flows* presents information about the School's cash receipts and disbursements that affect the change in the School's cash balance by categorizing cash activities into operating, noncapital financing, capital and related financing, and investing activities.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the School's financial statements. The notes to the financial statements can be found on the pages following the financial statements.

Financial Highlights

For the year ended June 30, 2022:

- The School reported net position of \$1,183,413 comprising cash of \$259,231, receivables and other assets of \$216,388, and capital assets of \$869,466 less liabilities of \$161,672.
- The School reported an operating loss of \$164,322 from revenues of \$1,734,156 less expenses of \$1,898,478.
- Total per-pupil funding of \$1,220,949, represented approximately 70% of total operating revenues.
- Salaries and wages of \$1,327,133 represented approximately 70% of total expenses.

Net Position

The following provides a summary of the School's net position as of June 30, 2022.

Assets	\$1,345,085
Liabilities	\$ 161,672
Total net position	\$1,183,413

Over time, net position can serve as an indicator of whether the School's financial position is improving or deteriorating.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Changes in Net Position

The following provides a summary of the School's revenues, expenses, and changes in net position as of June 30, 2022.

Revenues

Per-pupil allocation	\$1,220,949
Federal and other grants	207,386
Grants passed through from	
Supporting the Language of Kauai, Inc.	136,995
Other income	<u>168,826</u>
Total revenues	<u>1,734,156</u>

Expenses

Salaries and wages	1,327,133
Other expenses	<u>571,345</u>
Total expenses	<u>1,898,478</u>
Decrease in net position	\$ <u>(164,322)</u>

Net Investment in Capital Assets Component of Net Position

The following provides a summary of the School's net investment in capital assets component of net position as of June 30, 2022.

Buildings and improvements	\$1,455,513
Vehicles	56,900
Furniture and equipment	34,863
Office and computer equipment	104,328
Right of use lease assets	61,203
Accumulated depreciation and amortization	(843,341)
Capital lease obligations	<u>(56,903)</u>
Net investment in capital assets	\$ <u>812,563</u>

In July 2021, the School adopted GASB Statement No. 87, Leases, to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

Contacting the School's Management

This report provides a general overview of the School's finances and is designed to show the School's accountability for the money it receives. Please contact the School if there are any questions about this report.

KAWAIKINI NEW CENTURY PUBLIC CHARTER SCHOOL
FINANCIAL STATEMENTS AND NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

KAWAIKINI NEW CENTURY PUBLIC CHARTER SCHOOL

STATEMENTS OF NET POSITION

As of June 30, 2022

	Kawaikini New Century Public Charter School	Supporting the Language of Kauai, Inc. Unaudited Component Unit.
ASSETS		
Cash	\$ 259,231	\$ 284,503
Grants receivable	178,770	10,903
Other assets	37,618	11,406
Capital assets		
Buildings and improvements	1,455,513	2,367,406
Vehicles	56,900	-
Furniture and equipment	34,863	17,900
Office and computer equipment	104,328	-
Right of use lease assets	61,203	-
Construction-in-progress	-	130,642
Other equipment	-	100,919
Accumulated depreciation and amortization	<u>(843,341)</u>	<u>(1,604,663)</u>
Total capital assets – net	<u>869,466</u>	<u>1,012,204</u>
Total assets	<u>1,345,085</u>	<u>1,319,016</u>
LIABILITIES		
Accrued payroll	61,878	-
Accrued vacation	42,891	-
Lease liabilities		
Due within one year	4,425	-
Due in more than one year	52,478	-
Unearned revenue	-	138,294
Other liabilities	<u>-</u>	<u>9,884</u>
Total liabilities	<u>161,672</u>	<u>148,178</u>
NET POSITION		
Unrestricted	350,384	158,634
Net investment in capital assets	812,563	1,012,204
Restricted	<u>20,466</u>	<u>-</u>
Total net position	<u>\$1,183,413</u>	<u>\$1,170,838</u>

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

KAWAIKINI NEW CENTURY PUBLIC CHARTER SCHOOL

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2022

	Kawaikini New Century Public Charter School	Supporting the Language of Kauai, Inc. Unaudited Component Unit.
OPERATING REVENUES		
Per-pupil allocation	\$1,220,949	\$ -
Federal and other grants	207,386	-
Grants passed through from		
Supporting the Language of Kauai, Inc.	136,995	-
Office of Hawaiian Affairs	87,284	-
School fees	47,209	-
Kamehameha Schools	-	125,694
Rental income	-	60,000
Other income	<u>34,333</u>	<u>141,103</u>
Total operating revenues	<u>1,734,156</u>	<u>326,797</u>
OPERATING EXPENSES		
Salaries and wages	1,327,133	-
Depreciation and amortization	116,089	158,342
Repairs and maintenance	95,609	-
Supplies and equipment	77,960	-
School meals	72,121	-
Occupancy	65,700	-
Transportation	47,505	-
Utilities	39,843	-
Professional and contract fees	27,675	36,063
Student services	10,024	-
Development and training	7,354	-
Travel	4,581	-
Other expenses	6,884	43,133
Insurance	-	11,215
Grants passed through to		
Kawaikini Public Charter School	<u>-</u>	<u>136,995</u>
Total operating expenses	<u>1,898,478</u>	<u>385,748</u>
OPERATING LOSS	(164,322)	(58,951)
NET POSITION – Beginning of year	<u>1,347,735</u>	<u>1,229,789</u>
NET POSITION – End of year	<u>\$1,183,413</u>	<u>\$1,170,838</u>

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

KAWAIKINI NEW CENTURY PUBLIC CHARTER SCHOOL

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2022

	Kawaikini New Century Public Charter School	Supporting the Language of Kauai, Inc. Unaudited Component Unit.
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from per-pupil allocation	\$1,220,949	\$ -
Receipts from		
Supporting the Language of Kauai, Inc.	136,995	-
Receipts from federal and other grants	107,849	-
Receipts from other income	168,826	454,188
Payments to employees	(1,327,136)	-
Payments to vendors, suppliers, and others	(464,499)	(91,586)
Payments to Kawaikini Public Charter School	<u>-</u>	<u>(136,995)</u>
Net cash (used) provided by operating activities	<u>(157,016)</u>	<u>225,607</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Repayments of lease liability obligations	<u>(4,300)</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(4,300)</u>	<u>-</u>
NET (DECREASE) INCREASE IN CASH	(161,316)	225,607
CASH – Beginning of year	<u>420,547</u>	<u>58,896</u>
CASH – End of year	<u>\$ 259,231</u>	<u>\$284,503</u>
RECONCILIATION OF OPERATING ACTIVITIES		
Operating loss	\$ (164,322)	\$ (58,951)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation and amortization	116,089	158,342
(Increase) decrease in:		
Grants receivable	(99,537)	(10,903)
Other assets	(9,243)	(815)
Increase (decrease) in:		
Accounts payable	-	(360)
Accrued payroll and vacation	(3)	-
Unearned revenue	<u>-</u>	<u>138,294</u>
Net cash (used) provided by operating activities	<u>\$ (157,016)</u>	<u>\$225,607</u>

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

KAWAIKINI NEW CENTURY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

NOTE A – ORGANIZATION AND ACTIVITY

Kawaikini New Century Public Charter School is an authorized State of Hawaii public charter school and is a component unit of the State of Hawaii Department of Education. The School is located in the community of Lihue, on the Island of Kauai, Hawaii. The School's mission is to create a supportive learning environment where indigenous cultural knowledge is valued, applied, and perpetuated through the medium of Hawaiian language. The School currently educates students from kindergarten to twelfth grade at a single campus on land leased from the University of Hawaii, Kauai. Employees of the School belong to the Hawaii State Teachers Association (HSTA), the Hawaii Government Employers Association (HGEA) or the United Public Workers (UPW) unions. The School's insurance coverage is under the State of Hawaii.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in Accounting Principle – In July 2021, the School adopted GASB Statement No. 87, Leases, to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement had a significant effect on the School's financial statements for the year ended June 30, 2022. A right of use asset was recorded for \$61,203 and a lease liability was recorded for \$61,203 on July 1, 2021.

Basis of Accounting – In accordance with *Government Accounting Standards Board* pronouncements, the School is a special-purpose government engaged in business-type activities. Therefore, the financial statements are prepared using the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded when the related liability is incurred. Unearned revenues, if any, are reported as a liability. Operating revenues and expenses result from providing educational and instructional services in connection with the School's principal ongoing operations. Operating revenues include state per-pupil funding, federal and other grants, pass-through grants and other funding, school fees, rental income, and other income. School fees, if any, are for items such as uniforms, lunches, bus transportation, yearbook, and other school activities. Operating expenses include salaries, educational costs, administrative expenses, and depreciation on capital assets. Other revenues and expenses are non-operating. . The School received a reimbursement from the State of Hawaii, Department of Budget and Finance, for employer paid FICA taxes of approximately \$100,118 during the year ended June 30, 2022, and recorded this reimbursement as a reduction of the related expense. The School may receive services provided by employees of the State of Hawaii, Department of Education; the School does not recognize these services in the financial statements in accordance with governmental accounting standards.

The School reports the following three components of net position: Net investment in capital assets, which is comprised of capital assets, net of accumulated depreciation and net of related debt, where applicable; Restricted, which is comprised of funds with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments or laws through constitutional provisions or enabling legislation; Unrestricted, which is comprised of all other net position amounts that do not meet the definition of net investment in capital assets or restricted. When both restricted and unrestricted resources are available, it is generally the School's policy to use restricted resources first and then unrestricted resources. The School did not have deferred outflows of resources or deferred inflows of resources or fiduciary activities at June 30, 2022.

The School follows the provisions of *Government Accounting Standards Board Statements 61 (amendment to GASB Statement No. 14)*, which requires that reporting on organizations that are legally separable, tax-exempt entities, and that meet the following criteria, should be discretely presented as a component unit. The criteria are: (1) Economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) Economic resources received or held by an individual organization that the specific government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government; (4) Or if not meeting the first three criteria but exclusion of the organization would render the financial statements of the reporting entity misleading or incomplete. The discrete component unit reported in these financial statements uses the accrual basis of accounting. The unaudited discretely presented component unit is Supporting the Language of Kauai, Inc.

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 at least reasonably possible that such differences will occur in the near-term.

Concentrations of Credit Risk – Financial instruments that potentially subject the School to credit risk include cash and grants receivable. At June 30, 2022, cash on deposit with two financial institutions of \$331,036 exceeded the federal deposit insurance by approximately \$81,000. Management periodically evaluates the relative credit standing of such institutions to ensure cash deposits are safe. The School does not have a formal investment policy that limits exposure to interest rate risk, credit risk, or concentration of credit risk. Grants receivable have been adjusted for all known doubtful accounts and are determined to be collectible or uncollectible based on an assessment by management of the facts and circumstances related to the individual accounts.

Cash and Cash Equivalents – For purposes of reporting cash flows, the School considers all liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The School did not have any cash equivalents at June 30, 2022.

Capital Assets – Property and equipment is stated at cost or, if contributed, at estimated fair value at the date of contribution. Depreciation and amortization use accelerated and straight-line methods over estimated useful lives of three to seven years for furniture and equipment, and office and computer equipment, twenty years for vehicles, over the term of the lease for right of use lease assets, and fifteen to twenty-two years for buildings and improvements. The School reviews property and equipment for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. The School expenses repairs and maintenance and capitalizes major improvements and additions.

Income Taxes – The School operates as a part of the State of Hawaii government and is therefore generally exempt from federal income taxes under Section 115 of the U. S. Internal Revenue Code. The School is also not subject to Hawaii income and general excise taxes, because the State government, which include charter schools, is not a taxable entity.

Leases – The School has a policy to recognize a lease liability and a right of use lease asset (lease asset) in its financial statements. The School recognizes lease liabilities with an initial, individual value of \$25,000 or more and a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability. At the commencement of a lease, the School initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the School has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset. Key estimates and judgments related to leases include how the School determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The School uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School generally uses its estimated incremental borrowing rate as the discount rate for the lease. The lease term includes the non-cancellable period of the lease and optional period payments that are reasonably certain to be paid. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School is reasonably certain to exercise.

Retirement Plan – The School’s employees that meet certain requirements are members of the State of Hawaii Employees’ Retirement System (ERS), a 401(a) defined benefit retirement plan, exempt under Section 501(a) of the Internal Revenue Code. The ERS administers a retirement and survivor benefit program for State and County government employees. The ERS collects retirement contributions from members; provides pre-retirement counseling services; conducts disability hearings and appeals; reviews claims for retirement, disability and death benefits, and certifies these benefits for payment; processes semi-monthly pension checks to retirees and beneficiaries; accounts for and safeguards assets in the ERS investment portfolio; and invests funds to help finance its programs. Employees hired before July 1, 1984 participate in the ERS contributory plan. Most employees hired from July 1, 1984 participate in the noncontributory plan, as well as employees hired before that date who elected to transfer from the contributory plan. Employees hired from July 1, 2006 participate in the hybrid plan, as well as employees hired before that date who elected to join the hybrid plan. The School does not contribute to the plan.

Compensated Absences – Accumulated unpaid vacation pay amounts are accrued when incurred by the School. The liability is recorded as an expense and a liability as the benefits accrue to eligible employees.

NOTE C – PUBLIC CHARTER SCHOOL CONTRACT

Effective July 1, 2017, the State Public Charter School Commission executed a contract with Kawaikini New Century Public Charter School authorizing the School to operate as a State of Hawaii, Department of Education public charter school through June 30, 2023. The School receives a substantial portion of its funding through the Commission.

NOTE D – ACCREDITATION

In February 2021, the Accrediting Commission for Schools of the Western Association of Schools and Colleges granted Kawaikini New Century Public Charter School accreditation through June 30, 2027.

NOTE E – COMPONENT UNIT

Supporting the Language of Kauai, Inc. (SLK) is a nonprofit Hawaii corporation chartered on January 24, 2006 to support and perpetuate the native Hawaiian language through education and cultural enrichment. . SLK is a legally separate entity and 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 Supporting the Language of Kauai, Inc. are tax deductible. SLK follows the guidance of the Financial Accounting Standards Board for its financial reporting. SLK serves as the fiscal sponsor and fundraising arm for Kawaikini New Century Public Charter School and other organizations that work to further the Hawaiian language on Kaua'i. SLK's projects benefit all geographic areas of Kaua'i with a special emphasis on K-12 students in Hawaiian language programs. During the year ended June 30, 2022 the School received \$136,995 of pass-through funding from SLK. The School leases buildings from SLK on a month-to-month basis and paid \$60,000 in lease rent during the year ended June 30, 2022. Please contact the School for additional information.

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, is detailed below:

	<u>2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>2022</u>
Buildings and improvements	\$1,455,513	\$ -	\$ -	\$1,455,513
Vehicles	56,900	-	-	56,900
Furniture and equipment	34,863	-	-	34,863
Office and computer equipment	104,328	-	-	104,328
Right of use lease asset	-	<u>61,203</u>	-	<u>61,203</u>
Total capital assets	<u>1,651,604</u>	<u>61,203</u>	-	<u>1,712,807</u>
Accumulated depreciation and amortization	<u>(727,252)</u>	<u>(116,089)</u>	-	<u>(843,341)</u>
Total capital assets – net	<u>\$ 924,352</u>	<u>\$ (54,886)</u>	<u>\$ -</u>	<u>\$ 869,466</u>

NOTE G – LEASE LIABILITY

The School has entered into leases for building space and equipment. The terms of the agreements run through March 2033. The rate used to calculate interest was 2.87%.

Principal and interest payments to maturity as of June 30, 2022, are as follows:

<u>Year Ending June 30th</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 4,425	\$1,575	\$ 6,000
2024	4,556	1,444	6,000
2025	4,686	1,314	6,000
2026	4,822	1,178	6,000
2027	4,962	1,038	6,000
2028-2032	27,062	2,938	30,000
Thereafter	<u>6,390</u>	<u>110</u>	<u>6,500</u>
Total	<u>\$56,903</u>	<u>\$9,597</u>	<u>\$66,500</u>

NOTE H – SUPPLEMENTAL CASH FLOW INFORMATION

For the year ended June 30, 2022, supplemental cash flow information consisted of the following:

	Kawaikini New Century Public Charter School	Supporting the Language of Kauai, Inc. Unaudited Component Unit.
Noncash capital and related financing activities:		
Right of use lease asset and lease liability	\$61,203	\$ -
Supplemental information:		
Cash paid during the year for interest	\$ 1,700	\$ -

NOTE I – COVID-19

In February 2020, the impact of a world-wide pandemic due to COVID-19 severely slowed the economy of the United States of America, including Hawaii. The School offered instruction through a variety of modalities in order to comply with restrictions due to COVID-19. The School expects to continue to operate in this manner until it is safe to return to pre-COVID-19 operations as a result of increased vaccinations among staff, students, and the community. COVID-19 did not have a significant effect on the School's financial statements.

NOTE J – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2022, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosure is the date of the independent auditor's report, which is the date on which the financial statements were available to be issued.

KAWAIKINI NEW CENTURY PUBLIC CHARTER SCHOOL
REPORT REQUIRED BY GAO *GOVERNMENT AUDITING STANDARDS*
For the Year Ended June 30, 2022

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

To the Governing Board and Management of
Kawaikini New Century Public Charter School:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kawaikini New Century Public Charter School, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Kawaikini New Century Public Charter School's basic financial statements, and have issued our report thereon dated October 29, 2022. The financial statements of Supporting the Language of Kauai, Inc., a component unit of Kawaikini New Century Public Charter School, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Supporting the Language of Kauai, Inc.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kawaikini New Century Public Charter School'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 Kawaikini New Century Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Kawaikini New Century Public Charter School's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kawaikini New Century Public Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Jay Miyaki, CPA, LLC". The signature is written in a cursive, flowing style.

Honolulu, Hawaii
October 29, 2022