2002

Annual Report

The Research Corporation of the University of Hawaii

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Letter to the Governor

January 9, 2003

The Honorable Linda Lingle Governor, State of Hawaii Executive Chambers Honolulu, HI 96813

Dear Governor Lingle:

We are pleased to submit the Annual Report of The Research Corporation of the University of Hawaii (RCUH) for the fiscal year ended June 30, 2002, as required by Chapter 307, Hawaii Revised Statutes.

We reached another milestone in RCUH's history when we hit the \$164 million mark in our volume of business -- a 51% increase! This was attributed to increased research activity at the University as well as our direct projects sector. Despite this substantial increase, we were able to continue our high level of service with only a fractional increase in personnel thanks to the electronic systems we have in place for our financial and human resources processing. So, RCUH continues to provide value for its services by being able to maintain its low overhead.

We look forward to the new year and continuing to do our part to support research and training activities throughout the State of Hawaii.

Sincerely yours,

Bert A. Kobayashi, Chairman

Board of Directors

Harold S. Masumoto Executive Director

Stock S. Manot

The Research Corporation of the University of Hawaii

Its creation . . .

CUH is a State agency, established by the Legislature in 1965, and is attached to the University of Hawaii for administrative purposes. Its enabling legislation is codified as Chapter 307 of the Hawaii Revised Statutes.

Its mission . . .

he fundamental mission of RCUH is to support the research and training programs of the University of Hawaii and to enhance research, development, and training generally in Hawaii.

Its need . . .

... the rapid and extensive entry of the University of Hawaii into basic and applied research programs sponsored by the federal government, and into applied research programs which couple University capability with that of private industry, requires a much more flexible and streamlined method of operation than is permitted the usual operations of state agencies. In short, the University must be able to function in research activities more like a business . . . Standing Committee Report 809, House Committee on Higher Education, 1965

... Increasingly, research contracts accepted by the University require rapidity of action and flexibility in operational and financial activities more characteristic of business firms than of governmental agencies. State regulations of many types which control the University's normal functioning do not provide the expeditious managerial environment needed to function in the highly competitive area of science-related activities now involving universities, federal government and private industry.

Standing Committee Report 836, Senate Committee on Ways & Means,

Although penned more than thirty years ago,

these words still hold true today. In fact, these words are even more profound today. The University has made tremendous strides in the highly competitive world of externally-funded research, and today, it stands alongside the great research universities. We believe RCUH's role in facilitating research activities has contributed to this achievement.

Its function . . .

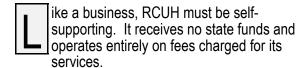
CUH is akin to a service bureau. Its services fall in the areas of accounting, human resources, and procurement. Because of its exemption from state statutes relating to special fund reimbursements to the state general fund, advertising for bids, purchases in Hawaii when public moneys are expended, civil service, compensation, public employment, and the retirement system, RCUH has the flexibility to function more like a business. Accordingly, RCUH has its own personnel. payroll, accounting, and disbursing systems, independent of the state and University systems. This makes it possible for RCUH to process transactions expeditiously, which in turn makes it possible for the researchers to focus more of their efforts on research rather than administrative activities.

While most of the projects handled by RCUH are in the State of Hawaii, many transcend the boundaries of the state into different parts of the world. Because of the unique nature of research activities, RCUH must remain flexible to meet the needs of projects, while at the same time adhere to the rules and regulations attached to projects by sponsoring agencies.

Its relationship with the UH. . .

CUH is attached to the UH for administrative purposes. The Internal Agreement between the UH and RCUH defines the basic responsibilities of each party and the financial arrangement to pay for the cost of services rendered.

Its funding . . .



For University of Hawaii projects (referred to as 'service order' projects), the University currently pays RCUH a fee based on an agreed-upon amount.

'Direct' projects (typically non-University projects), such as those of other state agencies and private organizations, are also charged a fee to cover RCUH's administrative costs. These fees are individually negotiated and are based on the scope and volume of services provided.

Its governance . . .

he affairs of the Corporation are under the general management and control of a Board of Directors. The Board consists of ten members -- 5 appointed by the Governor and confirmed by the Senate and 5 members of the UH Board of Regents selected by the Board of Regents.

The President of the UH also serves as President of RCUH.

The day-to-day affairs of the Corporation are managed by an Executive Director, who has the delegated authority to enforce and execute all policies, rules, regulations, etc., necessary to conduct the business of the Corporation.

Its employees . . .

he "core" staff of RCUH consists of approximately 26 employees, spread across the departments of accounting, disbursing, human resources, procurement, project management, and the executive director's office. Operational expenses totalled \$4 million in 2001-02. The core staff is housed at Sakamaki Hall on the UH campus and at the Manoa Innovation Center on Woodlawn Drive in Manoa.

At any given time, there are on average 1,800 project personnel on RCUH's payroll.

EEO/AA Policy

CUH is an equal employment opportunity/affirmative action employer. It is the policy of RCUH to afford equal employment opportunity to all individuals without regard to race, color, religion, sex, national origin, age, arrest and court record, handicap, marital status, or status as a disabled veteran or veteran of the Vietnam era. RCUH's Affirmative Action Plan describes the programs/procedures developed to ensure employment opportunities for women, minorities, handicapped, disabled, and Vietnam era veterans. The Plan is available for inspection at the RCUH Human Resources Department.

The Year in Review

fifty-one percent increase! That is what we experienced in our volume of business during the 2001-02 year. Quite a growth spurt . . . but, one that we could manage pretty seamlessly because of efficiencies we achieved over the years as electronic processes overtook the manual processes we used to be accustomed to.

The unfortunate terrorist attacks of September 11 touched all of us, and many are still trying to recover from its after effects. The Emergency Environmental Workforce Program, which the State Legislature funded for \$1.5 million, provided short-term employment for persons who were adversely affected by the economic downturn of 9/11. RCUH's services were critical in getting the program off the ground. Working with the county governments of each island, personnel were hired and dispatched to the respective work areas in record time. Most importantly, employees received their first paycheck in a timely manner (most started on 12/3/01 and received their first paycheck on 12/21/01). This was especially important, given that all of this occurred during the holiday season and probably made a difference for many of these employees as to whether they could enjoy a holiday celebration or not.

RCUH was also called upon to assist the UH with the construction project for the new Medical School facilities. The planning and design phase got under way during the year to position the project for its construction phase. This is another example of RCUH's efficiency and flexibility in getting a job done.

Also during the year, the management responsibilities for the Office of Technology Transfer and Economic Development (OTTED) were transferred back to the University. During the previous year and a half, the Executive Director was tasked with OTTED's administrative oversight and with assisting in the reorganization of that office. With the recruitment of a Technology Licensing Manager for OTTED,

which was completed during the first quarter of this fiscal year, the reorganization efforts were completed.

Our Hilo Office continues to be a valuable member of the RCUH team through its support to the University of Hawaii at Hilo (UHH), where research activity has increased steadily over the past few years. We are committed to assisting Hilo so they can take advantage of the many yet untapped research opportunities available to them. In this vein, during the last quarter of the fiscal year, we acquired a content/document management software system for our Hilo Office to steamline some of the pre- and post-award services. We are confident that our investment in this type of technology will reap many benefits for the project staff as well as our staff.

Speaking of technology, we continued to make investments in our on-line systems to enhance our financial and human resources applications. Of significance is that after many years, we were finally able to interface the UH Financial Management Information System data with our system and provide users with current data (previously there was a 2-day time lag).

As we reflect, it was a very busy and productive year for RCUH.

Board Activities

t was our pleasure to welcome Eugene Tiwanak (appointed member) to the Board this year along with new UH Board of Regents' members Everett Dowling, Duane Kurisu, and Sharon Weiner. We are fortunate to have dedicated individuals serving on our Board who give freely of their time and expertise to help RCUH carry out its mission of furthering research, development, and training in the State. Our thanks to Brian Tamamoto and Bert Kobayashi for taking on the chairmanship and vice chairmanship, respectively.

The Board spent some time addressing organizational issues and future directions for RCUH, with the objective of making RCUH more proactive in carrying out its mission. The "single entity" concept for UH sponsored research activities was addressed again, with RCUH as the entity for these activities. As the fiscal year came to a close, discussions with the University were still ongoing.

The success in securing the Maui High Performance Computing Center (MHPCC) contract proved that RCUH can be a valuable partner in collaborative efforts involving the University of Hawaii, the government, and private organizations. The Board acknowledged Executive Director Harold Masumoto's critical role in securing this lucrative contract for the University of Hawaii, the single largest contract award the University has ever received (potential of \$181 million over a ten-year period). Executive Director Masumoto's vision. leadership, and negotiating acumen were factors which contributed to the positive outcome of this initiative. Congratulations. Harold, on a job well done! The transition phase of the MHPCC contract began on July 1, 2002, and the University officially took over the management of the Center on October 1, 2002.

The Board, also at Executive Director Masumoto's urging, agreed to provide start-up funds for a UH Bioinformatics program (the merging of biology, computer science and information technology into a single discipline with the goal of enabling the discovery of new biological insights). It is hoped that the UH will become a valuable player in this emerging field, together with the MHPCC, with its supercomputing capabilities.

The Board also made the decision to invest in UH developed technologies through the State's Hawaii Strategic Development Corporation, whose goal is to develop a sustainable venture capital industry in Hawaii which will stimulate the growth of new businesses. This is but another means of RCUH's support of University of Hawaii research endeavors.

At the close of the fiscal year, we bid farewell to Board members Herbert Segawa and Sharon Weiner with our thanks for their contributions to RCUH.

Board of Directors

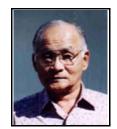
(as of 6/30/02)



Brian Tamamoto Chairman



Everett Dowling



Shigeo Iwamoto



Bert Kobayashi



Chris Kobayashi



Duane Kurisu



Walter Nunokawa



Herbert Segawa



Eugene Tiwanak



Sharon Weiner

Project Review

We are pleased to highlight the following three projects:

A "UH Service Ordered" Project

The Minority Biomedical Research Support Program at UH-Hilo

The University of Hawaii at Hilo has received grants from the National Institutes of Health for the past 32 years through the Minority Biomedical Research Support (MBRS) Program. The grants include research projects and training grants in the biomedical sciences. The current grants are funded at over four million dollars over a four year period. The MBRS Program is intended to foster biomedical research at minority institutions (such as UH-Hilo) and to train students from underrepresented minority groups in order to increase the numbers of such students who go on to become professional researchers. To do this, the program funds both research and training grants.

UHH has recently been awarded a four year training grant (2001-2005) that provides funds for students to be employed as assistants on federally-funded research projects at the university. Fourteen students work up to half time during the academic year and full time during summers on these projects. getting hands-on experience with research. They also take part in other activities, such as regular seminars on biomedical research, lectures and informal meetings with visiting scientists from other institutions, trips to national science conferences related to the field in which they are being trained, and a trip to Honolulu to learn about some of the biomedical projects and opportunities for educational advancement on Oahu. The grant also provides funds for faculty development in research activities.

MBRS has also funded grants for research at UH-Hilo. Three research projects were funded beginning July 2000 for a four year period, and two more projects were funded beginning in 2001. The five research projects span many different areas of biomedical research.

 One project, led by Daniel Brown in the Anthropology Department, examines the effects of daily stress on blood pressure and risk for heart disease in hotel workers.

- A second project, under the direction of William Mautz in the Biology Department, examines the effects of air pollutants on the respiratory and immune systems of amphibians and reptiles and studies whether these animals can serve as models for identifying areas where air pollution constitutes a health risk.
- A third project, led by Charles Simmons in the Chemistry Department, investigates the chemical structure of molecules that resemble hemoglobin through the use of xray crystallography in order to better understand how oxygen is carried and released by red blood cells.
- Karla McDermid of the Marine Science
 Department has been funded to carry out her research on the nutritional composition of edible Hawaiian seaweeds.
- Finally, Vladimir Skorikov of the Psychology Department has a grant for his study on the effects of identity and career development on mental health during adolescence.

These research and training programs enrich the university experience for all UH-Hilo students, help give the scientific background necessary for advances in medicine, and provide applied research that is relevant to Hawai'i. UH-Hilo students who have received training from previously funded MBRS grants have gone on to careers in biomedical research, public health, medicine, and mental health fields, among others.

A "Direct" Project

Pacific Island Health Officers Association

The Pacific Island Health Officers Association (PIHOA) was incorporated in 1987 as a non-profit association and is made up of the six United States Pacific Jurisdiction's (USPJ) principal health officers where the respective Directors/Ministers of Health serve as a unifying voice and credible authority on issues of regional public health significance. PIHOA has the collective health interests of the U.S. Pacific Territories (American Samoa, Commonwealth of the Northern Mariana Islands, and Guam) and the Freely Associated States (Federated States of Micronesia, Republic of the Marshall Islands, and the Republic of Palau) as its mission. PIHOA's vision is a "Healthy Pacific."

The Association was established to encourage cooperation and communication among the U.S. related Pacific Region, to promote functional and cost-effective solutions to common health service problems, and to collectively achieve improved health status for all island residents.

For the past 14 years, PIHOA has served as the regional health policy body for the U.S. affiliated Pacific Islands. The Association has been able to bring together Pacific Island health leaders with representatives of federal agencies to discuss issues of mutual concern. At the PIHOA meetings, officials from the U.S. Federal Government have been able to have substantial dialog with Pacific Island health leaders and these meetings have been instrumental in being the forum where duplication can be avoided, and new, synergistic, collaborative programs and projects can be developed. This has been a vital function of PIHOA and it has achieved considerable success.

One of the most significant developments in the Pacific Islands was the Institute of Medicine study and subsequent publication of the report, "Pacific Partnerships for Health: Charting a Course for the 21st Century" (1998). The major recommendations were:

- Adopt and support a viable system of community-based primary care and preventive services.
- Improve coordination within and between the jurisdictions and the United States,
- Increase community involvement and investment in health care, and

 Promote the education and training of the health care workforce.

These recommendations are the cornerstone of PIHOA. For example, PIHOA:

- actively supported and participated in the HRSA Community-Based Primary Health Care Working Meeting held in the Republic of Palau in February 2001;
- actively played a coordinating and facilitating role in the enhancement of continuing education and training of the health care workforce;
- actively participated in a telemedicine and telehealth workshop at the East-West Center in Honolulu;
- provided a forum for U.S. agencies, international and regional organizations, professional associations, universities, training institutes, and others to come together at semi-annual meetings to discuss programs and activities and to strengthen technical support based on the needs expressed by the health leaders of the U.S. affiliated Pacific Islands;
- working with the six Island Nations, submitted a Regional Application for "Public Health Preparedness and Response for Bioterrorism" Cooperative Agreement to the Center for Disease Control;
- assisted in developing a Regional Public Health Laboratory;
- compiled health information data from all six Pacific jurisdictions to form the Pacific Islands' Health Data Matrix;
- built regional capacity for epidemiologic surveillance, intervention, and evaluation through two CDC/PIHOA epidemiologists, one on Guam and the other in the Federated States of Micronesia.

PIHOA's strategic priorities for the period January 2001 to December 2005 are:

- Human resources development and management,
- Effective telemedicine/telehealth communication capacity.
- Chronic, non-communicable diseases (diabetes, hypertension, & heart disease),
- Communicable diseases of concern.
- Mental health and substance abuse, and
- Environmental health.

A "Revolving Fund" Project

Study Abroad Center

The Study Abroad Center (SAC), collaborating with appropriate UHM academic departments, provides opportunities for qualified students to study, and for faculty members to teach and conduct research, in other countries. The Center's Mission is to acquire knowledge through international academic work and to develop cross-cultural understanding through cultural immersion.

To meet these objectives, the SAC offers programs for summer terms, semesters, and academic years. Students earn UH Manoa resident credits for all course work completed abroad, and the courses fulfill a student's graduation requirements.

The UHM Study Abroad Center:

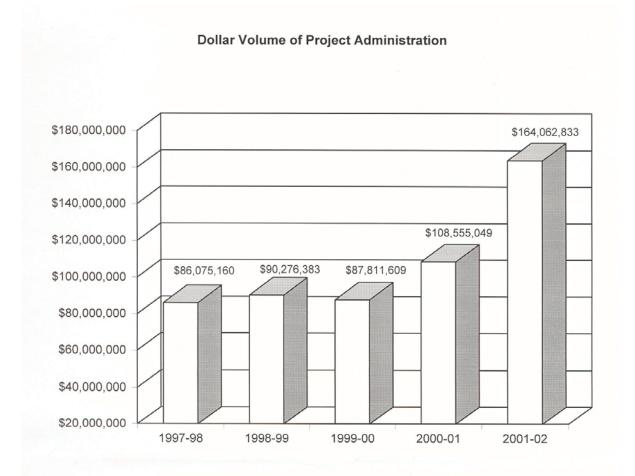
- offers courses and programs that enable students to appreciate, analyze, and interpret changing global circumstances;
- provides an education that situates
 Hawai'i and the United States as part of
 the interdependent global community
 while ensuring the health and safety of
 the participants;
- establishes opportunities that broaden perspectives, develop competence, and improve students' abilities to make personal and public policy decisions as responsible citizens of an international society;
- affords an avenue for faculty to conduct research, to teach, and to pursue professional development in foreign locations, thus furthering excellence in teaching as well as the international mission of the University.

There are 20 Study Abroad Programs in 15 locations ranging from Asia, Australia, Europe, Latin America and Russia (see the Center's website: www.studyabroad.org) with an annual enrollment of 325 students in 2002. UH Manoa

students may also Study Abroad through the "Independent Self-Designed Study Abroad" option in locations where the Study Abroad Center does not offer its own programs. Through this option, qualified students can study nearly anywhere in the world.

Initially, Study Abroad curriculum was based in architectural design, foreign languages and literature, business, humanities, and social sciences. Now, the curriculum has expanded to include biology, education, engineering, ethnic studies, environmental studies, computer science, marine biology, planning, pre-law, prenursing, pre-medicine, tropical agriculture and zoology. The latest addition to the curriculum is Islamic Studies and Arabic.

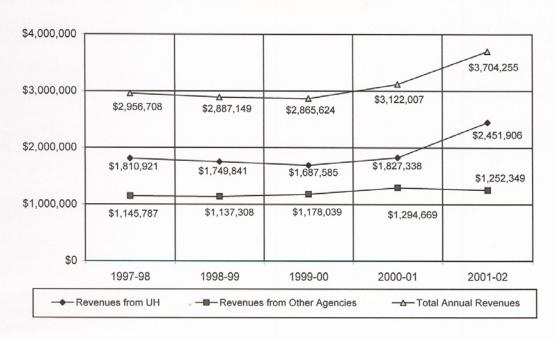
Statistical Data - Fiscal Years 1998-2002



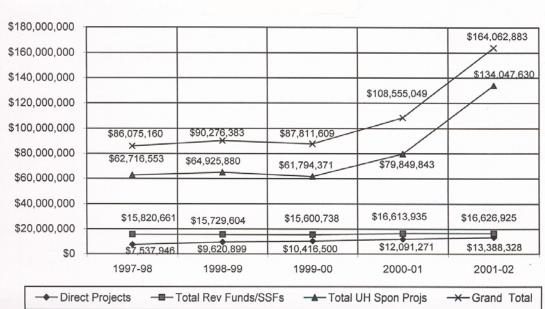
Distribution of Awards by Project Disciplines

	1998	1999	2000	2001	2002
Agriculture	\$3,623,723	\$6,504,725	\$5,864,154	\$5,765,112	\$6,874,096
Astronomy	\$9,988,779	\$9,707,733	\$10,991,189	\$16,489,668	\$21,389,807
Biomedicine	\$12,606,305	\$13,555,607	\$18,931,690	\$19,912,680	\$40,126,343
Fisheries & Aquaculture	\$898,492	\$1,600,011	\$1,517,608	\$3,128,072	\$3,173,514
Marine Programs	\$20,996,370	\$23,811,056	\$16,642,833	\$19,436,392	\$22,613,888
Natural Sciences	\$8,084,940	\$7,452,118	\$7,372,471	\$10,402,761	\$22,965,320
Publcns/Ed Materials	\$5,312,797	\$2,982,726	\$2,092,514	\$4,196,119	\$11,821,206
Revolving Funds	\$15,820,662	\$15,729,604	\$15,718,255	\$16,605,734	\$16,626,924
Social Sciences	\$8,743,092	\$8,932,803	\$8,680,895	\$12,618,511	\$18,471,785
Total	\$86,075,160	\$90,276,383	\$87,811,609	\$108,555,049	\$164,062,883

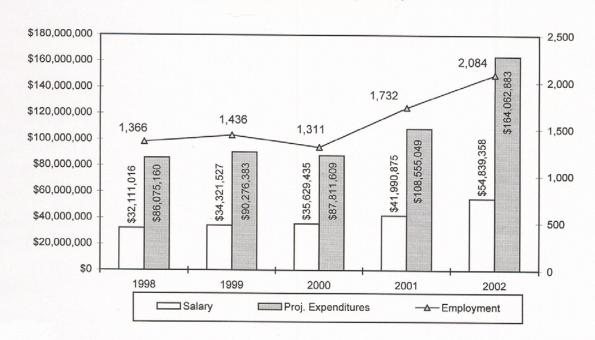




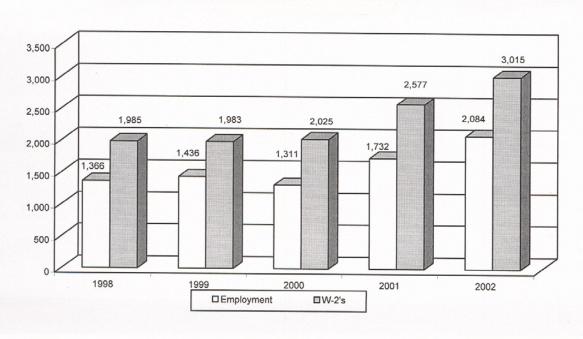
Project Expenditures



RCUH Employment/Salaries/Project Expenditures



RCUH Employment vs. Total W-2's



Volume of Business by Sponsoring Agency

Sept April	INIVERSITY PROJECTS	1998	%	1999	%	2000	%	2001	%	2002	%
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Direct Projects 1998 % 1999 % 2000 % 2001 % 2002 FEDERAL PROJECTS 119,056 0.14 203,823 0.23 349,115 0.40 1,061,822 0.98 947,249 0.09 of performance of perf	Dept of Bus, Econ Devel & Tourism	51,932	0.06				0.10				0.0
DRECT PROJECTS 1998 % 1999 % 2000 % 2001 % 2002 DRECT PROJECTS 1998 % 1999 % 2000 % 2001 % 2002 DRECT PROJECTS 1998 % 1999 % 2000 % 2011 % 2002 DRECT PROJECTS 15,322,785 17.80 17.70 1.58 1.145,081 1.30 1,388,840 1.26 1,102,893 0.99 for foreing 37,547 0.05 1.00 1.00 1.00 1.00 1.00 1.00 1.00			1.09	458,628	0.51	134,840	0.15	2,542,488		4,766,704	2.5
Dept of Social Services & Housing Dept of Social Services & Housing Dept of Education Dept of Education Dept of Education Dept of De			1 30	875 283	0.97	991.366	1.13	889,018	0.82	1,358,872	0.8
DIRECT PROJECTS 1998 % 1999 % 2000 % 2011 % 2002 FEDERAL PROJECTS 119,056 0.14 203,823 0.23 349,115 0.40 1,081,822 0.98 947,249 0.99 of efficiation of the standard of the st		1,120,001	1.00						0.05		0.0
Dept of Defense 107,212 0.12 484,576 0.54 730,307 0.83 659,745 0.61 569,208 0. County Government 410,230 0.48 197,457 0.22 482,182 0.55 152,488 0.14 314,279 0. OTHER SPONSORS 5,202,131 6.04 7,902,568 8.75 5,575,053 6.35 7,533,193 6.94 9,186,330 5. UH NON-FEDERAL PROJECTS 15,322,785 17.80 17,763,869 19.68 21,130,430 24.06 23,797,007 21.91 41,830,422 25. TOTAL UH PROJECTS 62,716,553 72.86 64,925,880 71.92 61,794,371 70.37 79,849,843 73.56 134,047,630 81. DIRECT PROJECTS 1998 % 1999 % 2000 % 2001 % 2002 FEDERAL PROJECTS 119,056 0.14 203,823 0.23 349,115 0.40 1,061,822 0.98 947,249 0. NON-FEDERAL STATE & COUNTY GOVERNMENTS: Dept of Health 1,540,831 1.79 1,421,750 1.58 1,145,081 1.30 1,388,640 1.26 1,102,893 0. Dept of Each County Government 37,514 0.04 - 508,254 0.58 241,746 0.22 - 0. Dept of Land & Natural Resources 774,974 0.90 980,993 1.09 1,094,711 1.24 1,205,167 1.11 1,267,594 0. Dept of Education 279,343 0.33 816,021 0.90 463,049 0.53 104,059 0.10 82,525 0. OTHERS: Joint Astronomy Centre 3,141,751 3.65 3,230,380 3.58 3,146,256 3.58 3,417,075 3.14 3,620,656 2. Academia Sinica Inst of Astronomy 122,477 0.01 236,672 0.10 414,839 0.10 82,525 0.01 1,459,798 0.00 0.01 82,525 0.00 1,459,798 0.00 0.00										201 003	0.1
County Government 410,230 0.48 197,457 0.22 482,182 0.55 152,498 0.14 314,279 0. OTHER SPONSORS 5,202,131 6.04 7,902,568 8.75 5,575,053 6.35 7,533,193 6.94 9,186,330 5. UH NON-FEDERAL PROJECTS 15,322,785 17.80 17,763,869 19.68 21,130,430 24.08 23,797,007 21.91 41,830,422 25. TOTAL UH PROJECTS 62,716,553 72.86 64,925,880 71.92 61,794,371 70.37 79,849,843 73.56 134,047,630 81. DIRECT PROJECTS 1998 % 1999 % 2000 % 2001 % 2002 FEDERAL PROJECTS 119,056 0.14 203,823 0.23 349,115 0.40 1,081,822 0.98 947,249 0. NON-FEDERAL STATE & COUNTY GOVERNMENTS: Dapt of Busik Natural Resources 774,974 0.90 980,993 1.09 1,084,711 1.24 1,265,167 1.11 1,267,594 0.09 120,91 detailed in Natural Resources 774,974 0.90 980,993 1.09 1,084,711 1.24 1,205,167 1.11 1,267,594 0.09 10,164 Astronomy Centre 3,141,751 3.65 3,230,380 3.58 3,146,256 3.58 3,417,075 3.14 3,620,656 2.00 10 Astronomy Centre 782,771 0.01 236,672 0.01 414,839 0.01 824,552 0.01 1,459,788 0.00 10 Astronomy Centre 782,771 0.01 236,672 0.01 414,839 0.01 824,552 0.01 1,459,788 0.00 10 Astronomy Centre 782,771 0.01 236,672 0.01 414,839 0.01 824,552 0.01 1,459,788 0.00 10 Astronomy Centre 782,771 0.08 10,32,762 0.01 414,839 0.01 824,552 0.01 1,459,788 0.00 10 Astronomy Centre 782,771 0.08 10,32,762 0.01 414,839 0.01 824,552 0.01 1,459,788 0.00 10 Astronomy Centre 782,771 0.89 1.032,762 0.01 414,839 0.01 824,552 0.01 1,459,788 0.00 10 Astronomy Centre 782,771 0.89 1.032,762 0.01 414,839 0.01 824,552 0.01 1,459,788 0.00 10 Astronomy Centre 782,771 0.89 1.032,762 0.01 414,839 0.01 824,552 0.01 1,459,788 0.00 10 Astronomy Centre 782,771 0.01 236,672 0.01 414,839 0.01 84,652 0.01 1,459,788 0.00 10 Astronomy Centre 782,771 0.01 236,672 0.01 414,839 0.01 84,652 0.01 1,459,788 0.00 10 Astronomy Centre 782,771 0.01 236,672 0.01 414,839 0.01 84,652 0.01 1,459,788 0.00 10 Astronomy Centre 782,771 0.01 236,672 0.01 414,839 0.01 84,652 0.01 1,459,788 0.00 10 Astronomy Centre 782,771 0.01 236,672 0.01 414,839 0.01 84,652 0.01 1,459,788 0.00 10 Astronomy Centre 782,771 0.01 236,672 0.0											
OTHER SPONSORS 5,202,131 6.04 7,902,568 8.75 5,575,053 6.35 7,533,193 6.94 9,186,330 5. UH NON-FEDERAL PROJECTS 15,322,785 17.80 17,763,869 19.68 21,130,430 24.06 23,797,007 21,91 41,830,422 25. TOTAL UH PROJECTS 62,716,553 72.86 64,925,880 71.92 61,794,371 70.37 79,849,843 73.56 134,047,630 81. DIRECT PROJECTS 1998 % 1999 % 2000 % 2001 % 2002 FEDERAL PROJECTS 119,056 0.14 203,823 0.23 349,115 0.40 1,061,822 0.98 947,249 0. NON-FEDERAL STATE & COUNTY GOVERNMENTS: Dept of Health 1,540,831 1.79 1,421,750 1.58 1,145,081 1.30 1,388,640 1.26 1,102,893 0. Dept of Bus. Econ Devel & Tourism 37,514 0.04 508,254 0.58 241,746 0.22 - 0. Dept of Land & Natural Resources 774,974 0.90 980,993 1.09 1,094,711 1.24 1,205,167 1.11 1,267,594 0. Dept of Education 279,343 0.33 816,021 0.90 463,049 0.53 104,059 0.10 82,525 0.01 14,4839 0.01 82,525 0.01 414,839 0.01 82,525 0.01 414,839 0.01 82,4552 0.01 1,459,788 0. OTHERS: Joint Astronomy Centre 782,277 0.89 1,032,162 1.14 616,338 0.70 519,126 0.48 335,371 0. NOTHERS: NON-FEDERAL PROJECTS 7,418,890 8.62 9,417,076 1.043 10,067,385 11.46 11,029,449 10.16 12,441,079 7. TOTAL DIRECT PROJECTS 7,418,890 8.62 9,417,076 1.043 10,067,385 11.46 11,029,449 10.16 12,441,079 7. TOTAL DIRECT PROJECTS 7,537,946 8.76 9,620,899 10.68 10,416,500 11.86 12,091,271 11.14 13,388,328 6. REVOLVING FUNDS 1998 % 1999 % 2000 % 2001 % 2002 (Including Specialized Service Fac/Ship Ops 4,819,939 5.60 4,950,498 5.48 3,460,507 3.94 3,849,913 3.54 3,235,248 11,000,722 12,78 10,077,910 11.94 12,410,231 13.83 12,764,022 11.76 13,391,677 10.10 1.00 1.00 1.00 1.00 1.00 1.00 1											0.1
UH NON-FEDERAL PROJECTS 15,322,785 17.80 17,763,869 19.68 21,130,430 24.06 23,797,007 21.91 41,830,422 25. TOTAL UH PROJECTS 62,716,553 72.86 64,925,880 71.92 61,794,371 70.37 79,849,843 73.56 134,047,630 81. DIRECT PROJECTS 1998 % 1999 % 2000 % 2001 % 2002 FEDERAL PROJECTS 119,056 0.14 203,823 0.23 349,115 0.40 1,061,822 0.98 947,249 0. NON-FEDERAL STATE & COUNTY GOVERNMENTS: Dept of Health 1,540,831 1.79 1,421,750 1.58 1,145,081 1.30 1,368,640 1.26 1,102,893 0.00 pet of Health 2,540,831 1.79 1,421,750 1.58 1,145,081 1.30 1,368,640 1.26 1,102,893 0.00 pet of Leady A Natural Resources 774,974 0.50 980,993 1.09 1,084,711 1.24 1,205,167 1.11 1,267,994 0.00 pet of Education 279,343 0.33 816,021 0.90 463,049 0.53 104,059 0.10 82,625 0.00 THERS: Joint Astronomy Centre 3,141,751 3.65 3,230,380 3.58 3,146,256 3.58 3,417,075 3.14 3,620,656 2.40 (24,777 0.01 236,672 0.01 414,839 0.01 824,552 0.01 1,459,798 0.04 (24,777 0.01 236,672 0.01 414,839 0.01 824,552 0.01 1,459,798 0.04 (24,777 0.01 236,672 0.01 414,839 0.01 824,552 0.01 1,459,798 0.04 (24,777 0.01 236,672 0.01 414,839 0.01 824,552 0.01 1,459,798 0.04 (24,777 0.01 236,672 0.01 414,839 0.01 824,552 0.01 1,459,798 0.04 (24,777 0.01 236,672 0.01 414,839 0.01 824,552 0.01 1,459,798 0.04 (24,777 0.01 236,672 0.01 414,839 0.01 824,552 0.01 1,459,798 0.04 (24,777 0.01 236,672 0.01 414,839 0.01 824,552 0.01 1,459,798 0.04 (24,777 0.01 236,672 0.01 414,839 0.01 824,552 0.01 1,459,798 0.04 (24,777 0.01 236,672 0.01 414,839 0.01 824,552 0.01 1,459,798 0.04 (24,777 0.01 236,672 0.01 414,839 0.01 824,552 0.01 1,459,798 0.05 80,876 0.94 1,284,542 1.46 1,689,112 1.56 2,066,662 1.00 (24,777 0.01 236,672 0.01 414,839 0.01 824,552 0.01 1,459,798 0.05 80,876 0.94 1,284,542 1.46 1,689,112 1.56 2,066,662 1.00 (24,777 0.01 236,672 0.01 4,040,315 1.59 1,659,912 1.52 2,464,680 1.00 (24,777 0.01 236,672 0.01 4,040,315 1.59 1,659,912 1.52 2,464,680 1.00 (24,777 0.01 24,777 0.01 24,777 0.01 24,777 0.01 24,777 0.01 24,777 0.01 24,777 0.01 24,777 0.01 24,777 0.01 24,777 0.01 24,777 0.01	County Government	410,230	0.48	197,457	0.22	482,182	0.55	152,490			
TOTAL UH PROJECTS 62,716,553 72.86 64,925,880 71.92 61,794,371 70.37 79,849,843 73.56 134,047,630 81. DIRECT PROJECTS 1998 9 1999 9 2000 9 2001 9 2002 FEDERAL PROJECTS 119,056 0.14 203,823 0.23 349,115 0.40 1,061,822 0.98 947,249 0 NON-FEDERAL STATE & COUNTY GOVERNMENTS: Dept of Health 1,540,831 1,79 1,421,750 1.58 1,145,081 1.30 1,388,640 1.26 1,102,893 0.21 Dept of Land & Natural Resources 774,974 0.90 980,993 1.09 1,084,711 1.24 1,205,167 1.11 1,267,594 0.00 OTHERS: Joint Astronomy Centre 3,141,751 3,65 3,230,380 3,58 3,146,256 3,58 3,417,075 3,14 3,620,656 2,417,760 3,141,751 3,65 3,230,380 3,58 3,146,256 3,58 3,417,075 3,14 3,620,656 2,417,76 3,627 0,01 236,672 0,01 414,839 0,01 824,552 0,01 1,459,798 0,01 824,542 1,46 1,689,112 1,56 2,086,662 1,689,179 1,094,699 1,004,699 1	OTHER SPONSORS	5,202,131	6.04	7,902,568	8.75	5,575,053	6.35	7,533,193	6.94	9,186,330	5.6
DIRECT PROJECTS 1998 % 1999 % 2000 % 2001 % 2002 FEDERAL PROJECTS 119,056 0.14 203,823 0.23 349,115 0.40 1,061,822 0.98 947,249 0 NON-FEDERAL STATE & COUNTY GOVERNMENTS: Dept of Health 1,540,831 1.79 1,421,750 1.58 1,145,081 1.30 1,368,640 1.26 1,102,893 0 Dept of Bus, Econ Devel &Tourism 37,514 0.04 - 508,254 0.58 241,746 0.22 - 508,	UH NON-FEDERAL PROJECTS	15,322,785	17.80	17,763,869	19.68	21,130,430	24.06	23,797,007	21.91	41,830,422	25.5
FEDERAL PROJECTS 119,056 0.14 203,823 0.23 349,115 0.40 1,061,822 0.98 947,249 0 NON-FEDERAL STATE & COUNTY GOVERNMENTS: Dept of Health 1,540,831 1.79 1.421,750 1.58 1,145,081 1.30 1,368,640 1.26 1,102,893 0.29 1.09 1,094,711 1.24 1,205,167 1.11 1,267,594 0.29 1.09 1,094,711 1.24 1,205,167 1.11 1,267,594 0.29 1.09 1,094,711 1.24 1,205,167 1.11 1,267,594 0.29 1.09 1,094,711 1.24 1,205,167 1.11 1,267,594 0.29 1.09 1,094,711 1.24 1,205,167 1.11 1,267,594 0.29 1.09 1,094,711 1.24 1,205,167 1.11 1,267,594 0.29 1.09 1,094,711 1.24 1,205,167 1.11 1,267,594 0.29 1.09 1,094,094 0.53 104,059 0.10 82,525 0.00 1.00 1.00 1.00 1.00 1.00 1.00 1.0	TOTAL UH PROJECTS	62,716,553	72.86	64,925,880	71.92	61,794,371	70.37	79,849,843	73.56	134,047,630	81.7
NON-FEDERAL STATE & COUNTY GOVERNMENTS: Dept of Health 1,540,831 1,79 1,421,750 1,58 1,145,081 1,30 1,368,640 1,26 1,102,893 0,20 1,094,711 1,24 1,205,167 1,11 1,267,594 0,90 1,094,711 1,1 1,267,594 0,90 1,094,711 1,1 1,267,594 0,90 1,094,711 1,1 1,267,594 0,90 1,094,711 1,1 1,267,594 0,90 1,094,711 1,1 1,267,594 0,90 1,094,711 1,1 1,267,594 0,90 1,094,711 1,1 1,267,594 0,90 1,094,711 1,1 1,267,594 0,90 1,094,711 1,1 1,267,594 0,90 1,094,711 1,295,167 1,11 1,267,594 0,90 1,094,711 1,1 1,1267,594 0,90 1,094,711 1,1 1,1267,594 0,90 1,094,711 1,1 1,1267,594 0,90 1,094,711 1,14 1,267,594 0,90 1,094,711 1,14 1,267,594 0,90 1,094,711 1,14 1,194,710 1,194	DIRECT PROJECTS	1998	%	1999	%	2000	%	2001	%	2002	
NON-FEDERAL STATE & COUNTY GOVERNMENTS: Dept of Health	EEDEDAL DDO IEOTO	440.0E6	0.14	203 823	0.23	349 115	0.40	1 061 822	0.98	947.249	0.5
STATE & COUNTY GOVERNMENTS: Dept of Health 1,540,831 1,79 1,421,750 1,58 1,145,081 1,30 1,368,640 1,26 1,102,893 0,20 Dept of Health 1,540,831 1,79 1,421,750 1,58 1,145,081 1,30 1,368,640 1,26 1,102,893 0,20 Dept of Land & Natural Resources 74,974 0,90 980,993 1,09 1,084,711 1,24 1,205,167 1,11 1,267,594 0,00 0,53 Dept of Education OTHERS: Joint Astronomy Centre 3,141,751 3,65 3,230,380 3,58 3,146,256 3,58 3,417,075 3,14 3,620,666 2,442,477 3,65 3,230,380 3,58 3,146,256 3,58 3,417,075 3,14 3,620,666 2,442,477 0,01 236,672 0,01 414,839 0,01 824,552 0,01 1,459,798 0,442,477 0,01 236,672 0,01 414,839 0,01 824,552 0,01 1,459,798 0,484,470 1,484,470		119,000	0.14	203,023	0.23	545,115	0.40	1,001,022	0.00	011,210	
Dept of Health 1,540,831 1.79 1,421,750 1.58 1,145,081 1.30 1,368,640 1.26 1,102,893 0 Dept of Bus, Econ Devel &Tourism 37,514 0.04											
Dept of Realin Dept of Bus, Econ Devel & Tourism 37,514 0.04 508,254 0.58 241,746 0.22 0.00	STATE & COUNTY GOVERNMENTS:								4.00	4 400 000	
Dept of Bus, Econ Devel & Burish	Dept of Health	1,540,831	1.79	1,421,750	1.58					1,102,893	
Dept of Land & Natural Resources 774,974 0.90 980,993 1.09 1,084,711 1.24 1,205,167 1.11 1,267,594 0 Dept of Education 279,343 0.33 816,021 0.90 463,049 0.53 104,059 0.10 82,555 0 Dept of Education 279,343 0.33 816,021 0.90 463,049 0.53 104,059 0.10 82,555 0 Dept of Education 3,141,751 3.65 3,230,380 3.58 3,146,256 3.58 3,417,075 3.14 3,620,656 2 Academia Sinica Inst of Astronomy Centre 763,271 0.89 1,032,162 1.14 616,338 0.70 519,126 0.48 336,371 0 Natl Astronomical Observ of Japan 559,938 0.65 850,876 0.94 1,284,542 1.46 1,689,112 1.56 2,086,662 1 Other Sponsors 198,791 0.36 848,222 1.19 1,404,315 1.59 1,659,972 1.52 2,484,580 1 NON-FEDERAL PROJECTS 7,418,890 8.62 9,417,076 10.43 10,067,385 11.46 11,029,449 10.16 12,441,079 7 TOTAL DIRECT PROJECTS 7,537,946 8.76 9,620,899 10.66 10,416,500 11.86 12,091,271 11.14 13,388,328 8 REVOLVING FUNDS 1998 % 1999 % 2000 % 2001 % 2002		37,514	0.04	-	-					-	0.
Dept of Education 279,343 0.33 816,021 0.90 463,049 0.53 104,059 0.10 82,525 0 OTHERS: Joint Astronomy Centre 3,141,751 3.65 3,230,380 3.58 3,146,256 3.58 3,417,075 3.14 3,620,656 2 Academia Sinica Inst of Astronomy 122,477 0.01 236,672 0.01 414,839 0.01 824,552 0.01 1,459,788 Kuakini Medical Center 763,271 0.89 1,032,162 1.14 616,338 0.70 519,126 0.48 336,371 0 Natl Astronomical Observ of Japan 559,938 0.65 850,876 0.94 1,284,542 1.46 1,689,112 1.56 2,086,662 1 Other Sponsors 198,791 0.36 848,222 1.19 1,404,315 1.59 1,659,972 1.52 2,484,580 1 NON-FEDERAL PROJECTS 7,418,890 8.62 9,417,076 10.43 10,067,385 11.46 11,029,449 10.16 12,441,079 7 TOTAL DIRECT PROJECTS 7,537,946 8.76 9,620,899 10.66 10,416,500 11.86 12,091,271 11.14 13,388,328 8 REVOLVING FUNDS 1998 % 1999 % 2000 % 2001 % 2002 (Including Specialized Service Facilities (SSF's)) Specialized Service Fac/Ship Ops 4,819,939 5.60 4,950,498 5.48 3,460,507 3.94 3,849,913 3.54 3,235,248 Revolving Funds & Other SSF's 11,000,722 12.78 10,779,106 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 10 10 10 10 10 10 10 10 10 10 10 10 10			0.90	980,993	1.09	1,084,711	1.24	1,205,167	1.11		0.
OTHERS: Joint Astronomy Centre 3,141,751 3.65 3,230,380 3.58 3,146,256 3.58 3,417,075 3.14 3,620,656 2 Academia Sinica Inst of Astronomy 122,477 0.01 236,672 0.01 414,839 0.01 824,552 0.01 1,459,798 0 Kuakini Medical Center 763,271 0.89 1,032,162 1.14 616,338 0.70 519,126 0.48 336,371 0.84 Astronomical Observ of Japan 559,938 0.65 850,876 0.94 1,284,542 1.46 1.689,112 1.56 2,086,662 1 Other Sponsors 198,791 0.36 848,222 1.19 1,404,315 1.59 1,659,972 1.52 2,484,580 1 NON-FEDERAL PROJECTS 7,418,890 8.62 9,417,076 10.43 10,067,385 11.46 11,029,449 10.16 12,441,079 7 TOTAL DIRECT PROJECTS 7,537,946 8.76 9,620,899 10.66 10,416,500 11.86 12,091,271 11.14 13,388,328 8 REVOLVING FUNDS 1998 % 1999 % 2000 % 2001 % 2002 REVOLVING FUNDS 1998 % 1999 % 2000 % 2001 % 2002 REVOLVING FUNDS 1998 4,819,939 5.60 4,950,498 5.48 3,460,507 3.94 3,849,913 3.54 3,235,248 8 Revolving Funds & Other SSF's 11,000,722 12.78 10,779,106 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 10 10 10 10 10 10 10 10 10 10 10 10 10									0.10	82,525	0.
Joint Astronomy Centre 3,141,751 3.65 3,230,380 3.58 3,146,256 3.58 3,417,075 3.14 3,620,656 2 Academia Sinica Inst of Astronomy 122,477 0.01 236,672 0.01 41,839 0.01 824,552 0.01 1,459,798 1 Nati Astronomical Observ of Japan 559,938 0.65 850,876 0.94 1,284,542 1.46 1,689,112 1.56 2,086,662 1 Other Sponsors 198,791 0.36 848,222 1.19 1,404,315 1.59 1,659,972 1.52 2,484,580 1 NON-FEDERAL PROJECTS 7,418,890 8.62 9,417,076 10.43 10,067,385 11.46 11,029,449 10.16 12,441,079 7 TOTAL DIRECT PROJECTS 7,537,946 8.76 9,620,899 10.66 10,416,500 11.86 12,091,271 11.14 13,388,328 8 REVOLVING FUNDS 1998 % 1999 % 2000 % 2001 % 2002 REVOLVING FUNDS 4,819,939 5.60 4,950,498 5.48 3,460,507 3.94 3,849,913 3.54 3,235,248 Revolving Funds & Other SSF's 11,000,722 12.78 10,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 10 10 10 10 10 10 10 10 10 10 10 10 10											
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Natl Astronomical Observ of Japan 559,938 0.65 850,876 0.94 1,284,542 1.46 1,689,112 1.56 2,086,662 1 Other Sponsors 198,791 0.36 848,222 1.19 1,404,315 1.59 1,659,972 1.52 2,484,580 1 NON-FEDERAL PROJECTS 7,418,890 8.62 9,417,076 10.43 10,067,385 11.46 11,029,449 10.16 12,441,079 7 TOTAL DIRECT PROJECTS 7,537,946 8.76 9,620,899 10.66 10,416,500 11.86 12,091,271 11.14 13,388,328 8 REVOLVING FUNDS 1998 % 1999 % 2000 % 2001 % 2002 (Including Specialized Service Facilities (SSF's)) Specialized Service Fac/Ship Ops 4,819,939 5.60 4,950,498 5.48 3,460,507 3.94 3,849,913 3.54 3,235,248 Revolving Funds & Other SSF's 11,000,722 12.78 10,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 10 Total Revolving Funds & SSF's 15,820,661 18.38 15,729,604 17,42 15,600,738 17.77 16,613,935 15.30 16,626,925 11		763,271	0.89	1,032,162	1.14	616,338	0.70	519,126			0
Other Sponsors 188,791 0.36 848,222 1.19 1,404,315 1.59 1,659,972 1.52 2,484,580 1 NON-FEDERAL PROJECTS 7,418,890 8.62 9,417,076 10.43 10,067,385 11.46 11,029,449 10.16 12,441,079 7 TOTAL DIRECT PROJECTS 7,537,946 8.76 9,620,899 10.66 10,416,500 11.86 12,091,271 11.14 13,388,328 8 REVOLVING FUNDS 1998 % 1999 % 2000 % 2001 % 2002 (Including Specialized Service Fac/Ship Ops 4,819,939 5.60 4,950,498 5.48 3,460,507 3.94 3,849,913 3.54 3,235,248 Revolving Funds & Other SSF's 11,000,722 12.78 10,779,106 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 17 Total Revolving Funds & SSF's 15,820,661 18.38 15,729,604 17,42 15,600,738 17.77 16,613,935 15.30 16,626,925 <td></td> <td></td> <td>0.65</td> <td>850.876</td> <td>0.94</td> <td>1,284,542</td> <td>1.46</td> <td>1,689,112</td> <td>1.56</td> <td>2,086,662</td> <td>1.</td>			0.65	850.876	0.94	1,284,542	1.46	1,689,112	1.56	2,086,662	1.
TOTAL DIRECT PROJECTS 7,537,946 8.76 9,620,899 10.66 10,416,500 11.86 12,091,271 11.14 13,388,328 8 REVOLVING FUNDS 1998 % 1999 % 2000 % 2001 % 2002 (Including Specialized Service Facilities (SSF's)) Specialized Service Fac/Ship Ops 4,819,939 5.60 4,950,498 5.48 3,460,507 3.94 3,849,913 3.54 3,235,248 Revolving Funds & Other SSF's 11,000,722 12.78 10,779,106 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 10 10 10 10 10 10 10 10 10 10 10 10 10							1.59	1,659,972	1.52	2,484,580	1
REVOLVING FUNDS 1998 % 1999 % 2000 % 2001 % 2002 (Including Specialized Service Facilities (SSF's)) Specialized Service Fac/Ship Ops 4,819,939 5.60 4,950,498 5.48 3,460,507 3.94 3,849,913 3.54 3,235,248 Revolving Funds & Other SSF's 11,000,722 12.78 10,779,106 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 Total Revolving Funds & SSF's 15,820,661 18.38 15,729,604 17,42 15,600,738 17.77 16,613,935 15.30 16,626,925 11	NON-FEDERAL PROJECTS	7,418,890	8.62	9,417,076	10.43	10,067,385	11.46	11,029,449	10.16	12,441,079	7
(Including Specialized Service Fac/Istites (SSF's)) Specialized Service Fac/Istip Ops 4,819,939 5.60 4,950,498 5.48 3,460,507 3.94 3,849,913 3.54 3,235,248 Revolving Funds & Other SSF's 11,000,722 12.78 10,779,106 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 Total Revolving Funds & SSF's 15,820,661 18.38 15,729,604 17.42 15,600,738 17.77 16,613,935 15.30 16,626,925 16	TOTAL DIRECT PROJECTS	7,537,946	8.76	9,620,899	10.66	10,416,500	11.86	12,091,271	11.14	13,388,328	8
(Including Specialized Service Facilities (SSF's)) Specialized Service Fac/Ship Ops										0000	
Specialized Service Fac/Ship Ops 4,819,939 5.60 4,950,498 5.48 3,460,507 3.94 3,849,913 3.54 3,235,248 Revolving Funds & Other SSF's 11,000,722 12.78 10,779,106 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 Total Revolving Funds & SSF's 15,820,661 18.38 15,729,604 17.42 15,600,738 17.77 16,613,935 15.30 16,626,925 10			%	1999	%	2000	%	2001	%	2002	
Specialized Service Factoring Ops 4,515,353 10,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,784 10,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 12,	(including Specialized Service Facilities	(001 5))									
Specialized Service Factoring Ops 4,515,353 10,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,784 10,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 11.94 12,140,231 13.83 12,764,022 11.76 13,391,677 12,779,108 12,	Cassistized Contag Ecolohia On-	4 940 030	5.60	4 950 498	5.48	3.460.507	3.94	3.849.913	3.54	3,235,248	1
Total Revolving Funds & SSF's 15,820,661 18.38 15.729,604 17.42 15,600,738 17.77 16,613,935 15.30 16,626,925 1											8
Total Revolving Funds & SSF'S 15,820,801 16.50 10,720,004 17.42 10,000,000	Revolving Funds & Other SSF's	11,000,722	12.78	10,779,106	11.94	12,140,231	13.03	12,704,022	11.70	10,001,077	
	Total Revolving Funds & SSF's	15,820,661	18.38	15,729,604	17.42	15,600,738	17.77	16,613,935	15.30	16,626,925	10
TOTAL PROJECTS 86.075.160 100.00 90.276,383 100.00 87,811,609 100.00 108,555,049 100.00 164,062,883 10											100

Financial Statements for the Years Ended June 30, 2002 and 2001

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

THE RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII STATE OF HAWAII

June 30, 2002 and 2001

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SECTION I – FINANCIAL

Report of Independent Certified Public Accountants

The Board of Directors
The Research Corporation of the University of Hawaii

We have audited the accompanying balance sheet of The Research Corporation of the University of Hawaii, State of Hawaii, a component unit of the University of Hawaii, as of June 30, 2002, and the related statements of revenues and expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of The Research Corporation of the University of Hawaii, State of Hawaii, as of and for the year ended June 30, 2001, were audited by other auditors whose report dated July 27, 2001, expressed an unqualified opinion on those 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 provide a reasonable basis for our opinion.

In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, the financial position of The Research Corporation of the University of Hawaii, State of Hawaii, as of June 30, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note A to the financial statements, effective July 1, 2001, the Corporation implemented the new financial reporting model as prescribed by the Governmental Accounting Standards Board.

The Management's Discussion and Analysis on pages 6 and 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 2, 2002 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

GRANT THORNTON LLP Honolulu, Hawaii August 2, 2002

The Research Corporation of the University of Hawaii State of Hawaii MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2002 and 2001

The following discussion and analysis provides an overview of the financial position and results of operations for The Research Corporation of the University of Hawaii (RCUH) for the year ended June 30, 2002. It includes selected comparative information with the year ended June 30, 2001. This discussion and analysis should be read in conjunction with the financial statements and accompanying notes.

The financial reports of RCUH include three statements. The balance sheets, which summarize assets and liabilities and present an overall picture of the financial position of the Corporation, the statements of revenues, expenses and changes in net assets, which summarize the financial results of operations for the fiscal year, and the statements of cash flows, which identify the sources and uses of cash.

Total assets of the Corporation at June 30, 2002 and June 30, 2001 were \$29,817,624 and \$16,745,265, respectively. The increase in assets is mainly attributable to cash advances received from the University of Hawaii (University) for University funded projects, primarily construction-related projects. As a result, cash balances increased \$6,953,505 and investments in TCDs (with maturity terms 90 days or greater) increased \$4,555,943. Fixed asset acquisitions for the year were comprised of capitalized software costs of \$300,332. The Corporation continues to develop web applications to enhance processing and reporting services for use by customers.

Total liabilities at June 30, 2002 was \$23,784,263 compared to \$10,431,239 at June 30, 2001. The increase is due to the advances received from the University as previously discussed. Advances received from the University increased from \$710,099 in 2001 to \$10,866,802 in 2002. During the year, the Corporation incurred additional long-term debt of \$1,458,000 to finance the purchase of a Sun computer system which was leased to the University for its student registration system. A loan for \$400,708 was also obtained to pay for the license fee and system upgrade of our PeopleSoft human resources and payroll processing system. This loan was paid off in June 2002.

For the year ended June 30, 2002, we incurred a decrease in net assets of \$280,665. This was primarily attributable to a \$265,863 decrease in fair value in RCUH's quasi-endowment investment account maintained at the University of Hawaii Foundation (UHF). Other income, primarily interest earned on cash balances declined by \$228,501 due to the significant decline in interest rates over the past year. We attained a record volume of project expenditures of \$164,062,883 in fiscal year 2002. The increase was a result of the University's decision to service order all extramural (other than the University) sponsored awards to RCUH. Revenues increased by 19% to \$3,704,255 due to our agreement to cap revenues from University extramural awards at \$1,900,000.

With the increase in the volume of project expenditures, increase in expenses were necessary to meet operating requirements. Operating expenses for 2002 were \$4,045,667 compared to \$3,171,776 for 2001, a 28% increase. Significant increases were incurred in salaries and wages, data processing and insurance. Salaries and wages were \$1,565,446 in 2002 compared to \$1,236,904 in 2001. The increase in payroll costs for the RCUH central offices were incurred to meet increasing operational requirements. Data processing costs in 2002 and 2001 were \$952,285 and \$741,606, respectively. We continued to invest heavily in our electronic processing systems, especially in the development and enhancement of our fiscal and accounting web applications and PeopleSoft human resources and payroll applications. Insurance costs increased from \$79,015 in 2001 to \$157,337 in 2002. This increase reflects the substantial impact the events of September 11 have had on insurance premiums.

Total net assets at June 30, 2002 and June 30, 2001 were \$6,033,361 and \$6,314,026, respectively. Net assets invested in capital assets were \$1,029,558. There was no debt financing on capital assets. Unrestricted net assets amounted to \$5,003,803.

PAIANCE SHETS Aum 30, LABBILITES AND NET ASSETS 2002 2001 LABBILITES AND NET ASSETS 2002 2001 LABBILITES AND NET ASSETS 2002 2001 LABBILITES AND NET ASSETS 2003 2001 2001 2002 2001 2002 2001 2003 2001 2003 20		F	he Research Corpora Sta	The Research Corporation of the University of Hawaii State of Hawaii		
ASSETS Aume 30, LIABILITIES AND NET ASSETS 2002 2001 LIABILITIES AND NET ASSETS 2002 2001 LIABILITIES AND NET ASSETS 2002 2002 2002 2003 3 17.385,591 \$ 10.442.086 7.178,807 2.864,790 Accounts peakle wases Accounts peakle wases Accounts peakle wases Accounts peakle wases 1,894,790 1,994,790 1,994,7			BALA	NCE SHEETS		
Strate S				June 30,		
CURRENT LIABILITIES: COMMITMENTS of Hawaii projects (note D) 1,690,774 1,594,508 Current installments projects (note D) 1,690,774 1,594,508 Current projects (note D) 1,690,774 1,594,508 Current projects (note D) 1,690,774 1,694,200 Current projects (note D) 1,935,916 1,684,200 Current projects (note D) 1,935,916 1,684,200 Current projects (note D) 1,935,916 1,684,200 Current projects (note D) 1,935,916 1,694,200 Current projects (note D) 1,935,916 1,694,200 Current projects (note D) 1,935,916	ASSETS	2002	2001	LIABILITIES AND NET ASSETS	2002	2001
1,594,508 Advances: Other population of accused signature (note D) 1,696,802 1,166,855 1,166	uivalents (notes C)	\$ 17,395,591 7,178,567		CURRENT LIABILITIES: Current installments of long-term debt (note H) Accounts payable Accounts wanes	ທິດ	
t assets 420,311 50,798 Total current liabilities 26,930,385 15,021,834 NONCURRENT LABILITIES: Long-term debt, excluding current inabilities Total noncurrent liabilities Total inabilities COMMITMENTS AND CONTINGENCIES (notes G, I, K, I, M, N, O and P) 1,029,558 1,023,004 1,029,558 1,023,004 1,029,558 1,023,004 Innestrinent assets 2,887,239 1,024,283 1,023,004 Innestrinent assets 2,887,239 1,024,283 1,029,588 1,023,004 1,029,588 1,023,004 Innestrinent assets 2,887,784,283 1,029,588 1,023,004 Innestriced 1,029,588 1,023,004 Innestriced 1,029,588 1,023,004 Innestriced 1,029,688 1,029,688 1,029,688 1,029,6817,624 1,029,688 1,	Receivables (note G): Other sponsoring agencies (note D) Receivables under lease agreements, excluding current portion of deferred credits (note E)	1,690,774	1,594,508	Advances: University of Hawaii projects (note D) Other sponsoring agencies (note D) Workers' compensation and unemployment claims reserve (note O)	10,866,802 1,166,855 1,219,902	710,099 791,441 1,194,000
t assets 26,930,385 15,021,834 NONCURRENT LIABILITIES: Long-term dobt, excluding current installments (note H) Acrued supplemental retirement benefits (notes I and K) Acrued supplemental retirement benefits (notes I and K) Total noncurrent liabilities Total instillities Total instillities COMMITMENTS AND CONTINGENCIES (notes G. I, K. L. M. O. and P) I (1,237,353 21,590 NET ASSETS (note I): I (1,029,558 11,237,343 11,023,004 Investment in capital assets I (1,029,558 11,23,004 Investment in capital assets 5,003,803 61,004,004,004,004,004,004,004,004,004,00	Total receivables	1,935,916	1,664,200	Current portion of accrued supplemental retirement benefits (note K.) Accrued interest	2,932	40,000
t assets 26,930,385 15,021,834 NONCURRENT LIABILITIES: Long-term debt, excluding current installments (note H) 459,637 Total noncurrent liabilities Total inabilities Total inabilities Total inabilities COMMITMENTS AND CONTINGENCIES (notes G, I, K, L, M, O and P) Credits (note E) 1,023,353 21,580 NET ASSETS (note I): I (1029,558 1,023,004 Investment in capital assets 1,023,004 Investment in capital assets 5,003,807 Total noncurrent liabilities COMMITMENTS AND CONTINGENCIES (notes G, I, K, L, M, O and P) I (1029,558 1,023,004 Investment in capital assets 5,003,807 Total net assets 6,033,807 Total net assets 6,033,807 Total net assets 6,033,807 Total net assets 5,003,807 Total net assets 6,033,807 Total net assets 6,033,807 Total net assets 6,033,807 Total net assets 6,033,807 Total net assets 7,033,807 Total net assets 8,033,807	Prepaid expenses	420,311	50,798	Total current liabilities	22,085,053	10,042,383
Total inbulities 23.784.263 10 COMMITMENTS AND CONTINGENCIES (notes G. I. K. L. M. N. O and P) Credits (note E) 1,029,558 1,023,004 Investment in capital assets 1,029,558 1,029,558 1,029,558 1,029,877,824 1,723,431 Total net assets 6,033,361 6, 5,003,803 8, 16,745,265 TOTAL LIABILITIES AND NET ASSETS 8, 29,817,624 \$ 16,745,265	Total current assets	26,930,385	15,021,834	NONCURRENT LIABILITIES: Long-term debt, excluding current installments (note H) Accrued supplemental retirement benefits (notes I and K)	1,239,513 459,697	15,856 373,000
Total liabilities Total liabilities 23,784,263 (COMMITMENTS AND CONTINGENCIES (notes G. I., K. I., M. N. O and P) Credits (note E) 1,237,353 21,590 (NET ASSETS (note I): 1,029,558 1,023,004 (Innestricted Innestricted Innestri				Total noncurrent liabilities	1,699,210	388,856
e agreements, excluding current 1,237,353 21,590 1,029,568 1,023,004 Innestricted Innestricted Tend assets 2,887,239 1,723,431 Tend assets 2,887,239 1,723,431 Tend assets 2,887,239 1,723,431 Tend assets 2,887,624 Tend assets 2,887,624 Tend assets 2,887,624 Tend assets 3,29,817,624 Tend assets 1,729,431 Tend assets				Total liabilities	23,784,263	10,431,239
1,237,353 21,590 NET ASSETS (note I): 1,029,558 1,029,558 1,029,558 1,029,528 1,023,004 Innestment in capital assets 5,003,803 5,003,803 2,887,239 1,723,431 Total net assets 6,033,361 6,033,361 \$ 29,817,624 \$ 16,745,265 TOTAL LIABILITIES AND NET ASSETS \$ 29,817,624 \$ 1	NONCURRENT ASSETS:			COMMITMENTS AND CONTINGENCIES (notes G, I, K, L, M, N, O and P)	•	•
assets 2,887,239 1,723,431 Total net assets 6,033,361 5,29,817,624 \$ 16,745,266 TOTAL LIABILITIES AND NET ASSETS \$ 29,817,624 \$ 1	Receivables under lease agreements, excluding current portion and deferred credits (note E) Capitial assets, net (note F) Restricted assets - cash (notes B and D)	1,237,353 1,029,558 620,328	21,590 1,023,004 678,837	NET ASSETS (note 1): Investment in capital assets Unrestricted	1,029,558 5,003,803	1,023,004 5,291,022
\$ 29,817,624 \$ 16,745,265 TOTAL LIABILITIES AND NET ASSETS \$ 29,817,624	Total noncurrent assets	2,887,239	1,723,431	Total net assets	6,033,361	6,314,026
	TOTAL ASSETS	\$ 29,817,624		TOTAL LIABILITIES AND NET ASSETS	\$ 29,817,624	\$ 16,745,265

The Research Corporation of the University of Hawaii State of Hawaii

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS Year ended June 30,

Operating revenues administrative evenues recoveries		2002		2001
Operating revenues – administrative expense recoveries: University of Hawaii (note J) Other sponsoring agencies	\$	2,451,906 1,252,349	\$	1,827,338 1,294,669
Total operating revenues		3,704,255		3,122,007
Operating expenses:				
Salaries and wages		1,565,446		1,236,904
Data processing services		952,285		741,606
Employee fringe benefits (note K)		386,053		273,908
Depreciation Period development		293,778		282,717
Project development		233,841		201,000
Office supplies and services Insurance		170,364		123,690
Office and equipment rental (note N)		157,337		79,015
Interest		82,407		75,283
Professional services		35,516		20.000
Communications		32,077 22,955		32,009
Travel		18,697		21,867 17,057
UH Research awards		16,500		11,500
Staff development		16,254		28,261
Tuition support		14,178		8,445
Professional and technical support		12,815		4,005
Retiree medical benefits (note L)		10,799		9.476
Board of Directors' meetings		9,125		7,147
Transportation		7,759		7,811
Discretionary fund		7,335		9,057
Project overruns and disallowances		146		1,018
Total operating expenses		4,045,667		3,171,776
Operating loss		(341,412)		(49,769)
Nonoperating revenues (expenses): Interest income:				
Cash and certificates of deposit		302,873		531,374
Lease (note E)		6,306		8,131
Interest expense – long-term debt (note H) Intergovernmental (Federal Awards):		(6,306)		(8,131)
Revenue		432,899		397,336
Expense Quasi-endowment income (expenses):		(432,899)		(397,336)
Increase (decrease) in fair value of investments (note C)		(DEE DEA)		(462 E46)
Investment (note I)		(265,864) 74,965		(163,516)
Research assistantships expense (note I)		(51,227)		72,613 (50,419)
Total nonoperating revenues, net	_	60,747		390,052
(DECREASE) INCREASE IN NET ASSETS	_	(280,665)	_	340,283
Net assets at beginning of year		6,314,026		5,973,743
Net assets at end of year	<u> </u>	6,033,361	<u> </u>	6,314,026
	_	0,000,001	<u> </u>	0,017,020

The accompanying notes are an integral part of these statements.

The Research Corporation of the University of Hawaii State of Hawaii

STATEMENTS OF CASH FLOWS

Year ended June 30,

	2002	2001
Cash flows from operating activities:		
Project cost reimbursements received from:		
University of Hawaii	\$ 144,259,432	\$ 81,022,950
Other sponsors	28,817,560	28,354,819
Management fees received from:		
University of Hawaii	2,322,707	1,954,115
Other sponsors	1,253,966	1,271,092
Payments to vendors	(110,368,692)	(68,209,840)
Payments to employees	(37,733,838)	(28,649,932)
Payments of federal and state payroll taxes	(16,212,512)	(13,176,926)
Project cost reimbursements to the University of Hawaii	(1,666,832)	(1,849,688)
Cash received under equipment lease agreements,		
including interest	73,093	89,291
Other receipts	776,607	707,457
Net cash provided by operating activities	11,521,491	1,513,338
Cash flows from noncapital financing activities:		
Proceeds from debt	1,458,000	
Repayment of excess debt	(106,872)	
Purchase of equipment under lease agreements	(1,351,128)	
Principal and interest payments on debt	(73,093)	(89,291)
• • •		(00)=01)
Net cash provided by noncapital financing activities	(73,093)	(89,291)
Cash flows from capital and related financing activities:		
Proceeds from capital debt	400,708	
Principal payments on capital debt	(400,708)	-
Purchase of capital assets		- (427 E40)
r dichase of capital assets	(300,332)	(437,548)
Net cash used in capital and related		
financing activities	(300,332)	(437,548)
interiority activities	(300,332)	(437,340)
Subtotal carried forward	\$ 11,148,066	\$ 986,499

The accompanying notes are an integral part of these statements.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Legislature of the State of Hawaii (State) established The Research Corporation of the University of Hawaii (Corporation) in 1965 for the purpose of promoting, encouraging, initiating, developing and conducting scientific research and investigation in all branches of learning, and for disseminating and making available to the public the benefits of such research and investigation. The Corporation is exempt from any income taxes. The Corporation provides administrative support services to projects of the University of Hawaii (University), the State, and other organizations which have been assigned to it by those entities (Sponsors). For these services, the Corporation receives reimbursements for administrative expenses based on a negotiated fee or predetermined indirect cost rate. Reimbursements for administrative expenses from the University are negotiated annually. The projects normally remain under the general and technical supervision of personnel employed by the Sponsors.

The Corporation's Board of Directors consists of five members of the University Board of Regents and five members appointed by the Governor. Additionally, the President of the University serves as President of the Corporation.

1. Financial Statement Presentation and Financial Reporting Entity

The accompanying financial statements of the Corporation have been prepared in conformity with the accounting principles generally accepted in the United States of America prescribed by the Governmental Accounting Standards Board (GASB). In June 1999, GASB issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. This statement establishes new financial reporting requirements for State and Local Governments. They require new information and restructure of much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected.

GASB Statement No. 14, *The Financial Reporting Entity* (Statement No. 14) as amended by GASB Statement No. 34, established standards for defining and reporting on the financial reporting entity. This statement requires that the financial statements of the University include the financial statements of organizations for which the University is financially accountable and other organizations for which the nature and significance of their relationship are such that exclusion would cause the financial statements of the University to be misleading.

The Corporation is fiscally dependent upon the University, and therefore the University is financially accountable for the Corporation as defined by Statement No. 14. Accordingly, the financial statements of the Corporation are blended with the University's financial statements.

The University is required to implement GASB Statement No. 34 for the fiscal year ended June 30, 2002 and since the Corporation's financial statements are blended with the University's financial statements, accordingly, the Corporation is required to implement GASB Statement No. 34 for the fiscal year ended June 30, 2002.

Other GASB Statements are required to be implemented in conjunction with Statement No. 34. Therefore, the Corporation has implemented the following GASB Statements in the current fiscal year: GASB Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities, Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus and Statement No. 38, Certain Financial Statement Note Disclosures.

2. Measurement Focus and Basis of Accounting

The accounting policies of the Corporation conforms to accounting principles generally accepted in the United States of America as applicable to enterprise activities of governmental units as promulgated by the GASB. In accordance with GASB standards, the Corporation has elected not to apply all applicable Financial Accounting Standards Board pronouncements on accounting and reporting that were issued after November 30, 1989.

An enterprise fund is used to account for the acquisition, operation and maintenance of government facilities and services that are entirely or predominantly supported by user charges. The Corporation's operations are accounted for

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

on the flow of economic resources measurement focus and the accrual basis of accounting is utilized. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services or goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the Corporation are administrative expense recoveries.

Net assets are restricted when constraints placed on them are either externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally, it is management's policy to use restricted resources first, then unrestricted resources as they are needed.

3. <u>Cash Equivalents</u>

For purposes of the statements of cash flows, the Corporation considers all highly liquid debt instruments, primarily certificates of deposit, with original maturities of three months or less to be cash equivalents. Cash equivalents amounted to \$1,000,000 and \$9,500,000 at June 30, 2002 and 2001, respectively.

4. <u>Investments</u>

The Corporation accounts for its investments in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools* (Statement No. 31). Statement No. 31 establishes accounting and financial reporting standards for all investments held by governmental external investment pools and establishes fair value standards for other governmental entities. Accordingly, the Corporation has stated its investments at fair value. Changes in the fair value of investments are recognized in the statements of revenues and expenses.

Capital Assets

Capital assets, which include office furniture and equipment and computer software acquired for the administrative operations, are reported in financial statements. Management capitalizes office furniture and equipment and computer software costs if the cost is in excess of \$5,000 and the useful life exceeds 2 years. Purchased capital assets are valued at cost.

Depreciation expense is recorded in the financial statements. The straight-line method is utilized over the assets' estimated useful life. Generally, the useful lives used for office furniture and equipment and computer software costs is 6 years.

Furniture and equipment acquired by the Corporation for projects are charged to project expenditures and are not capitalized for financial statement purposes. Title to fixed assets acquired for direct project contracts generally remains with the sponsoring agency. Title to fixed assets acquired for University projects which are assigned to the Corporation passes directly to the University.

Retirement Plan

The Corporation has a retirement plan for substantially all employees. The Corporation's policy is to contribute 10% of eligible employees' regular compensation to the plan. The required contributions are recognized as employee fringe benefits expense.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Vacation

Employees are credited with vacation at the rate of 168 hours per calendar year. The maximum accumulation of such vacation credits is limited to 360 hours at calendar year end and are convertible to pay upon termination of employment. Accumulated vacation for administrative personnel has been accrued and reflected in the accompanying balance sheets.

8. Accumulated Sick Leave

Sick leave accumulates at the rate of 14 hours per month of service without limit and is not convertible to pay upon termination of employment. However, an employee who retires in good standing and meets certain eligibility requirements may be entitled to supplemental retirement benefits (see note K). Accumulated sick leave at June 30, 2002 and 2001 aggregated approximately \$923,000 and \$809,000, respectively.

9. Risk Management

Liabilities related to certain types of losses (including torts, theft of, damage to, or destruction of assets, errors or omissions, natural disasters and injuries to employees) are reported when it is probable that the losses have occurred and the amount of those losses can be reasonably estimated.

10. <u>Use of Estimates</u>

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain 2001 accounts were reclassified to conform with the 2002 presentation. Such reclassifications had no effect on the previously reported results of operations.

NOTE B - CASH AND CASH EQUIVALENTS

At June 30, 2002 and 2001, the carrying amount of total bank deposits was \$17,940,747 and \$11,051,452, respectively, while the corresponding bank balances which are represented were \$21,335,212 and \$13,759,701, respectively. The portion of such deposits not covered by federal depository insurance are covered by collateral held in the name of the Corporation by third party custodians.

NOTE C - INVESTMENTS

The following schedule summarizes the fair value and cost of the Corporation's investments at June 30, 2002 and 2001:

	June 30,	June 30, 2002		2001
	Fair value	Cost	Fair value	Cost
Investment pool	\$1,246,529	\$1,380,081	\$1,488,655	\$1,356,343
Certificates of deposit	5,932,038	5,932,038	1,376,095	1,376,095
	\$7,178,567	\$7,312,119	\$2,864,750	\$2,732,438

The investment pool is administered by the University of Hawaii Foundation (Foundation) and consists primarily of foreign and domestic equity and fixed income securities. At June 30, 2002 and 2001, the Corporation had 39,711.01 and 39,195.76 shares, respectively, in the investment pool. The fair value of these investments are primarily based on quoted market prices reported to the Corporation by the Foundation. The decrease in fair value of investments (unrealized losses) for the years ended June 30, 2002 and 2001 amounted to \$265.864 and \$163.516, respectively.

Investments are classified as to custodial risk by three categories as follows: Category 1 includes investments that are insured or registered or securities held by the Corporation or its agent in the Corporation's name; Category 2 includes uninsured and unregistered investments with the securities held by the counterparty's trust departments or agent in the Corporation's name; Category 3 includes uninsured and unregistered investments, with the securities held by the counterparty, or by its trust departments or agent but not in the Corporation's name. The investment pool is classified as Category 3, while the certificates of deposit are classified as a Category 1.

NOTE D - RECEIVABLES AND ADVANCES FROM OTHER SPONSORING AGENCIES

The Corporation's projects are divided into two groups: those administered under an agreement with the University, and those administered under direct agreements with other sponsors. Projects are either funded on a cost reimbursable basis or through advance fundings. Under cost reimbursable projects, expenditures are initially paid for by the Corporation and are later reimbursed by the sponsors. Under advance funded projects, the Corporation receives cash in advance of expenditures. Advances under direct agreements in excess of project expenditures totaled \$1,166,855 and \$791,441 at June 30, 2002 and 2001, respectively. Cash relating to a portion of the advances, amounting to \$620,328 and \$678,837 at June 30, 2002 and 2001, respectively, is restricted by the sponsors. Direct agreements allow for indirect cost recoveries based on a predetermined indirect cost rate. All claims are subject to audit and adjustments by the sponsoring agencies. Project expenditures less advances, and reimbursements from sponsors are accounted for within project accounts which are reflected on the Corporation's balance sheets. Except for direct federal awards, these transactions are not reflected on the Corporation's statements of revenues and expenses.

NOTE E - RECEIVABLES UNDER LEASE AGREEMENTS

The Corporation borrowed funds and purchased certain equipment. It simultaneously entered into agreements to lease the equipment to the University for the amount of the debt repayment installments with an option to purchase the equipment for \$1 at the end of the lease term.

Maturities of receivables under lease agreements and deferred credits at June 30, 2002 are as follows:

ed credits
\$ 60,132
48,167
40,255
29,375
18,009
6,098
\$202,036
48 40 29 18 6

NOTE F - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2002 is as follows:

	Beginning balance	Acquisitions	Dispositions	Ending balance
Office equipment	\$ 579,548	\$ -	\$(47,183)	\$ 532,365
	1,478,958	300,332	_	1,779,290
	2,058,506	300,332	(47,183)	2,311,655
Less accumulated depreciation				
Office equipment	202,433	49,939	47,183	205,189
Computer software	833,069	243,839	_	1,076,908
	1,035,502	293,778	47,183	1,282,097
	\$1,023,004	\$ 6,554	\$ -	\$1,029,558

Capital assets activity for the year ended June 30, 2001 is as follows:

	Beginning balance	Acquisitions	Dispositions	Ending balance
Office equipment	\$ 599,913	\$ 11,822	\$(32,187)	\$ 579,548
Computer software	1,021,045	457,913	_	1,478,958
	1,620,958	469,735	(32,187)	2,058,506
Less accumulated depreciation			,	
Office equipment	162,846	39,587	_	202,433
Computer software	589,939	243,130	_	833,069
	752,785	282,717		1,035,502
	\$ 868,173	\$187,018	\$(32,187)	\$1,023,004

Depreciation expense for the years ended June 30, 2002 and 2001 amounted to \$293,778 and \$282,717, respectively.

NOTE G – LINE OF CREDIT

The Corporation has a revolving line of credit with First Hawaiian Bank in the amount of \$2,000,000 for short-term working capital, expiring on December 1, 2002. The terms of the revolving line of credit require repayment as specified in the credit agreement. All borrowings are collateralized by a security agreement over accounts receivable. The rate of interest on borrowings outstanding is 75% of the bank's reference rate (4.75% at June 30, 2002). At June 30, 2002, there were no borrowings outstanding under this line.

NOTE H – LONG-TERM DEBT

A summary of long-term debt at June 30, 2002 and 2001 is as follows:

	2002	2001
5.875% note payable to First Hawaiian Bank, secured by a snow blower, paid off in 2002 by the Institute for Astronomy	\$ -	\$48,107
6.75% note payable to First Hawaiian Bank, secured by a computer numeric controlled lathe, monthly payments of \$985 including interest, due December 2002, or upon demand, by the Institute for Astronomy	5,726	16,755
6.57% note payable to Bank of Hawaii, secured by vehicles, monthly payments of \$980 including interest, due November 2003, by the Institute for Astronomy	15,837	26,202
4.381% note payable to Bank of Hawaii, secured by a Sun Computer System, monthly payments of \$23,537 including interest, due May 2008, by the University of Hawaii	1,458,000	-
	1,479,563	91,064
Less current installments of long-term debt	240,050	75,208
	\$1,239,513	\$15,856
The following is a summary of changes in long-term debt for the two years ended June 30, 2002:		
Balance as of July 1, 2000	\$ 171,995	
Deductions	80,931	
Balance as of June 30, 2001	91,064	
Additions	1,858,708	
Deductions	470,209	
Balance as of June 30, 2002	\$1,479,563	

The annual debt service requirements to maturity including principal and interest for long-tem debt as of June 30, 2002 are as follows:

	Principal	Interest	
June 30,			
2003	\$ 240,050	\$ 55,008	
2004	237,637	49,674	
2005	243,389	39,055	
2006	254,269	28,175	
2007	265,635	16,809	
2008	238,583	4,998	
	\$1,479,563	\$193,719	

NOTE I - NET ASSETS

1. Working Capital

Many of the projects administered by the Corporation are cost reimbursable. The time lag in receiving reimbursements makes the creation of a reserve for working capital necessary. The Board of Directors authorized the establishment of designated net assets for this purpose. The Corporation transferred \$39,000 from the designated net assets for working capital to undesignated net assets in 2002 and \$445,000 to the designated net assets for working capital from undesignated net assets in 2001.

2. Quasi-Endowment

The quasi-endowment designated net assets was established by the Board of Directors to assist the Corporation in carrying out its legislative purpose to assist in establishing and maintaining scholarships, fellowships and professorships and other staff positions for the purpose of aiding in the acquisition and dissemination of knowledge.

For the years ended June 30, 2002 and 2001, investment income of \$74,965 and \$72,613, respectively, was earned from investments administered by the Foundation. Research assistantship expenditures deducted from the quasi-endowment reserve during 2002 and 2001 amounted to \$51,227 and \$50,419, respectively.

3. Supplemental Retirement Benefits

As described in note K, the Corporation offers supplemental retirement benefits. The liability as of June 30, 2002 and 2001 associated with the supplemental retirement benefits are accrued in the accompanying balance sheets. The supplemental retirement benefits designated net assets balance represents supplemental retirement benefits surcharge collected in excess of supplemental retirement benefits paid or accrued in the balance sheets as of June 30, 2002 and 2001.

4. Project Contingent Liabilities

The Corporation and the University enter into contracts and agreements with a multitude of organizations, both public and private, locally, nationally and internationally. These organizations often require terms and conditions in the contract or agreement, which if breached, may require reimbursement of expenses or payment of expenses. On March 13, 1998, the Board of Directors designated net assets to cover such reimbursements or expenses, which may include, but are not limited to project overruns and disallowances, litigation expenses, professional services and other project-related expenses (i.e., normally costs associated with a third-party insurer). In 2002 and 2001, the amount of the designation was increased by \$39,359 and \$32,613, respectively. A separate interest-bearing account is maintained for this reserve.

Net assets at June 30, 2002 and 2001 are summarized as follows:

	2002	2001
Designated		
Working capital	\$3,798,000	\$3,837,000
Quasi-endowment	1,246,529	1,488,655
Supplemental retirement benefits	172,127	211,612
Project contingent liabilities	815,628	776,269
Undesignated	1,077	490
	\$6,033,361	\$6,314,026

NOTE J - OPERATING REVENUES - UNIVERSITY OF HAWAII

Operating revenues received from the University of Hawaii for the years ending June 30, 2002 and 2001 amounted to \$2,294,325 and \$1,735,469, respectively, for extramurally sponsored projects and \$157,581 and \$91,869, respectively, for internally funded projects.

NOTE K - PENSION INFORMATION

The Corporation participates with other institutions in the Teachers Insurance and Annuity Association and College Retirement Equities Fund, a noncontributory defined contribution retirement plan which covers substantially all qualified employees. Employees are eligible to participate in this plan upon completion of one year of service. Required contributions by the Corporation to the retirement plan are based on 10% of the gross salary of each employee. All contributions are fully vested and nonforefeitable when made. While it is expected that this retirement plan will continue indefinitely, the Board of Directors of the Corporation reserves the right to modify or discontinue the plan at any time. Total contributions to the retirement plan for the years ended June 30, 2002 and 2001 were \$131,480 and \$118,579, respectively.

The Corporation offers supplemental retirement benefits in addition to benefits available under the previously mentioned pension plan. To be eligible, a terminating employee must be at least age 45 years 4 months, have service of 10 years or more and have accumulated unused sick leave of 60 days or more. The supplemental retirement benefits amount to 10% of the value of the unused sick leave reduced by 1/2% for each month below the age of 62. The terminating employee may elect to purchase an annuity or receive the benefit in cash. At June 30, 2002 and 2001, the Corporation accrued supplemental retirement benefits amounting to \$503,697 and \$413,000, respectively, in the accompanying balance sheets. The accrual represents the Corporation's best estimate based on available information. Supplemental retirement benefits paid during the years ended June 30, 2002 and 2001 were \$39,485 and \$5,980, respectively.

The following is a summary of changes in accrued supplemental retirement benefits for the years ended June 30, 2002 and 2001:

	2002	2001
Beginning balance	\$413,000	\$325,000
Additions Deductions	130,182 (39,485)	93,980 (5,980)
Ending balance	503,697	413,000
Less current portion of accrued supplemental retirement benefits	44,000	40,000
	\$459,697	\$373,000

NOTE L - POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the Corporation also provides certain health care and life insurance benefits to all employees who retire in good standing with 10 years or more of continuous service, 10 years of participation in the Corporation's retirement and life insurance program and attain age 55. Contributions for health benefits are fixed at \$50 per month. The costs of retiree insurance benefits are recognized when the premiums are paid. The amounts paid for health care and life insurance for the years ended June 30, 2002 and 2001 aggregated \$10,799 and \$9,476, respectively.

NOTE M - PROJECT EXPENDITURES AND COMMITMENTS

Project expenditures that are not reflected on the accompanying statements of revenues and expenses are as follows:

		University projects	Direct projects	Other projects	Total
2002:	Salaries and wages	\$ 39,584,467	7,532,512	\$ 6,488,505	\$ 53,605,484
	Equipment	11,168,252	1,420,983	350,697	12,939,932
	Other	83,294,911	4,434,833	9,787,723	97,517,467
		\$134,047,630	\$13,388,328	\$16,626,925	\$164,062,883
2001:					
	Salaries and wages	\$ 28,042,372	\$ 6,865,410	\$ 6,108,439	\$ 41,016,221
	Equipment	8,115,847	70,070	179,824	8,365,741
	Other	43,691,624	5,155,791	10,325,672	59,173,087
		\$ 79,849,843	\$12,091,271	\$16,613,935	\$108,555,049

Other projects consist of the University's revolving funds and specialized service facilities.

Commitments in the form of outstanding project purchase orders that are not reflected on the accompanying balance sheets amounted to approximately \$33,662,000 and \$24,904,000 at June 30, 2002 and 2001, respectively.

NOTE N - OPERATING LEASE

The Corporation occupies office space under noncancelable operating leases that expire through September 2003. The leases contain escalation and renewal clauses and provide that the Corporation pay taxes, maintenance and certain other operating expenses applicable to the leased premise. Total office and equipment rental expense for the years ended June 30, 2002 and 2001 was \$82,407 and \$75,283, respectively, which includes \$66,335 and \$55,133, respectively, of office rental expense under the operating leases for the years ended June 30, 2002 and 2001.

Future minimum lease payments under noncancelable operating leases as of June 30, 2002 are:

Year ending June 30,	
2003	\$19,769
2004	4,942
	\$24,711

NOTE O - RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts including theft of, damage to, or destruction of assets, errors and omissions, natural disaster, and injuries to employees.

1. Torts

The Corporation is involved in various actions, the outcome of which, in the opinion of management, will not have a material adverse effect on the Corporation's financial position.

2. Property and General Liability Insurance

The Corporation is covered under the statewide insurance program of the State of Hawaii. Under this program, the Corporation has property damage insurance for losses that may occur from fire, windstorm and other occurrences of \$25 million per occurrence. For hurricane, earthquake and flood, property coverage is for \$10 million per occurrence. Deductibles for windstorm losses are 2% of values at each location, subject to a minimum of \$250,000. Deductible for losses caused by earthquake, flood, tsunami and volcanic action is 2%, subject to a \$250,000 minimum. For other lines of coverage the deductible is \$250,000.

The Corporation has general liability insurance under the State with loss coverage of \$15 million for each occurrence. Exclusions include pollution, asbestos, airport and medical-professional losses. The deductible is \$2 million per occurrence. The State program includes crime insurance with loss coverage of \$10 million of criminal losses caused by faithful performance of duties. The deductible is \$250,000 per occurrence.

The Corporation has an additional general liability policy with loss coverage of \$2 million for each occurrence and in the annual aggregate; coverage is \$250,000 for fire damage losses. Exclusions include professional liability, pollution, employment related practices, sexual abuse, fiduciary liability, securities and financial interest, and product completed operations. The deductible is \$25,000 per claim. The Corporation has a \$5 million insurance policy for directors' and officers' liability losses, with a deductible of \$75,000.

3. Workers' Compensation Policy

The Corporation is self-insured for workers' compensation losses incurred prior to July 1, 1997 and unpaid as of June 30, 1997, and is liable for all workers' compensation claims filed by its employees for that period. Liabilities for workers' compensation claims are established if information indicates that it is probable that liabilities have been incurred and the amount of those claims can be reasonably estimated. These liabilities include amounts for claims that have been incurred but not reported. At June 30, 2002 and 2001, the workers' compensation reserve amounted to \$812,809 and \$836,000, respectively, and is reported as a current liability in the accompanying balance sheets. The change in workers' compensation reserve resulted from the payments for workers' compensation claims of \$43,171 and \$156,695 during the year ended June 30, 2002 and 2001, respectively. This reserve represents the Corporation's best estimate of workers' compensation liabilities based on available information.

For workers' compensation losses incurred after June 30, 1997, including employer's liability losses, the Corporation has guaranteed-cost insurance with coverage of \$1 million for each accident, with limits of \$1 million per injury and \$1 million per injury per employee. The insurance excludes bodily injury occurring outside of the United States or Canada unless during temporary travel, vessel operations, and damages from harassment, discrimination, termination and other matters as defined.

4. Unemployment Claims Reserve

The Corporation is self-insured for unemployment claims. Liabilities for unemployment claims are established if information indicates that it is probable that liabilities have been incurred and the amount for those claims can be reasonably estimated. At June 30, 2002 and 2001, the unemployment reserve amounted to \$407,093 and \$358,000, respectively, and is reported as a current liability in the accompanying balance sheets.

NOTE P - CONTRACT COMMITMENT

At June 30, 2002, the Corporation had an outstanding contract commitment through December 2003 related to computer software and hardware maintenance of approximately \$190,000.

SUPPLEMENTARY INFORMATION

Report of Independent Certified Public Accountants on Supplementary information

The Board of Directors
The Research Corporation of the University of Hawaii

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of The Research Corporation of the University of Hawaii, State of Hawaii, a component unit of the University of Hawaii, as of and for the year ended June 30, 2002, which are presented in the preceding section of this report. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget 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.

GRANT THORNTON LLP Honolulu, Hawaii August 2, 2002

The Research Corporation of the University of Hawaii State of Hawaii

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2002

Federal grantor/pass-through grantor/program title	CFDA number	Grant number	Federal program award amount	Federal expenditures
U.S. DEPARTMENT OF AGRICULTURE Cooperative State Research, Education, and Extension Service Passed through the Pacific International Center for High Technology Research Agriculture-Based Remediation Program	10.500	98-COOP-1-5891	\$ 818,692	\$ 122,852
U.S. DEPARTMENT OF INTERIOR Office of Insular Affairs Economic, Social, and Political Development of the Territories and the Freely Associated States U.S. Pacific Region Public Health Assistance	15.875 15.875	GEN-151 GEN-162	258,698 103,561	65,489 16,129
U.S. Geological Survey Hawaii GAP Analysis Project	15.808	01HQAG0195	268,525	177,509
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES Maternal and Child Health Bureau Pacific Island Health Officers Association (PIHOA) Total Expenditures of Federal Awards	93.110	1 U93 MC00185-01	125,000	50,920 \$ 432,899

The accompanying note on page 31 is an integral part of this schedule.

The Research Corporation of the University of Hawaii State of Hawaii NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year ended June 30, 2002

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (schedule) includes the federal grant activity of the Corporation and is presented on the accrual basis of accounting, which is described in note A to the Corporation's financial statements. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SECTION II – COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Directors
The Research Corporation of the University of Hawaii

We have audited the financial statements of The Research Corporation of the University of Hawaii, State of Hawaii (Corporation), as of and for the year ended June 30, 2002, and have issued our report thereon dated August 2, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors and management of The Research Corporation of the University of Hawaii, State of Hawaii, 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.

GRANT THORNTON LLP Honolulu, Hawaii August 2, 2002

SECTION III – COMPLIANCE AND INTERNAL CONTROL OVER FEDERAL AWARDS

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

The Board of Directors
The Research Corporation of the University of Hawaii

Compliance

We have audited the compliance of The Research Corporation of the University of Hawaii, State of 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 its major federal program for the year ended June 30, 2002. The Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation'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 Corporation'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 on the Corporation's compliance with those requirements.

In our opinion, the Corporation complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation'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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors and management of The Research Corporation of the University of Hawaii, State of Hawaii, 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.

GRANT THORNTON LLP Honolulu, Hawaii August 2, 2002

The Research Corporation of the University of HawaiiState of Hawaii SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year ended June 30, 2002

Section I – Summary of Auditor's Results

	Financial Statements				
	Type of auditors' report issued: Unqualified opinion.				
	Internal control over financial reporting:				
	 Material weakness(es) identified? Reportable condition(s) identified that are not considered to be material weaknesses? Noncompliance material to financial statements noted? 	yes yes yes	$\underline{\checkmark}$ no $\underline{\checkmark}$ none reported $\underline{\checkmark}$ no		
	Federal Awards				
	Internal control over major programs:				
	Material weakness(es) identified? Parartable condition(s) identified that are not considered to be material.	yes	$\underline{\checkmark}$ no		
	 Reportable condition(s) identified that are not considered to be material weakness(es)? 	yes	$\underline{\checkmark}$ none reported		
Type of auditor's report issued on compliance for major programs: Unqualified opinion on compliance.					
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes $\underline{\lor}$ no			<u>√</u> no		
	Identification of major programs:				
	CFDA Number(s) Name of I				
	U.S. Department of Agriculture: 10.500 Agriculture-Based Remediation Program				
	U.S. Department of Interior 15.808 Hawaii GAP Analysis Project				
	Dollar threshold used to distinguish between type A and type B programs:	\$300,000			
	Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133?	yes	$\underline{\checkmark}$ no		
	Section II – Financial Statemen	t Findings			

Section III – Federal Award Findings and Questioned Costs

None noted.

None noted.