

House District 14/15/16

Senate District 7

**THE TWENTY- FOURTH LEGISLATURE  
HAWAI'I STATE LEGISLATURE  
APPLICATION FOR GRANTS & SUBSIDIES  
CHAPTER 42F, HAWAI'I REVISED STATUTES**

Log No: 137-C

For Legislature's Use Only

Type of Grant or Subsidy Request:

GRANT REQUEST – OPERATING

GRANT REQUEST – CAPITAL

SUBSIDY REQUEST

"Grant" means an award of state funds by the legislature, by an appropriation to a specified recipient, to support the activities of the recipient and permit the community to benefit from those activities.

"Subsidy" means an award of state funds by the legislature, by an appropriation to a recipient specified in the appropriation, to reduce the costs incurred by the organization or individual in providing a service available to some or all members of the public.

"Recipient" means any organization or person receiving a grant or subsidy.

STATE DEPARTMENT OR AGENCY RELATED TO THIS REQUEST (LEAVE BLANK IF UNKNOWN):

DLIR/OCS

STATE PROGRAM I.D. NO. (LEAVE BLANK IF UNKNOWN): \_\_\_\_\_

**1. APPLICANT INFORMATION:**

Legal Name of Requesting Organization or Individual:

Db: **KAUAI ECONOMIC OPPORTUNITY, INC.**

Street Address: **2704 Wehe Rd, Lihue, HI 96766**

Mailing Address: **2704 Wehe Rd, Lihue, HI 96766**

**2. CONTACT PERSON FOR MATTERS INVOLVING THIS APPLICATION:**

Name FRED MAXIMO

Title Nutrition Services Director

Phone # (808) 245-4077

Fax # (808) 245-7476

e-mail keo@keoinc.org

**3. TYPE OF BUSINESS ENTITY:**

- NON PROFIT CORPORATION
- FOR PROFIT CORPORATION
- LIMITED LIABILITY COMPANY
- SOLE PROPRIETORSHIP/INDIVIDUAL

**7. DESCRIPTIVE TITLE OF APPLICANT'S REQUEST:**

**LAND ACQUISITION FOR KAUAI ECONOMIC OPPORTUNITY, INCORPORATED'S FOOD SERVICE PROGRAM/COMMUNITY ENTERPRISE KITCHEN**

4. FEDERAL TAX ID #: ██████████

5. STATE TAX ID #: ██████████

6. SSN (IF AN INDIVIDUAL): \_\_\_\_\_

**8. FISCAL YEARS AND AMOUNT OF STATE FUNDS REQUESTED:**

FY 2008-2009 \$ 1,565,621.00

**9. STATUS OF SERVICE DESCRIBED IN THIS REQUEST:**

- NEW SERVICE (PRESENTLY DOES NOT EXIST)
- EXISTING SERVICE (PRESENTLY IN OPERATION)

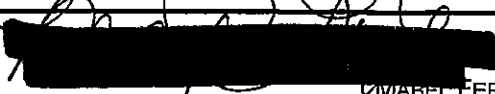
SPECIFY THE AMOUNT BY SOURCES OF FUNDS AVAILABLE AT THE TIME OF THIS REQUEST:

STATE \$ 0

FEDERAL \$ 0

COUNTY \$ 0

PRIVATE/OTHER \$ 0



AUTHORIZED SIGNATURE

**VIVABEL FERREIRO-FUJIUCHI-CEO**

NAME & TITLE

1/30/08

DATE SIGNED

**ORIGINAL**

**Application for Grant and Subsidies  
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## Application for Grants and Subsidies

### I. Background and Summary

Kauai Economic Opportunity, Incorporated (KEO) is a private non-profit agency, incorporated on March 16, 1965. The agency began as a local community action program under the support of the Office of Economic Opportunity (OEO). KEO is a multi-purpose organization with funding from a variety of sources. Over the past 43 years, the Agency has generated and fiscally administered approximately \$40 million dollars of Federal, State, County, and private funds. The Agency is the only human services organization on Kauai, whose purpose is to provide a wide range of services and activities that alleviate the conditions of poverty and allow low-income families and individuals to attain social and economic self-sufficiency.

KEO has administered a variety of community service programs such as: Title XX Home Management and Chore Services, Consumer Education, Emergency Food and Medical Services, Economic Development, Transportation, Child Care, Language Arts Multicultural Program, Head Start, Emergency School Aide Act, Elderly Nutrition and Wellness Programs, Shoppers Program for the Elderly and Disabled, Horticulture, Employment Training, Family Development, Family Development for Immigrants and Refugees, Family and Youth Services, Persons-In-Need Grants, Lokahi Pacific - Kauai Business Loan Program, a Community Anti-Crime Program, Mediation Program, Legal Services, Group Homes for Mentally and/or Physically Challenged Adults, Wilson P. Cannon Youth Volunteer Program, Homeless Programs (Emergency Shelter and Transitional Housing), Horticulture, After School Program, Medicare Prescription Drug Discount Card Program, and other programs for the disabled, Hurricane Relief, EnhanceFitness and Food Services. KEO has further executed the acquisition and completed construction projects addressing specific needs.

As a private, non-profit agency, KEO has been able to operate with a reduced overhead and has been able to accomplish tasks that are difficult for government agencies to accomplish. KEO has been creative in utilizing its resources, is cost conscious and maintains a high level of accountability of funds (stringent reporting requirements, contracts outside audits annually, and is periodically audited by the State of Hawaii). The Agency uses volunteers extensively in the Nutrition and Mediation Programs. KEO has aggressively sought and received a multitude of service programs for needy clientele and has been able to offer its clients many services at one place in a more economical fashion, unlike a single purpose, single program agency.

The goal is to obtain funding for the acquisition of land AND the construction or purchase or /renovation of a building for a Food Service kitchen and Community Enterprise kitchen. The Food Service Program serves more than 187,488 meals annually, to Kauai's frail and disabled elderly residents 60 years and older and to pre-school children, teenagers, mentally and physically challenged individuals to promote their health and well being Providing a vital service, the program enables homebound elderly to

remain self-sufficient at home, a lower cost alternative to institutionalization. The Food Service Program presently provides meals not only for the elderly individuals on the Meals on Wheels Program but also provides meals for the:

- Elderly Clients in the County of Kauai's Congregate meal program
- Pre-school children enrolled in the Head Start program
- Kupuna in the Alu Like Homebound Meals Program
- Kupuna who attend the Alu Like Centers at Anahola and Waimea
- Pre-School students attending three (3) different Early Learning Centers
- Elderly who attend Wilcox Adult Day Care (Alzheimer) Center Program
- Manaolana Emergency Homeless Shelter
- Ka'Uapo Transition Housing Program
- Elderly who are registered with the State of Hawaii Nursing Home Without Walls Meals program
- Teens who attend the Alcohol and Drug Awareness Program at Kapaa Middle School
- Students enrolled in the County of Kauai's Summer Enrichment Program
- Adults who attend programs provided by Association of Retarded Citizens

As the Community Action Agency on Kauai, KEO, Inc. is held to high standard of Performance and Measures which consists of 6 National Goals and 12 National Performance Indicators. In addition, to program specific outcomes, KEO's performance is measured according to the National Indicators and Outcomes as follows:

- Goal 1. Low-income people become more self-sufficient. (Family)
  - National Performance Indicator 1.1 – Employment*
  - National Performance Indicator 1.2 – Employment Supports*
  - National Performance Indicator 1.3 – Economic Asset Enhancement and Utilization*
  
- Goal 2. The conditions in which low-income people live are improved. (Community)
  - National Performance Indicator 2.1 – Community Improvement and Revitalization*
  - National Performance Indicator 2.2 – Community Quality of Life and Assets*
  
- Goal 3. Low-income people own a stake in their community. (Community)
  - National Performance Indicator 3.1 – Civic Investment*
  - National Performance Indicator 3.2 – Community Empowerment through Maximum Feasible Participation*
  
- Goal 4. Partnerships among supporters and providers of services to low-income people are achieved. (Agency)
  - National Performance Indicator 4.1 – Expanding Opportunities through Community-Wide Partnerships*
  
- Goal 5. Agencies increase their capacity to achieve results. (Agency)
  - National Performance Indicator 5.1 – Broadening the Resource Base*

Goal 6. Low-income people, especially vulnerable populations, achieve their potential by strengthening family and other support systems. (Family)

*National Performance Indicator 6.1 – Independent Living*

*National Performance Indicator 6.2 – Emergency Assistance*

*National Performance Indicator 6.3 – Child and Family Development*

For this project specifically, the National Goals and Performance Indicators are:

Goal 2. The conditions in which low-income people lives are improved.  
(Community)

*National Performance Indicator 2.1 – Community Improvement and Revitalization*

Goal 6. Low-income people, especially vulnerable populations, achieve their potential by strengthening family and other support systems. (Family)

*National Performance Indicator 6.1 – Independent Living*

## II. Service Summary and Outcomes

The goal of the Food Service kitchen targets both the transitional elderly who tend to be healthier and better off economically but also the young individuals from underprivileged homes whose one meal provided by KEO may very well be the only hot, well balanced meal he/she receives for the day. Good nutrition is a major factor in keeping seniors and youngsters healthy. Food alone isn't the key to a longer and healthier life. Good nutrition should be a part of an overall healthy lifestyle, which also includes regular exercise, not smoking or drinking alcohol excessively, stress management and limiting exposure to environmental hazards. And no matter how well one eats, genes also play a big part in a person's risk for certain health problems. But often people underestimate the influence of how and what a person eats. It has been recognized as an essential component in disease prevention and affects a person's overall general well being. Persons 60 years and older and younger individuals often lack good nutrition because of the following reasons: 1) limited income; and 2) lack of skills to select and prepare nourishing well-balanced meals.

Meals prepared by KEO's Food Service Program are USDA approved and meet the 33 1/3 Recommended Dietary Requirements for adults and children. The meals that are provided are:

- Appealing and attractive to adults and children
- Served in clean and pleasant settings
- Approved by a Registered Dietician and meet, at a minimum, nutrition requirements established by local, state and federal statutes and regulations
- Offer a variety of fruits and vegetables
- Served with only low-fat and fat-free milk and nutritionally-equivalent non-dairy alternatives (as defined by USDA; and
- Include grains that are, at a minimum, whole grain.

As a non-profit serving the community, KEO's Food Service program has been able to keep the meals economically affordable for the all the programs, assisting underprivileged individuals in order to serve the maximum number of participants. Approximately 900 meals are delivered through out the island of Kauai – from Kekaha on the Westside to Hanalei on the Northshore daily.

The Community Enterprise kitchen will be available as an additional aspect of this project during the "down time" of the kitchen regular operations to qualified entrepreneurs throughout the Island. These entrepreneurs will work with KEO personnel to make their program prosper and become successful. The Community Enterprise kitchen will provide an opportunity for people, who may be unable to lease property on their own, to use the kitchen facilities (at a minimal cost) to start their small businesses. The Community Enterprise Kitchen program will provide low-income entrepreneurs with financial and

Enterprise Kitchen program will provide low-income entrepreneurs with financial and technical help as they grow and expand their businesses. Assistance will include learning business practices, financial and technical help as they grown and expand their businesses. The goal of the program is to provide entrepreneurs with the tools to develop their new and/or existing businesses.

Incubators make it financially possible for a start-up food manufacturer to take advantage of available professional kitchen space while they grow their business. Most start-up food enterprises begin in a home kitchen. Once the final recipe is ready for the marketplace, the home kitchen is a liability. New business owners cannot obtain the necessary licensing from the state or product liability insurance for the manufacture and sale of a product made in a home kitchen. Legally they must manufacture their product from a professional kitchen.

The proposed certified kitchen will provide professional standard ovens, refrigerators, freezers, mixers, food processors, worktables, pots and pans, utensils and locked storage space.

***"Businesses launched through a period of nurturing in business incubators fare much better, with an 80% rate of success."* — National Business Incubation Association**

***"Businesses launched by entrepreneurs acting on their own have only a 20% chance of surviving five or more years."* — US Small Business Administration.**

Culinary trends and market forces have made the kitchen incubator a concept whose time is now. Current sales of specialty foods at retail were \$24.7 billion, and jumped 17.9% between 2002 and 2004 versus a 7.7% rise for sales of all food. Over half of all the products sold in specialty food stores are purchased directly from the manufacturer.

KEO is requesting a grant of \$1, 565,621.00. The requested grant will enable KEO to negotiate land purchase and the construction, purchase or renovation of a new or existing building for a certified kitchen for the Food Service program and for the Community Enterprise Kitchen programs. The grant will enable KEO to bring to fruition this much needed service.

The certified kitchen is very much in demand on Kauai since there are no available facilities for small startup businesses to use. Having a certified Community Enterprise Kitchen program will not only vitalize the economy of Kauai but it will provide opportunities for many underprivileged individuals. The enterprise kitchen will be made available to qualified entrepreneurs throughout the Island. KEO personnel to make their businesses prosper and become successful. The enterprise kitchen will provide an opportunity for people, who may be unable to lease property on their own, to use the kitchen facilities (at a minimal cost) to start their small businesses. The enterprise Kitchen program will provide

as they grown and expand their businesses. The goal of the program is to provide entrepreneurs with the tools to develop their new and/or existing businesses.

During the fiscal year after completion of the kitchen, KEO's Community Enterprise kitchen program will accomplish the following by providing.

1. Eligible participants/entrepreneur a space and operation time to produce their products.
2. Assistance for the entrepreneurs to develop a "business plan"
3. Assistance in bookkeeping training
4. Assistance in executing vendor contracts
5. Assistance in marketing the product(s)



### III. Financial

#### Budget

1. Applicable budget pages are complete and are attached
2. Below is the anticipated quarterly funding requirements for the fiscal year 2008-2009 for this project.

Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total Grant
\$436,061.00	\$375,000.00	\$375,000.00	\$375,000.00	\$1,561,061.00

### IV. Experience and Capability

#### A. Necessary Skills and Experience

KEO has initiated and administered the Elderly Nutrition program since 1974, providing nutritious USDA meal service for the elderly 60 years or over, either in a congregate group setting or delivered to their home. Since its inception in 1974, The Elderly Nutrition Program has evolved into the Food Service program which not only provides meals to the elderly but also provides meal service for the mentally and physically challenged individuals, for pre-school aged children and for teenagers enrolled in the Alcohol and Drug Awareness program. at the Chiefess Kamakahahei Middle and at Kapaa Middle Schools. The Food Service Program serves over 187,488 meals annually.

KEO initiated and administered a mini Community Enterprise Commercial Kitchen. There were many requests from community entrepreneurs but due to the size of the current kitchen, KEO was not able to accommodate all of the small business owners. Small business owners have used the kitchen for operating a Hot Dog Concession Stand at Home Depot and another owner used the kitchen to prepare Kauai Shrimps which she sold off of her mobile restaurant. There is a definite need for this service and KEO is able to expand this program for the community.

Kauai Economic Opportunity, Inc. is the only human services organization in the County of Kauai and has been in operation for the last 43 years. It currently manages 31 community service programs that focus on un-served and underserved communities, individuals, and families who qualify under the Agency's eligibility requirements. These are programs and projects that address the needs of the low-income, homeless, elderly, pre-school children, at-risk youth, immigrants, jobless and the mentally and physically challenged persons.

**B. Facilities**

Currently, the Food Service staff prepares the meals at the Food Service Kitchen located at 3343 Kanakolu Street (a rental property). The kitchen meets the Department of Health's licensing requirements and is re-certified bi-annually. The meals are individually packed by program staff and volunteers and delivered to individual homes throughout Kauai. Meals are also provided to the participants in the Kekaha, Waimea, Kaumakani, Hanapepe, Kalaheo, Koloa, Lihue, Kapaa, Kilauea, Princeville and Hanalei districts. Other meals are packed in "bulk" and delivered to specific congregated meal sites, like the Neighborhood Centers, Head Start Centers and other contractees' sites.

With the requested funding, Kauai Economic Opportunity, Inc. will be able to actively pursue the purchase of property to build the proposed Food Service Kitchen and Community Enterprise kitchen. The amount paid for rent now can be programmed into direct services instead.

**V. Personnel: Project Organization and Staffing****A. Proposed Staffing, Staff Qualifications, Supervision and Training**

The Food Service and Community Enterprise kitchen programs will be administered under the KEO Nutrition Services Component. Staffing will consist of a Nutrition Services Director, Case Manager, Enterprise Coordinator, Food Service Coordinator, Cooks, Prep Cooks and administrative staff (CEO, Fiscal, clerical, planner).

Kauai Economic Opportunity, Inc. has administered the Food Services program since its inception in 1974. KEO has trained staff who are experienced in the food industry. A pre-screening of potential all KEO employees is conducted to insure the health and safety of participants as well as fellow staff members. The following standards have to be met prior to employment:

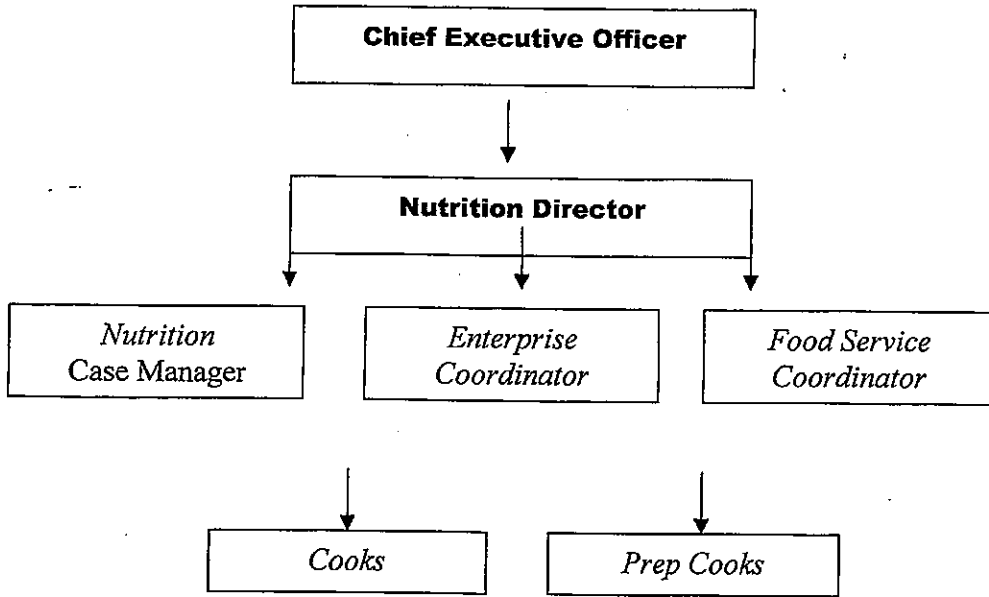
- o Pre-employment Physical
- o Drug Screen
- o TB Screen
- o Criminal Conviction Record Check
- o Clean Traffic Abstract

KEO's experienced staff and extensive internal resources contribute to program operation and enhancement. The Nutrition Services Director is responsible for on-going training of the program staff. This includes but is not limited to regular staff meetings, training in emergency procedures, CPR/First Aid, Case Management, Client Assessments, Food Safety and Sanitation, Meeting the Needs of the Elderly, Resources in the Community, Defensive Driving, attending other agency workshops related to the Food Service and training sessions required by the county and state.

**B. Organization Chart**

Both the "Organization-wide" and "Program" organization charts shall be attached to the POS Proposal Application.

Program Chart:



**VI. Other**

**A. Litigation**

**NOT APPLICABLE**

**B. Licensure or Accreditation**

**CERTIFIED AS A COMMERCIAL KITCHEN BY THE  
DEPARTMENT OF HEALTH**

**DECLARATION STATEMENT  
APPLICANTS FOR GRANTS AND SUBSIDIES  
CHAPTER 42F, HAWAII REVISIED STATUTES**

The undersigned authorized representative of the applicant acknowledges that said applicant meets and will comply with all of the following standards for the award of grants and subsidies pursuant to section 42F-103, Hawaii'i Revised Statutes:

- (1) Is licensed or accredited, in accordance with federal, state, or county statutes, rules, or ordinances, to conduct the activities or provide the services for which a grant or subsidy is awarded;
- (2) Comply with all applicable federal and state laws prohibiting discrimination against any person on the basis of race, color, national origin, religion, creed, sex, age, sexual orientation, or disability;
- (3) Agree not to use state funds for entertainment or lobbying activities; and
- (4) Allow the state agency to which funds for the grant or subsidy were appropriated for expenditure, legislative committees and their staff, and the auditor full access to their records, reports, files, and other related documents and information for purposes of monitoring, measuring the effectiveness, and assuring the proper expenditure of the grant or subsidy.

In addition, a grant or subsidy may be made to an organization only if the organization:


- (1) Is incorporated under the laws of the State; and
- (2) Has bylaws or policies that describe the manner in which the activities or services for which a grant or subsidy is awarded shall be conducted or provided.

Further, a grant or subsidy may be awarded to a non-profit organization only if the organization:

- (1) Has been determined and designated to be a non-profit organization by the Internal Revenue Service; and
- (2) Has a governing board whose members have no material conflict of interest and serve without compensation.

Further, the undersigned authorized representative certifies that this statement is true and correct to the best of the applicant's knowledge.


KAUAI ECONOMIC OPPORTUNITY, INCORPORATED

 11/25/08  
(Signature) (Date)

MaBel Ferreiro-Fujiuchi Chief Executive Officer  
(Typed Name) (Title)

**BUDGET REQUEST BY SOURCE OF FUNDS**  
(Period: July 1, 2008 to June 30, 2009)

Applicant: Kauai Economic Opportunity, Incorporated

<b>BUDGET CATEGORIES</b>	<b>Total State Funds Requested (a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>
<b>A. PERSONNEL COST</b>				
1. Salaries	\$30,652.00			\$30,652.00
2. Payroll Taxes & Assessments	\$4,690.00			\$4,690.00
3. Fringe Benefits	\$4,008.00			\$4,008.00
<b>TOTAL PERSONNEL COST</b>	<b>\$39,350.00</b>			<b>\$39,350.00</b>
<b>B. OTHER CURRENT EXPENSES</b>				
1. Airfare, Inter-Island				
2. Insurance				
3. Lease/Rental of Equipment				
4. Lease/Rental of Space				
5. Staff Training				
6. Supplies				
7. Telecommunication				
8. Utilities				
9 Admin	26271.00			26271.00
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
<b>TOTAL OTHER CURRENT EXPENSES</b>	<b>26271.00</b>			<b>26271.00</b>
<b>C. EQUIPMENT PURCHASES</b>				
<b>D. MOTOR VEHICLE PURCHASES</b>				
<b>E. CAPITAL</b>	<b>\$1,500,000.00</b>			<b>\$1,500,000.00</b>
<b>TOTAL (A+B+C+D+E)</b>	<b>\$1,565,621.00</b>			<b>\$1,565,621.00</b>
<b>SOURCES OF FUNDING</b>		Budget Prepared By:		
(a) Total State Funds Requested	\$1,565,621.00	Fred Maximo		
(b)				
(c)		Signature of Authorized Official		
(d)		Date		
<b>TOTAL REVENUE</b>	<b>\$1,565,621.00</b>	MaBel Ferreiro-fujluchi-Chief Executive Officer		
		Name and Title (Please type or print)		



# BUDGET JUSTIFICATION- EQUIPMENT AND MOTOR VEHICLES

Applicant: Kauai Economic Opportunity, Incorpo Period: July 1, 2008 to June 30, 2009

DESCRIPTION EQUIPMENT	NO. OF ITEMS	COST PER ITEM	TOTAL COST	TOTAL BUDGETED
			\$ -	0
			\$ -	0
<b>NOT APPLICABLE</b>			\$ -	0
			\$ -	0
			\$ -	0
<b>TOTAL:</b>				0
JUSTIFICATION/COMMENTS:				

DESCRIPTION OF MOTOR VEHICLE	NO. OF VEHICLES	COST PER VEHICLE	TOTAL COST	TOTAL BUDGETED
			\$ -	0
			\$ -	0
<b>NOT APPLICABLE</b>			\$ -	0
			\$ -	0
			\$ -	0
<b>TOTAL:</b>				0
JUSTIFICATION/COMMENTS:				



**BUDGET JUSTIFICATION  
CAPITAL PROJECT DETAILS**

Applicant: KAUAI ECONOMIC OPPORTUNITY, INCORPORATED

Period: July 1, 2008 to June 30, 2009

FUNDING AMOUNT REQUESTED						
TOTAL PROJECT COST	ANY OTHER SOURCE OF FUNDS RECEIVED IN PRIOR YEARS		STATE FUNDS REQUESTED		FUNDING REQUIRED IN SUCCEEDING YEARS	
	FY: 2005-2006	FY: 2006-2007	FY:2007-2008	FY:2008-2009	FY:2009-2010	FY:2010-2011
PLANS				\$25,000.00		
LAND ACQUISITION				\$725,000.00		
DESIGN				\$25,000.00		
CONSTRUCTION				\$725,000.00		
EQUIPMENT						
<b>TOTAL:</b>				\$1,500,000.00		
JUSTIFICATION/COMMENTS:						

**PERSO...IN-NEED PROGRAM**

**Hopper Funds** provides assistance for elderly persons 65 years or older who are financially needy.

**Kintaro Watanabe Fund** provides assistance to children (age 17 and under) with serious or debilitating medical conditions, or who have special education needs.

**Teresa F. Hughes Family Trust Estate** provides assistance for adults 70 years of older and medically frail.

**SHELTER PLUS CARE PROGRAM** provides rental housing subsidy & support services for chronically homeless individuals with chronic substance abuse.

**STATE HOMELESS STIPEND PROGRAM** provides safe & decent transitional shelters for up to 24 months & assistance towards permanent housing by addressing obstacles which prevent homeless persons from obtaining & retaining permanent housing through a coordinated effort of health, housing, financial and social services.

**STATE HOMELESS OUTREACH PROGRAM** provides assistance in addressing emergency & basic survival needs such as food, clothing, medical services, housing & financial through the "Care-A-Van", a mobile unit providing services on-site where homeless congregate.

**TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM** provides food surplus distribution at sites throughout the island each month.

**UNITED WAY LOAN** assists individuals and families with a loan for security deposit to obtain or retain rental homes.



## The Promise of Community Action

"Community Action changes  
people's lives,  
embodies the spirit of hope,  
improves communities  
and makes America a better  
place to live.

We care about the entire  
community,  
and we are dedicated  
to helping people help  
themselves and each other."

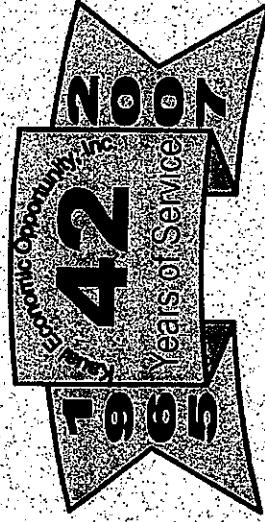


Participation in programs may require eligibility determination. For more information, please call 245-4077 and ask for Intake.

**October 2007**

Kauai Economic Opportunity, Incorporated  
2804 Wehe Road  
Lihue, Hawaii 96766

Telephone: (808) 245-4077  
Facsimile #: (808) 245-7476  
E-mail: keo@keoinc.org



# KAUAI ECONOMIC OPPORTUNITY, INCORPORATED

Board of Directors

Chief Executive Officer  
Mabel Fujuchi

**Fiscal Officer**  
Brigitte Correia

- Accountant (1)
- Account Clerk (1)

**Administrative Officer**  
Lynn Kua

- Administrative Clerks (1 1/2)
- Janitor (1)

**After-school Program**  
Director  
Alfred Nebra

- Coordinator (3)
- PT Program Asst. (3)

**Employment Core Services for Low-Income**  
Director  
Kerrilyn Villa

- Coordinator (1 1/2)

**Mediation**  
Director  
Jessie Basquez

- Intake Worker (1 1/2)

**Elderly Nutrition & Food Service**  
Director  
Fred Maximo

- Food Service Coordinator (1)
- Case Manager (1)
- Meals Manager (1)
- Cooks (3)
- Prep Cooks (2)
- Meal Deliverer (9)

**Homeless & Housing Programs**  
Director  
Stephanie Fernandes

- CHDO Coordinator (1)
- Homeless & Housing Coordinator II (1)
- Homeless Coordinator (1 1/2)
- Housing Coordinator (2)
- Homeless Case Mgr. (1)

**Emergency Shelter**  
Director  
Vacant

- \*-Emergency Shelter Coordinator(5)
- Maintenance Worker(2)

**Planting**  
Director  
Leo Trinidad

**Multi-Services**  
Intake, WAP, PIN, LIHEAP, Child Care, Horticulture Training  
Director  
Celia Melchor-Questin

- Intake Worker (1)
- Coordinator (1/2)

**Child Care**  
Head Teacher/Director  
Irene Tuzon  
Kalaeo ELC  
Lorraine Shlmauchi  
Lihue E.C.

- Teachers Aide (4)
- Assistant Teachers (2)
- Teacher (1)

**KAUAI ECONOMIC OPPORTUNITY, INCORPORATED**

**FINANCIAL STATEMENTS,  
INDEPENDENT AUDITORS' REPORTS,  
AND SUPPLEMENTARY SCHEDULES**

**For the Year Ended June 30, 2007**

# KAUAI ECONOMIC OPPORTUNITY, INCORPORATED

## INTRODUCTION

For the Year Ended June 30, 2007

Kauai Economic Opportunity, Incorporated (KEO) is a nonprofit Hawaii corporation chartered in March 1965 that provides food services and nutrition, human services, childcare and development, and other services. Its purpose is to act as the official community action agency for Kauai County, State of Hawaii, in order to fulfill the requirements of the Economic Opportunity Act of 1964, as amended. Revenue and support is derived primarily from federal and state grants and contracts, program fees, and contributions. KEO is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and is not a private foundation. Accordingly, qualifying contributions to KEO are tax deductible.

KEO receives federal awards indirectly from the U.S. Department of Health and Human Services for its Community Services Block Grant, Prevention and Treatment of Substance Abuse, Low Income Home Energy Assistance, Nutrition Services, Discretionary Awards and Discretionary Projects, Temporary Assistance for Needy Families, and Program for States programs. It receives federal awards directly from the U.S. Department of Housing and Urban Development for its Group Home Project. KEO also receives federal awards indirectly from the U.S. Department of Housing and Urban Development for its Community Development Block Grants/Small Cities Programs, Home Investment Partnerships Program, and Emergency Shelter Grants Program. Federal awards are received directly from the U.S. Department of Defense for Temporary Assistance for Needy Families, and indirectly from the U.S. Department of Justice for its Public Safety Partnership and Community Policing Grants. Federal awards are also received indirectly from the U.S. Department of Agriculture for an Emergency Food Assistance Program and for Child and Adult Care Food programs, and from the U.S. Department of Energy for Weatherization Assistance for Low-Income Persons programs. The Federal Emergency Management Agency provides direct awards to KEO for its Emergency Food and Shelter National Board Program. Substantial additional services are provided under contracts with the State of Hawaii, the County of Kauai, and other non-federal agencies.

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

This report includes the financial statements of Kauai Economic Opportunity, Incorporated for the year ended June 30, 2007 (with prior year summarized comparative information), and accompanying footnotes and independent auditors' report. It also includes the independent auditors' reports required by the Government Accountability Office's *Government Auditing Standards*, and the schedule of expenditures of federal awards and independent auditors' reports required by OMB Circular A-133, for the year ended June 30, 2007. Findings and questioned costs (if any) are reported by the auditors under that caption in the final section of this report.

In addition, this report includes the schedule and independent auditors' report required by the State of Hawaii, Department of Health, and by the Housing and the Hawaii Public Housing Authority.

KAUAI ECONOMIC OPPORTUNITY, INCORPORATED

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**KAUAI ECONOMIC OPPORTUNITY, INCORPORATED**  
**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**

**For the Year Ended June 30, 2007**

# Detor & Williams

Certified Public Accountants | A Professional Corporation

## INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS


Kauai Economic Opportunity, Incorporated:

We have audited the accompanying statement of financial position of Kauai Economic Opportunity, Incorporated (a nonprofit Hawaii corporation) as of June 30, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of Kauai Economic Opportunity, Incorporated as of and for the year ended June 30, 2006 and, in our report dated October 9, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kauai Economic Opportunity, Incorporated as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2007, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



October 26, 2007



**KAUAI ECONOMIC OPPORTUNITY, INCORPORATED**

**STATEMENT OF FINANCIAL POSITION**

As of June 30, 2007

(With Prior Year Summarized Comparative Information)

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash (including savings accounts)	\$ 510,506	\$ 318,421
Accounts receivable – net	353,620	401,980
Prepaid expenses	<u>53,269</u>	<u>15,045</u>
Total current assets	<u>917,395</u>	<u>735,446</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	77,184	77,184
Buildings and improvements	480,803	480,803
Equipment	296,903	302,691
Vehicles	<u>379,499</u>	<u>249,051</u>
Total	1,234,389	1,109,729
Accumulated depreciation	<u>(706,047)</u>	<u>(659,849)</u>
Property and equipment – net	<u>528,342</u>	<u>449,880</u>
<b>Total assets</b>	<b><u>\$1,445,737</u></b>	<b><u>\$1,185,326</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 160,276	\$ 125,336
Accrued liabilities	165,625	177,434
Deferred revenue	246,958	123,941
Notes payable – current	<u>3,500</u>	<u>3,200</u>
Total current liabilities	<u>576,359</u>	<u>429,911</u>
<b>NOTES PAYABLE – Noncurrent</b>	<u>196,517</u>	<u>200,247</u>
<b>NET ASSETS</b>		
Unrestricted	<u>672,861</u>	<u>555,168</u>
Total net assets	<u>672,861</u>	<u>555,168</u>
<b>Total liabilities and net assets</b>	<b><u>\$1,445,737</u></b>	<b><u>\$1,185,326</u></b>

See accompanying notes to financial statements.

**KAUAI ECONOMIC OPPORTUNITY, INCORPORATED**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2007  
(With Prior Year Summarized Comparative Information)**

	<u>2007</u>	<u>2006</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
Revenue and support		
Government grants and contracts	\$2,882,912	\$1,616,480
Program fees	1,271,892	1,198,934
In-kind contributions	175,710	138,027
Other contributions	82,495	112,861
Other income	<u>34,428</u>	<u>39,485</u>
Total revenue and support	<u>4,447,437</u>	<u>3,105,787</u>
Expenses		
Program services		
Human services	1,651,644	733,148
Food services and nutrition	1,287,495	1,229,934
Child care and development	727,365	654,135
Other services	<u>345,320</u>	<u>316,712</u>
Total program services	<u>4,011,824</u>	<u>2,933,929</u>
Supporting services		
Management and general	277,894	310,615
Fundraising	<u>40,026</u>	<u>44,782</u>
Total supporting services	<u>317,920</u>	<u>355,397</u>
Total expenses	<u>4,329,744</u>	<u>3,289,326</u>
Increase (decrease) in unrestricted net assets	<u>117,693</u>	<u>(183,539)</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>117,693</b>	<b>(183,539)</b>
NET ASSETS – Beginning of year	<u>555,168</u>	<u>738,707</u>
NET ASSETS – End of year	<u>\$ 672,861</u>	<u>\$ 555,168</u>

See accompanying notes to financial statements.

**KAUAI ECONOMIC OPPORTUNITY, INCORPORATED**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2007  
(With Prior Year Summarized Comparative Information)

	Program Services				Supporting Services			2006 Total
	Human Services	Food Services and Nutrition	Childcare and Development	Other Services	Management and General	Fund- Raising	Supporting Services	
Salaries and benefits	\$ 332,096	\$ 402,726	\$451,986	\$207,930	\$138,780	\$34,464	\$173,244	\$1,567,982
Materials and supplies	1,049,420	36,188	38,668	85,139	16,653	876	17,529	1,226,944
Food costs	-	669,013	68,274	-	-	-	-	737,287
Rent	23,895	48,056	57,117	16,604	62,468	3,288	65,756	211,428
Client assistance	135,137	-	-	1,033	-	-	-	136,170
Telephone and utilities	23,621	30,138	19,371	6,373	16,103	-	16,103	95,606
Insurance	19,971	19,173	14,627	3,919	4,631	244	4,875	62,565
Professional fees	11,654	8,149	31,333	4,073	5,050	266	5,316	60,525
Repairs and maintenance	15,375	23,789	9,378	2,856	3,536	-	3,536	54,934
Depreciation	12,931	14,013	6,000	7,587	5,385	282	5,667	46,198
Transportation	4,047	24,701	5,907	1,573	221	-	221	36,449
Training	2,888	-	16,669	3,887	7,543	-	7,543	30,987
Interest	12,311	-	-	-	-	-	-	12,311
Travel and conferences	2,477	20	1,315	2,237	6,023	-	6,023	12,072
Miscellaneous	5,821	11,529	6,720	2,109	11,501	606	12,107	38,286
<b>Total expenses</b>	<b>\$1,651,644</b>	<b>\$1,287,495</b>	<b>\$727,365</b>	<b>\$345,320</b>	<b>\$277,894</b>	<b>\$40,026</b>	<b>\$317,920</b>	<b>\$4,329,744</b>
								<b>\$3,289,326</b>

See accompanying notes to financial statements.

**KAUAI ECONOMIC OPPORTUNITY, INCORPORATED**

**STATEMENT OF CASH FLOWS**

**For the Year Ended June 30, 2007  
(With Prior Year Summarized Comparative Information)**

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$117,693	\$(183,539)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	46,198	51,153
Construction-in-progress contributed to Emergency Shelter Project	-	43,650
(Increase) decrease in:		
Accounts receivable – net	48,360	(196,636)
Prepaid expenses	(38,224)	69,327
Increase (decrease) in:		
Accounts payable	34,940	76,644
Accrued liabilities	(11,809)	7,353
Deferred revenue	<u>123,017</u>	<u>16,583</u>
Net cash provided (used) by operating activities	<u>320,175</u>	<u>(115,465)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	<u>(124,660)</u>	<u>(40,886)</u>
Net cash used by investing activities	<u>(124,660)</u>	<u>(40,886)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of notes payable	<u>(3,430)</u>	<u>(3,128)</u>
Net cash used by financing activities	<u>(3,430)</u>	<u>(3,128)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	192,085	(159,479)
CASH – Beginning of year	<u>318,421</u>	<u>477,900</u>
CASH – End of year	<u>\$510,506</u>	<u>\$318,421</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 12,311	\$ 12,613

See accompanying notes to financial statements.

# KAUAI ECONOMIC OPPORTUNITY, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS (With Prior Year Summarized Comparative Information)

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

Kauai Economic Opportunity, Incorporated (KEO) is a nonprofit Hawaii corporation chartered in March 1965 to act as the official community action agency for Kauai County, State of Hawaii, in order to fulfill the requirements of the Economic Opportunity Act of 1964, as amended. KEO is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and is not a private foundation. Accordingly, qualifying contributions to KEO are tax deductible.

#### Basis of Accounting

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets (none in 2007 and 2006), and permanently restricted net assets (none in 2007 and 2006). Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support is reported when pledged and is considered to be available for unrestricted use unless restricted by the donor. Donor restricted support is reported when pledged as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a temporary restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets. Revenue from grants and contracts is recognized to the extent of expenditures made in accordance with the related agreements (including expenditures for property and equipment, which are capitalized and depreciated for financial reporting purposes). Revenue from program fees is recognized when the required services are performed. Expenses are recorded when the related liability is incurred. Donated rent, services, and supplies are reflected as contributions at their estimated fair market value and are recorded as expenses in the same amount. For the year ended June 30, 2007, donated rent, supplies, and services amounted to \$112,356, \$42,991, and \$20,363 respectively. For the year ended June 30, 2006, donated rent, services, and supplies amounted to \$115,440, \$18,665, and \$3,922, respectively. KEO allocates its expenses on a functional basis among its various programs and support services based on estimates of management. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service using natural expense classifications. Other expenses that are common to several functions are allocated by various bases.

#### Use of Estimates

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

### Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to credit risk include cash and accounts receivable. KEO's cash on deposit exceeded the related federal deposit insurance by approximately \$514,900 at June 30, 2007 and \$218,500 at June 30, 2006. Management evaluates the credit standings of these financial institutions to ensure that all funds are adequately safeguarded as required by federal regulations. KEO had unsecured accounts receivable due primarily from federal, state, and local government agencies, which have been adjusted for all known doubtful accounts. Accounts receivable are determined to be collectible or uncollectible based on an assessment by management of the facts and circumstances related to the individual receivable amounts.

### Property and Equipment

Property and equipment is stated at cost or, if contributed, at estimated fair market value at the date of contribution, less depreciation computed using the straight-line method over estimated useful lives of 40 years for buildings and improvements, five to ten years for equipment, and five years for vehicles. Property and equipment and other long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Major improvements and expenditures for property and equipment in excess of \$500 are capitalized. Repairs and maintenance are expensed.

### NOTE B – NOTES PAYABLE

Notes payable consisted of the following at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Note payable to the U.S. Department of Housing and Urban Development (HUD) in monthly installments of \$1,312, including interest at 9.25%. Collateralized by land, building, and improvements. Matures May 2023.	\$131,086	\$134,516
Due to County of Kauai for cost of emergency and transitional homeless shelter reduced by 6.6667% per year from March 2011 through March 2025, provided the Organization uses the property as intended and does not dispose it prior to March 2025.	<u>68,931</u>	<u>68,931</u>
Total	200,017	203,447
Notes payable – current	<u>(3,500)</u>	<u>(3,200)</u>
Notes payable – noncurrent	<u>\$196,517</u>	<u>\$200,247</u>

At June 30, 2007, scheduled maturities of notes payable by years ending June 30th approximated \$3,500 in 2008, \$3,800 in 2009, \$4,200 in 2010, \$4,600 in 2011, \$5,000 in 2012, and \$178,900 thereafter (cumulative through May 2023).

#### NOTE C – RETIREMENT PLANS

KEO sponsors a defined contribution, salary reduction retirement plan covering substantially all of its employees, to which it contributes 6% of employees' salaries, up to the maximum allowed under Internal Revenue Code section 401(k). Defined contribution retirement expense amounted to \$52,261 and \$49,735 for the years ended June 30, 2007 and 2006, respectively.

#### NOTE D – LEASE COMMITMENTS

KEO leases office facilities for a nominal amount under a conditional operating lease agreement with the County of Kauai expiring in December 2025, and leases farm land and kitchen and classroom facilities under operating leases expiring through December 2042. KEO also leases other facilities and equipment as needed under day-to-day or month-to-month agreements. Building and equipment rent, including donated rent, amounted to \$211,428 and \$212,468 for the years ended June 30, 2007 and 2006, respectively. At June 30, 2007, future minimum lease payments by years ending June 30th approximated \$91,500 in 2008 and 2009, \$86,600 in 2010 and 2011, \$90,900 in 2012, and \$1,539,900 thereafter (cumulative through December 2042).

#### NOTE E – GOVERNMENT GRANTS AND CONTRACTS

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

#### NOTE F – FINANCIAL STATEMENT PRESENTATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2006, from which the summarized information was derived.

Certain amounts in the prior year summarized comparative information have been reclassified to conform to the current year presentation. The Organization operates in the State of Hawaii. National and international events can have severe, adverse effects on economic conditions in Hawaii. The effects, if any, on the financial statements of Kauai Economic Opportunity, Incorporated from such changes in economic conditions are not presently determinable.

**KAUAI ECONOMIC OPPORTUNITY, INCORPORATED**  
**REPORTS REQUIRED BY GAO *GOVERNMENT AUDITING STANDARDS***

**For the Year Ended June 30, 2007**



# Detor & Williams

Certified Public Accountants | A Professional Corporation

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

Kauai Economic Opportunity, Incorporated:

We have audited the financial statements of the Kauai Economic Opportunity, Incorporated (a nonprofit Hawaii corporation), as of and for the year ended June 30, 2007, and have issued our report thereon dated October 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature is present, which has been completely redacted with a thick black horizontal bar.

October 26, 2007

**KAUAI ECONOMIC OPPORTUNITY, INCORPORATED**

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

**For the Year Ended June 30, 2007**

# Detor & Williams

*Certified Public Accountants | A Professional Corporation*

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

Kauai Economic Opportunity, Incorporated:

### Compliance

We have audited the compliance of Kauai Economic Opportunity, Incorporated (a nonprofit Hawaii corporation) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Organization's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, Kauai Economic Opportunity, Incorporated complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

### Internal Control over Compliance

The management of Kauai Economic Opportunity, Incorporated is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

### Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Kauai Economic Opportunity, Incorporated (a nonprofit Hawaii corporation) as of and for the year ended June 30, 2007, and have issued our report thereon dated October 26, 2007. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 26, 2007

**KAUAI ECONOMIC OPPORTUNITY, INCORPORATED**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended June 30, 2007**

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
<u>Department of Health and Human Services</u>			
Passed through State of Hawaii:			
Office of Community Services:			
Community Services Block Grant	93.569	06-63	\$ 160,392
Department of Health:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	02-179	73,191
Department of Human Services:			
Low-Income Home Energy Assistance	93.568		<u>332</u>
Total passed through State of Hawaii			<u>233,915</u>
Passed through County of Kauai:			
Office of Community Assistance:			
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	7254	86,316
Office of Community Assistance:			
Community Services Block Grant Discretionary Awards	93.570		10,140
Area on Aging:			
Special Programs for the Aging Title IV And Title II Discretionary Projects	93.048	7593	<u>4,085</u>
Total passed through County of Kauai			<u>100,541</u>
Passed through the Hawaii Public Housing Authority:			
Temporary Assistance for Needy Families	93.558	05-37	<u>94,706</u>
Passed through Ogilvy Mather:			
Medicare Transitional Drug Assistance Program for States	93.783		<u>1,042</u>
Total Department of Health and Human Services			<u>430,204</u>

(continued)

**KAUAI ECONOMIC OPPORTUNITY, INCORPORATED**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**

For the Year Ended June 30, 2007

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
<u>Department of Housing and Urban Development</u>			
Direct program:			
Supportive Housing for the Elderly:			
Group Home Project (related mortgage loan obligation at June 30, 2007 was \$131,086)	14.157	6777	\$ <u>152,648</u>
Passed through County of Kauai:			
Office of Community Services:			
Community Development Block Grants/Small Cities Program		6777	563,644
Community Development Block Grants/Small Cities Program		7507	<u>41,994</u>
Total	14.219*		<u>605,638*</u>
Office of Community Assistance:			
Home Investment Partnerships Program	14.239*	7320	518,515*
Office of Community Assistance:			
Emergency Shelter Grants Program	14.231	05-17	<u>32,223</u>
Total passed through County of Kauai			<u>1,156,376</u>
Total Department of Housing and Urban Development			<u>1,309,024</u>
<u>Department of Defense</u>			
Direct program:			
Temporary Assistance for Needy Families	93.558	2518	<u>155,288</u>
Total Department of Defense			<u>155,288</u>
<u>Department of Justice</u>			
Passed through Hawaii Community Foundation:			
Public Safety Partnership and Community Policing Grants	16.710	20060282	<u>7,306</u>
Total Department of Justice			<u>7,306</u>

(continued)

**KAUAI ECONOMIC OPPORTUNITY, INCORPORATED**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**

For the Year Ended June 30, 2007

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
<u>United States Department of Agriculture</u>			
Passed through State of Hawaii:			
Office of Community Services:			
The Emergency Food Assistance Program	10.568	None	\$ <u>30,198</u>
Department of Education:			
Child and Adult Care Food Program		4101-7	17,395
Child and Adult Care Food Program		7253/7254/7255	<u>35,314</u>
Total	10.558		<u>52,709</u>
Total United States Department of Agriculture			<u>82,907</u>
<u>Department of Energy</u>			
Passed through State of Hawaii:			
Office of Community Services:			
Weatherization Assistance for Low-Income Persons	81.042	05-55	<u>1,332</u>
Total Department of Energy			<u>1,332</u>
<u>Federal Emergency Management Agency</u>			
Direct Program:			
Emergency Food and Shelter National Board Program	83.523		<u>540</u>
Total Federal Emergency Management Agency			<u>540</u>
Total Expenditures of Federal Awards			<u>\$1,986,601</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying schedule of expenditures of federal awards was prepared on the accrual basis of accounting. (\*) Denotes major program, comprising 57% of total expenditures of federal awards of a low-risk auditee.



**KAUAI ECONOMIC OPPORTUNITY, INCORPORATED**

**REPORTS REQUIRED BY THE STATE OF HAWAII,  
DEPARTMENT OF HEALTH, AND BY THE  
HAWAII PUBLIC HOUSING AUTHORITY**

**For the Year Ended June 30, 2007**

# Detor & Williams


*Certified Public Accountants | A Professional Corporation*

## INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF FEDERAL AND STATE CONTRACTS RECEIVED FROM THE STATE OF HAWAII, DEPARTMENT OF HEALTH, AND FROM THE HAWAII PUBLIC HOUSING AUTHORITY

Kauai Economic Opportunity, Incorporated:

We have audited the financial statements of the Kauai Economic Opportunity, Incorporated (a nonprofit Hawaii corporation) as of and for the year ended June 30, 2007, and have issued our report thereon dated October 26, 2007. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Federal and State Contracts Received from the State of Hawaii, Department of Health, and from the Hawaii Public Housing Authority is presented for purposes of additional analysis as required by the State of Hawaii, Department of Health and the Hawaii Public Housing Authority is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and the State of Hawaii, Department of Health, and the Hawaii Public Housing Authority is not intended to be and should not be used by anyone other than these specified parties.

  
October 26, 2007

**KAUAI ECONOMIC OPPORTUNITY, INCORPORATED**

**SCHEDULE OF FEDERAL AND STATE CONTRACTS RECEIVED FROM  
THE STATE OF HAWAII, DEPARTMENT OF HEALTH, AND  
FROM THE HAWAII PUBLIC HOUSING AUTHORITY**

For the Year Ended June 30, 2007

<u>Program Description</u>	<u>Contract Amount</u>	<u>Federal and State Expenditures</u>		
		<u>Cumulative to June 30, 2006</u>	<u>Year Ended June 30, 2007</u>	<u>Cumulative to June 30, 2007</u>
<u>State of Hawaii, Department of Health</u>				
Substance Abuse Prevention and Treatment Federal CFDA #93.959 ASO Log Number 06-141 September 13, 2005 – June 30, 2008	\$210,000	\$ 52,062	\$ 73,191	\$125,253
<u>Hawaii Public Housing Authority</u>				
State Homeless Outreach Program Contract Number HPS 04-23 August 1, 2005 – July 31, 2006	95,000	81,814	12,619	94,433
State Homeless Outreach Program Contract Number HPS 06-45 August 1, 2006 – July 31, 2007	110,000	-	85,214	85,214
Housing Placement Program Federal CFDA #93.558 Contract Number HPS 06-16 July 1, 2006 – June 30, 2007	350,000	-	94,706	94,706
Housing Placement Program Contract Number HPS 06-02 February 1, 2006 – June 30, 2007	30,000	10,825	17,571	28,396
Emergency/Transitional Stipend Contract Number HPS 05-15 July 1, 2005 – June 30, 2007	<u>47,456</u>	<u>8,129</u>	<u>32,423</u>	<u>40,552</u>
<b>Totals</b>	<u>632,456</u>	<u>100,768</u>	<u>242,533</u>	<u>343,301</u>
<b>Total Federal and State Expenditures</b>	<u>\$842,456</u>	<u>\$152,830</u>	<u>\$315,724</u>	<u>\$468,554</u>

**KAUAI ECONOMIC OPPORTUNITY, INCORPORATED**

**FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2007**

**KAUAI ECONOMIC OPPORTUNITY, INCORPORATED**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2007**

**SUMMARY OF AUDIT RESULTS**

The auditors expressed an unqualified opinion on the Organization's financial statements.

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

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

The auditors expressed an unqualified opinion on compliance for the Organization's major federal award programs.

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

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

The programs tested as major programs were the Community Development Block Grants/Small Cities Program (federal CFDA #14.219) passed through the County of Kauai, Office of Community Services, and the Home Investment Partnerships Program (federal CFDA #14.239) passed through the County of Kauai, Offices of Community Assistance comprising 57% of total expenditures of federal awards of a low-risk auditee.

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

Kauai Economic Opportunity, Incorporated was determined to be a low-risk auditee because there were no findings or questioned costs in either of its two preceding annual single audits.

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

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

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

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

**KAUAI ECONOMIC OPPORTUNITY, INCORPORATED**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**For the Year Ended June 30, 2007**

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

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

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

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