

**University of Hawai'i
State of Hawai'i**
Financial and Compliance Audit
June 30, 2015

University of Hawai'i
State of Hawai'i
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Year Ended June 30, 2015

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SECTION 1

COMPLIANCE REPORTS

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

To the Board of Regents
University of Hawai'i

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the University of Hawai'i (the "University") as of and for the year ended June 30, 2015, and have issued our report thereon dated December 21, 2015. In that report, we indicated the extent of our reliance on the report of other auditors in the conduct of the audit.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

We also noted certain other matters that we will report to the Board of Regents and management of the University in our Internal Control and Business Issues Report.

Compliance and Other Matters

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

Purpose of this Report

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

The logo for Accuity LLP, featuring the word "Accuity" in a stylized, cursive script followed by "LLP" in a bold, sans-serif font.

Honolulu, Hawaii
February 11, 2016

Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Regents
University of Hawai'i

Report on Compliance for Each Major Federal Program

We have audited the University of Hawai'i's (the "University") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2015. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The University's consolidated financial statements include the operations of the Research Corporation of the University of Hawai'i (the "Research Corporation"), which received \$167,319 in federal awards which are not included in the attached schedule of expenditures of federal awards. The Research Corporation is a separate component unit of the University and is separately audited. The federal awards expended by the Research Corporation for the year ended June 30, 2015, which are outside the scope of this report, did not meet the audit requirements described in OMB Circular A-133.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133, and which are described in the accompanying schedule of findings and questioned costs as Finding Nos. 2015-01 through 2015-07. Our opinion on each major federal program is not modified with respect to these matters. We also noted other matters that we will report to the Board of Regents and management of the University in our Internal Control and Business Issues Report.

The University's response to the noncompliance findings identified in our audit is described in Section 5 of this report. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

The University's response to the internal control over compliance findings identified in our audit is described in Section 5 of this report. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

We have audited the consolidated financial statements of the University, as of and for the year ended June 30, 2015, and the related notes to the consolidated financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated December 21, 2015, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards, prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, as prepared on the cash basis of accounting, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Accuity LLP

Honolulu, Hawai'i
February 11, 2016

SECTION 2

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

University of Hawai'i
State of Hawai'i
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

	CFDA No.	Pass-Through Identifier	Expenditures	
MAJOR PROGRAM – RESEARCH AND DEVELOPMENT				
U.S. Department of Agriculture				
Agricultural Research Service				
Agricultural Research – Basic and Applied Research	10.001		\$	2,025,153
Animal and Plant Health Inspection Service				
Plant and Animal Disease, Pest Control, and Animal Care	10.025		\$	419,150
Wildlife Services	10.028			24,934
				444,084
Agricultural Marketing Service				
Federal-State Marketing Improvement Program	10.156			26,616
National Institute of Food and Agriculture				
Grants for Agricultural Research, Special Research Grants	10.200			99,146
Cooperative Forestry Research	10.202			284,649
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203			2,193,636
Animal Health and Disease Research	10.207			2,363
Alaska Native Serving and Native Hawaiian Serving				
Institutions Education Grants	10.228			297
Agriculture and Food Research Initiative (“AFRI”)	10.310			7,004,777
Biomass Research and Development Initiative				
Competitive Grants Program (“BRDI”)	10.312			941,908
Cooperative Extension Service	10.500			1,269,595
				11,796,371
Forest Service				
Forestry Research	10.652			6,183
Other	10.			694,182
				700,365
Natural Resources Conservation Service				
Soil Survey	10.903			12,487
Passed Through From				
State of Hawaii Dept. of Agriculture	10.025			613,570
State of Hawaii Dept. of Agriculture	10.170			45,902
State of Hawaii Dept. of Land and Natural Resources	10.664			49,850
State of Hawaii Dept. of Land and Natural Resources	10.675			26,512
State of Hawaii Dept. of Land and Natural Resources	10.678			188,428
State of Hawaii Dept. of Land and Natural Resources	10.680			861,803
University of California – Davis	10.200			66,264
University of California – Davis	10.304			39,407
University of California – Riverside	10.309			4,009
University of Maryland	10.303			54,109
National Fish and Wildlife Foundation	10.912			21,824
Oceanic Institute	10.200			111,878
Ohio State University	10.309			78,803
Oregon State University	10.320			31,023
State University of Rutgers	10.025			25,599
Tri-Isle Resource Conservation & Development Council	10.	10-DG-11052021-232		913
Utah State University	10.215			217,098
				2,436,992
				17,442,068
U.S. Department of Commerce				
National Oceanic and Atmospheric Administration (“NOAA”)				
Integrated Ocean Observing System	11.012			2,638,077
Sea Grant Support	11.417			2,490,510
Financial Assistance for National Centers for Coastal Ocean Science	11.426			64,580
Undersea Research	11.430			104,523
Climate and Atmospheric Research	11.431			528,968
NOAA Cooperative Institutes	11.432			13,840,440
Unallied Industry Projects	11.452			360,063
Unallied Management Projects	11.454			26,842
Habitat Conservation	11.463			19,872
Office of Coastal Management	11.473			9,871
Center for Sponsored Coastal Ocean Research – Coastal Ocean Program	11.478			157,858
Coral Reef Conservation Program	11.482			180,803
Other	11.			614,931
				21,037,338
National Institute of Standards and Technology				
Measurement and Engineering Research and Standards	11.609			47,184
Congressionally-Identified Projects	11.617			1,254,596
				1,301,780

University of Hawai'i
State of Hawai'i
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

	CFDA No.	Pass-Through Identifier	Expenditures	
Passed Through From				
ARRA – State of Hawaii Dept. of Commerce and Consumer Affairs	11.558		125,143	
State of Hawaii Dept. of Defense	11.467		50,170	
State of Hawaii Dept. of Defense	11.	PO 15214031	12,637	
State of Hawaii Dept. of Land and Natural Resources	11.482		314,482	
Research Corporation of the University of Hawaii	11.	various	16,778	
East West Center	11.431		316,765	
Hawaii Nature Center	11.473		40,758	
University of Maryland	11.012		188,428	
National Fish and Wildlife Foundation	11.463		27,546	
The Nature Conservancy	11.463		15,300	
The Nature Conservancy	11.482		22,009	
University of Puerto Rico – Mayaguez	11.417		3,720	
Western Pacific Regional Fishery Management Council	11.441		50,000	
Woods Hole Oceanographic Institute	11.431		12,042	1,195,778
				<u>23,534,896</u>
U.S. Department of Defense				
Air Force				
Air Force Defense Research Sciences Program	12.800		663,757	
Other	12.		9,992,875	10,656,632
Army				
Basic and Applied Scientific Research	12.300		1,875,615	
Military Medical Research and Development	12.420		319,832	
Basic Scientific Research	12.431		146,991	
Basic, Applied and Advanced Research in Science and Engineering	12.630		56,854	
Other	12.		7,848,560	10,247,852
Navy				
Basic and Applied Scientific Research	12.300		16,309,045	
Science, Technology, Engineering & Mathematics (“STEM”)				
Education, Outreach and Workforce Program	12.330		178,618	
Navy Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance	12.335		32,270	
Other	12.		782,668	17,302,601
Deputy Under Secretary Defense	12.			9,736,561
National Geospatial Intelligence Agency	12.			813,119
Washington Headquarters Services	12.			774,637
Pacific Command	12.			35
U.S. Special Operations Command	12.			110,695
Passed Through From				
State of Hawaii Dept. of Land and Natural Resources	12.630		32,021	
University of Alaska – Anchorage	12.	PO P0483046,W911KB1420001	75,535	
University of Alaska – Fairbanks	12.	various	291,060	
Archinoetics, LLC	12.	1065-00	44,633	
The Boeing Company	12.	PC 794406	73,344	
University of California – San Diego	12.	55022508	5,324	
CH2M Hill Inc A/P	12.110		421	
Concurrent Technologies Corporation	12.	111000074, MOD 8	57,659	
Fibertek Inc	12.	HDTRA1-813022	13,164	
Firstpass Engineering	12.	POs 53, 62, 63	37,032	
University of Central Florida	12.420		196,765	
GSI Pacific Inc	12.	P.O. 1501002-03	14,995	
HDR Environmental, Operations and Construction Inc	12.	various	40,110	
Henry M Jackson Foundation	12.420		34,067	
Johns Hopkins University	12.	PO 126748	124,537	
University of London – Royal Holloway	12.800		99,654	
Makai Ocean Engineering Inc	12.	various	136,198	
Mar, Incorporated	12.	-----	90,000	
Massachusetts Institute of Technology	12.431		400	
University of New Hampshire	12.	15-018	44,634	
Oceanit Laboratories Inc	12.800		11,237	
Pacific Health Research & Education Institute	12.420		26,677	
Pacific Health Research & Education Institute	12.	various	26,959	
Texas A&M University	12.300		7,190	
UT-Battelle LLC	12.	4000121475	113,781	
Vanderbilt University	12.300		82,695	
Vencore Services and Solutions	12.	various	132,647	
Woods Hole Oceanographic Institute	12.300		1,201	
Wyle Laboratories, Inc	12.	WR0091FY11	175,141	1,989,081
				<u>51,631,213</u>

University of Hawai'i
State of Hawai'i
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

	CFDA No.	Pass-Through Identifier	Expenditures	
U.S Department of Housing and Urban Development				
Passed Through From				
State of Hawaii Dept. of Human Services	14.235			41,160
U.S Department of the Interior				
Bureau of Land Management				
Fish, Wildlife and Plant Conservation Resource Management	15.231			195
Fish and Wildlife Service				
Fish and Wildlife Management Assistance	15.608		12,675	
Research Grants (Generic)	15.650		18,440	
Endangered Species Conservation – Recovery Implementation Funds	15.657		1,127,149	
Fish and Wildlife Coordination and Assistance Programs	15.664		106,157	
Cooperative Landscape Conservation	15.669		389,116	
Other	15.		8,967	1,662,504
U.S. Geological Survey				
Assistance to State Water Resources Research Institutes	15.805		217,901	
U.S. Geological Survey – Research and Data Collection	15.808		1,855,280	
National Climate Change and Wildlife Science Center	15.820		1,945,627	4,018,808
National Park Service				
Natural Resource Stewardship	15.944		3,085	
Cooperative Research and Training Programs – Resources of the National Park System	15.945		445,722	
National Park Service Conservation, Protection, Outreach and Education	15.954		12,920	
Other	15.		305,612	767,339
Passed Through From				
State of Hawaii Dept. of Land and Natural Resources	15.605		432,955	
State of Hawaii Dept. of Land and Natural Resources	15.608		26,583	
State of Hawaii Dept. of Land and Natural Resources	15.611		257,050	
State of Hawaii Dept. of Land and Natural Resources	15.614		1,719	
State of Hawaii Dept. of Land and Natural Resources	15.615		1,032,440	
State of Hawaii Dept. of Land and Natural Resources	15.630		39,119	
State of Hawaii Dept. of Land and Natural Resources	15.634		436,361	
State of Hawaii Dept. of Land and Natural Resources	15.643		115,772	
State of Hawaii Dept. of Land and Natural Resources	15.657		46,268	
State of Hawaii Dept. of Land and Natural Resources	15.915		88,271	
State of Hawaii Dept. of Land and Natural Resources	15.944		14,339	
University of Alaska – Fairbanks	15.	UAF 14-0033	28,095	
America View	15.815		45,602	
Government of American Samoa	15.634		18,729	
Commonwealth of the Northern Mariana Islands	15.615		3,877	
Howard University	15.657		14,498	
Institute for Wildlife Studies	15.945		4,875	
Malama Kahalawai Inc	15.631		38,563	
National Fish and Wildlife Foundation	15.663		16,533	2,661,649
				9,110,495
U.S. Department of Justice				
Office of Juvenile Justice and Delinquency Prevention				
Reduction and Prevention of Children's Exposure to Violence	16.730			42,551
U.S. Department of State				
	19.			79,646
U.S. Department of Transportation				
Federal Aviation Administration				
Air Transportation Centers of Excellence	20.109			2,200
Passed Through From				
State of Hawaii Dept. of Land and Natural Resources	20.219		13,251	
State of Hawaii Dept. of Land and Natural Resources	20.	C42161	5,439	
State of Hawaii Dept. of Transportation	20.205		470,445	
State of Hawaii Dept. of Transportation	20.	various	395,002	
University of Central Florida	20.701		262,168	
Michigan State University	20.701		34,493	
Oregon State University	20.761		63,047	1,243,845
				1,246,045

University of Hawai'i
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Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

	CFDA No.	Pass-Through Identifier	Expenditures	
National Aeronautics and Space Administration				
Goddard				
Science	43.001		12,698,893	
Education	43.008		450,968	
Other	43.		<u>462,063</u>	13,611,924
Ames				
Science	43.001		927	
Other	43.		<u>270,987</u>	271,914
John H. Glenn Research Center				
Science	43.001			31,968
Johnson Space Center				
Science	43.001			467,080
Passed Through From				
American Museum of Natural History	43.001		39,286	
University of Arizona	43.	various	51,118	
Arizona State University	43.001		12,789	
Arizona State University	43.	11-599	44,040	
University of California – Berkeley	43.001		137,436	
University of California – Davis	43.001		3,532	
University of California – Los Angeles	43.	0995-S-NB083, AMDT 10	69,577	
California Institute of Technology	43.	2-1094682, MOD 1	2,299	
University of Colorado – Denver	43.001		26,534	
Jet Propulsion Lab	43.001		171,600	
Jet Propulsion Lab	43.	various	110,509	
Johns Hopkins University	43.	124221	33,704	
Lowell Observatory	43.001		19,483	
Malin Space Science Systems, Inc.	43.001		126,053	
Montclair State University	43.001		19,642	
University of North Carolina – Chapel Hill	43.001		22,390	
University of Pittsburgh	43.001		17,183	
Planetary Science Institute	43.001		15,619	
Research Foundation for the State University of New York	43.001		36,299	
Sierra Lobo Inc	43.	SLI-0711-004	22,500	
Smithsonian Astrophysical Observatory	43.001		45,578	
University of South Carolina	43.001		101,785	
Southwest Research Institute	43.001		4,384	
Space Telescope Science Institute	43.001		978	
Space Telescope Science Institute	43.	various	382,908	
Universities Space Research Association	43.	002235-03	86,522	
University of Washington	43.001		60,183	
Wyle Laboratories, Inc	43.	T72497	<u>104,072</u>	<u>1,768,003</u>
				16,150,889
National Endowment for the Arts and Humanities				
Institute of Museum and Library Services				
Museums for America	45.301			1,549
National Science Foundation				
Engineering Grants	47.041			1,527,725
Mathematical and Physical Sciences	47.049			4,116,511
Geosciences	47.050			15,339,974
Computer and Information Science and Engineering	47.070			1,852,435
Biological Sciences	47.074			5,379,969
Social, Behavioral and Economic Sciences	47.075			729,717
Education and Human Resources	47.076			5,406,714
Polar Programs	47.078			203,120
Office of International Science and Engineering	47.079			29,706
Office of Cyberinfrastructure	47.080			1,348,905
Office of Experimental Program to Stimulate Competitive Research	47.081			1,406,798
ARRA – Trans-NSF Recovery Act Research Support	47.082			(1,094)
Passed Through From				
Adnoviv, LLC	47.	-----	70,907	
University of Alaska – Fairbanks	47.076		13,546	
American Association of Community Colleges	47.076		2,902	
Association of Universities for Research in Astronomy, Inc.	47.049		838,386	
ARRA – Assn. of Universities for Research in Astronomy, Inc.	47.082		600,096	
Bishop Museum	47.074		9	
University of California – San Diego	47.050		121,194	
California Institute of Technology	47.050		13,051	
California State University – Northridge	47.074		14,235	

**University of Hawai'i
State of Hawai'i
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015**

	CFDA No.	Pass-Through Identifier	Expenditures	
Clemson University	47.070		274,229	
Columbia University	47.050		44,035	
Consortium for Ocean Leadership	47.050		189,836	
Consortium for Ocean Leadership	47.	T330A4	1,504	
University of Central Florida	47.041		2,140	
University of Central Florida	47.076		8,347	
University of Georgia	47.074		124,143	
University of Illinois – Chicago	47.070		12,174	
University of Illinois – Urbana-Champaign	47.050		300,536	
Indiana University	47.049		1,623	
Koa Technologies, LLC	47.041		44,223	
Lorain County Community College	47.076		1,822	
University of Massachusetts – Amherst	47.075		19,724	
Monterey Bay Aquarium Research	47.050		46,171	
City University of New York	47.049		9,189	
National Center for Science & Civic Engagement	47.076		102	
National Radio Astronomy Observatory	47.049		8,777	
University of New Hampshire	47.074		18,215	
North Carolina State University	47.050		2,746	
University of Notre Dame	47.049		360	
Open Source Project Network	47.050		28,745	
University of Oregon	47.050		4,000	
Pacific Resources for Education & Learning	47.076		75,143	
Predictive Science Inc	47.050		46,201	
Princeton University	47.050		75,670	
University of Rhode Island	47.050		13,604	
Rice University	47.050		43,059	
State University of Rutgers	47.041		2,415	
State University of Rutgers	47.075		63,840	
State University of Rutgers	47.	-----	18,823	
South Dakota School of Mines & Technology	47.041		1,612	
University of Southern California	47.050		463,421	
Tennessee Technological University	47.076		6,144	
University of Washington	47.050		50,000	3,676,899
				<u>41,017,379</u>
U.S. Department of Veterans Affairs	64.			2,500
Environmental Protection Agency				
Office of Research and Development				
Science To Achieve Results Research Program	66.509			55,064
Passed Through From				
State of Hawaii Dept. of Health	66.419		201,603	
State of Hawaii Dept. of Health	66.460		9,616	
State of Hawaii Dept. of Health	66.817		26,416	237,635
				<u>292,699</u>
U.S. Department of Energy				
Office of Science Financial Assistance Program	81.049			2,506,103
Conservation Research and Development	81.086			760,385
Renewable Energy Research and Development	81.087			4,013,419
ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122			1,002,718
Passed Through From				
State of Hawaii Dept. of Business, Economic Development and Tourism	81.	various	287,314	
Arizona Geological Survey	81.087		11,906	
Battelle Energy Alliance LLC	81.	85590	1,504	
Battelle Memorial Institute	81.	various	1,450,805	
Brookhaven National Lab	81.	241773	26,694	
University of California – Berkeley	81.	various	49,927	
Carnegie Institution of Washington	81.112		62,836	
Cornell University	81.087		50,793	
InnoSys, Inc	81.	DE-SC0013244 Phase 1	8,195	
Lawrence Livermore National Lab	81.	various	4,282	
University of Michigan	81.113		130,159	
National Renewable Energy Lab	81.	XGJ-5-52227-01	346	
South Dakota State University	81.079		15,794	2,100,555
				<u>10,383,180</u>

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	CFDA No.	Pass-Through Identifier	Expenditures	
U.S. Department of Education				
Office of Postsecondary Education				
Centers for International Business Education	84.220			43,792
Office of Elementary and Secondary Education				
Javits Gifted and Talented Students Education	84.206			225,838
Office of Special Education and Rehabilitative Services				
Special Education – Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326		141,925	
Special Education – Education Technology Media and Materials for Individuals with Disabilities	84.327		46,156	188,081
Passed Through From				
State of Hawaii Dept. of Education	84.	-----	13,035	
Pacific Resources for Education & Learning	84.283		184,153	197,188
				<u>654,899</u>
U.S. Department of Health and Human Services				
National Institutes of Health				
Human Genome Research	93.172		39,968	
Mental Health Research Grants	93.242		832,633	
Drug Abuse and Addiction Research Programs	93.279		1,978,422	
Discovery and Applied Research for Technological Innovations to Improve Human Health				
Minority Health and Health Disparities Research	93.286		349,147	
Trans-NIH Research Support	93.307		7,578,426	
Research Infrastructure Programs	93.310		27,981	
National Center for Research Resources	93.351		2,317	
Cancer Cause and Prevention Research	93.389		2,038,641	
Cancer Treatment Research	93.393		14,050,317	
Cancer Biology Research	93.395		1,630,978	
Cancer Centers Support Grants	93.396		116,145	
Cancer Research Manpower	93.397		3,076,328	
Cardiovascular Diseases Research	93.398		158,709	
Arthritis, Musculoskeletal and Skin Diseases Research	93.837		1,141,899	
Diabetes, Digestive and Kidney Diseases Extramural Research	93.846		252,474	
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.847		1,055,194	
Allergy, Immunology and Transplantation Research	93.853		454,247	
Biomedical Research and Research Training	93.855		1,299,508	
Child Health and Human Development Extramural Research	93.859		7,112,468	
Aging Research	93.865		693,566	
International Research and Research Training	93.866		376,870	
Others	93.989		329,590	
	93.		1,448,651	46,044,479
Centers for Disease Control and Prevention				
Environmental Public Health and Emergency Response	93.070		23,352	
Centers for Disease Control and Prevention – Investigations and Technical Assistance				
	93.283		99,891	123,243
Administration for Community Living				
Special Programs for the Aging – Title IV – and Title II – Discretionary Projects	93.048		141,458	
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632		1,053,145	1,194,603
Health Resources and Services Administration				
Grants to Increase Organ Donations	93.134			211,078
Office of the Secretary				
Teenage Pregnancy Prevention Program	93.297			1,058,370
Agency for Healthcare Research and Quality				
Research on Healthcare Costs, Quality and Outcomes	93.226			345,377
Centers for Medicare and Medicaid Services				
Health Care Innovation Awards	93.610			6,323,921
Passed Through From				
State of Hawaii Dept. of Health	93.048		63,766	
State of Hawaii Dept. of Health	93.104		65,199	
State of Hawaii Dept. of Health	93.243		13,055	
State of Hawaii Dept. of Health	93.283		1,620	
State of Hawaii Dept. of Health	93.959		234,241	
State of Hawaii Dept. of Health	93.	ASO LOG 11-107 MOD 2	17,636	
State of Hawaii Dept. of Human Services	93.575		97,777	
State of Hawaii Dept. of Human Services	93.779		198,889	
Beth Israel Deaconess Med Ctr	93.213		138,771	

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	CFDA No.	Pass-Through Identifier	Expenditures
University of California – Davis	93.103		38,579
University of California – Davis	93.262		56,034
University of California – Davis	93.397		84,555
University of California – Irvine	93.855		86
University of California – Los Angeles	93.279		487,650
University of California – San Francisco	93.242		22,451
University of California – San Francisco	93.853		30,009
University of California – San Francisco	93.855		122,446
University of California – San Francisco	93.	8217SC	23,256
Cancer Prevention Institute of California	93.393		80,879
Chaminade University	93.307		178,073
Children's Hospital Boston	93.865		7,906
Children's Hospital of Philadelphia	93.	-----	754
University of Colorado – Denver	93.865		3,813
Dartmouth College	93.393		45,197
Charles R. Drew University	93.307		35,117
Charles R. Drew University	93.389		9,972
Georgia State University	93.077		42,164
University of Guam	93.397		8,477
Health Research Inc.	93.393		23,089
Johns Hopkins University	93.393		1,151
Johns Hopkins University	93.865		255,773
University of Maryland	93.113		105,809
University of Miami	93.361		136,709
Michigan State University	93.286		15,174
University of Minnesota	93.393		674,181
Morehouse School of Medicine	93.307		593,701
University of Nevada – Las Vegas	93.859		188,294
University of New Mexico	93.859		54,536
University of North Carolina – Chapel Hill	93.113		13,928
University of North Carolina – Chapel Hill	93.859		12,479
University of North Carolina – Greensboro	93.273		120,010
Northeastern University	93.279		63,298
NSABP Foundation Inc.	93.395		68,726
NSABP Foundation Inc.	93.	PFED22-HAW-01	1
Oregon Health & Science University	93.	-----	8,661
Pacific Health Research & Education Institute	93.866		20,742
Palo Alto Veterans Institute for Research	93.393		55,454
Papa Ola Lokahi	93.397		314,125
Papa Ola Lokahi	93.	various	129,062
Portland State University	93.310		31,246
Queen's Hospital Medical Center	93.394		206,835
Riverside Research Institute	93.286		1,506
Riverside Research Institute	93.394		68,283
Seattle Institute for Biomedical and Clinical Research	93.847		169,679
University of Southern California	93.172		218,623
University of Southern California	93.866		47,438
Southwest Oncology Group	93.	-----	579
Stanford University	93.393		192,089
University of Texas – San Antonio	93.865		136,049
University of Texas Southwestern Med Ctr	93.837		90,000
Tulane University of Louisiana	93.865		19,847
Virginia Polytechnic Institute & State University	93.394		51,748
Virginia Polytechnic Institute & State University	93.865		1,037
University of Washington	93.307		57,668
University of Washington	93.855		17,627
University of Washington	93.989		161,503
World Health Organization	93.393		12,455
Yale University	93.395		97,208
Yale University	93.853		15,936
			<u>6,560,631</u>
			61,861,702
U.S. Department of Homeland Security			
Centers for Homeland Security	97.061		464,432
Homeland Security Research, Development, Testing, Evaluation and Demonstration of Technologies Related to Nuclear Threat Detection Passed Through From	97.077		302,406
Northern Arizona University	97.	MGN3EUS-02/1000719	<u>30,457</u>
			797,295

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	CFDA No.	Pass-Through Identifier	Expenditures	
U.S. Agency for International Development				
USAID Foreign Assistance for Programs Overseas	98.001			849,561
Passed Through From				
Arizona State University	98.001		43,179	
Development Alternatives Inc	98.001		289	
Iowa State University	98.	404-21-77B	35,129	
Purdue University	98.001		28,389	
Virginia Polytechnic Institute & State University	98.001		220,239	327,225
				<u>1,176,786</u>
Other				
Smithsonian Institution	99.	09-S DD-400-0000184717		44,994
				<u>235,511,946</u>
MAJOR PROGRAM – STUDENT FINANCIAL ASSISTANCE				
U.S. Department of Education				
Office of Federal Student Aid				
Federal Supplemental Educational Opportunity Grants	84.007		1,211,870	
Federal Work-Study Program	84.033		2,056,794	
Federal Perkins Loan Program	84.038		2,668,372	
Federal Pell Grant Program	84.063		66,143,690	
Federal Direct Student Loans	84.268		157,913,251	229,993,977
Teacher Education Assistance for College and Higher Education Grants	84.379			44,437
				<u>230,038,414</u>
MAJOR PROGRAM – TITLE III HIGHER EDUCATION – INSTITUTIONAL AID				
U.S. Department of Education				
Office of Postsecondary Education				
Higher Education – Institutional Aid	84.031			10,486,092
				<u>10,486,092</u>
MAJOR PROGRAM – TRIO CLUSTER				
U.S. Department of Education				
Office of Postsecondary Education				
TRIO – Student Support Services	84.042		1,875,823	
TRIO – Talent Search	84.044		649,719	
TRIO – Upward Bound	84.047		1,746,252	
TRIO – Educational Opportunity Centers	84.066		386,553	4,658,347
				<u>4,658,347</u>
MAJOR PROGRAM – TITLE VII NATIVE HAWAIIAN EDUCATION				
U.S. Department of Education				
Office of Elementary and Secondary Education				
Native Hawaiian Education	84.362			8,329,619
Passed Through From				
Bishop Museum	84.362		1,863	
Living Life Source Foundation	84.362		1,426	
Pacific American Foundation	84.362		704	3,993
				<u>8,333,612</u>
MAJOR PROGRAM – HOMELAND SECURITY TRAINING				
U.S. Department of Homeland Security				
State and Local Homeland Security National Training Program	97.005			5,435,858
				<u>5,435,858</u>
MAJOR PROGRAM – GEAR UP PROGRAM				
U.S. Department of Education				
Office of Postsecondary Education				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334			3,442,572
				<u>3,442,572</u>

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	CFDA No.	Pass-Through Identifier	Expenditures
MAJOR PROGRAM – C3T PROGRAM			
U.S. Department of Labor			
Employment Training Administration			
Trade Adjustment Assistance Community College and Career Training Grants	17.282		12,188,243
Total C3T Program			12,188,243
MAJOR PROGRAM – CAREER & TECHNICAL EDUCATION – BASIC GRANTS TO STATES			
U.S. Department of Education			
Office of Vocational and Adult Education			
Career and Technical Education – Basic Grants to States	84.048		3,164,471
Total Career & Technical Education Program			3,164,471
MAJOR PROGRAM – IRTF OPERATION			
National Aeronautics and Space Administration			
Goddard			
NNH14CK55B	43.		4,577,988
Total IRTF Program			4,577,988
OTHER FEDERAL ASSISTANCE			
U.S. Department of Agriculture			
Agricultural Research Service			
Agricultural Research – Basic and Applied Research	10.001		99,705
Animal and Plant Health Inspection Service			
Plant and Animal Disease, Pest Control and Animal Care	10.025		100,779
National Institute of Food and Agriculture			
Higher Education – Graduate Fellowships Grant Program	10.210		9,263
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	10.226		59,369
Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	10.228		1,526,019
Agriculture and Food Research Initiative	10.310		13,022
Cooperative Extension Service	10.500		1,076,166
Departmental Management			
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers	10.443		7,948
Risk Management Agency			
Crop Insurance Education in Targeted States	10.458		95,329
Forest Service			
Forestry Research	10.652		5,348
Forest Stewardship Program	10.678		8,426
Other	10.		118,555
Natural Resources Conservation Service			
Environmental Quality Incentives Program	10.912		56,465
Other	10.		16,999
Passed Through From			
State of Hawaii Dept. of Education	10.558		74,466
State of Hawaii Dept. of Education	10.559		38,202
State of Hawaii Dept. of Human Services	10.551		73,380
State of Hawaii Dept. of Human Services	10.561		227,985
State of Hawaii Dept. of Land and Natural Resources	10.093		29,691
State of Hawaii Dept. of Land and Natural Resources	10.611		350
State of Hawaii Dept. of Land and Natural Resources	10.675		5,830
State of Hawaii Dept. of Land and Natural Resources	10.680		65,099
State of Hawaii Dept. of Land and Natural Resources	10.914		14,972
University of California – Davis	10.303		31,491
University of California – Davis	10.329		2,885
Kansas State University	10.500		57,714
Maui Economic Development Board	10.318		8,387
Oceanic Institute	10.200		9,016
Pennsylvania State University	10.500		1,889
Utah State University	10.500		5,289
World Cocoa Foundation	10.777		13,193
University of Wyoming	10.500		7,555
			667,394
			3,860,787

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	CFDA No.	Pass-Through Identifier	Expenditures	
U.S. Department of Commerce				
Economic Development Administration				
Economic Development – Technical Assistance	11.303			176,563
National Oceanic and Atmospheric Administration				
NOAA Mission-Related Education Awards	11.008		2,882	
Ocean Exploration	11.011		42,307	
Sea Grant Support	11.417		1,017,327	
NOAA Cooperative Institutes	11.432		39,909	
Unallied Industry Projects	11.452		254,876	
Unallied Management Projects	11.454		3,619	
Meteorologic and Hydrologic Modernization Development	11.467		82,129	
Congressionally Identified Awards and Projects	11.469		38,542	
Office of Coastal Management	11.473		159,727	
Coral Reef Conservation Program	11.482		45,093	
Other	11.		310,099	1,996,510
Minority Business Development Agency ("MBDA")				
MBDA Business Center	11.805			229,681
Passed Through From				
State of Hawaii Dept. of Commerce & Consumer Affairs	11.558		8,560	
State of Hawaii Dept. of Defense	11.467		115,857	
State of Hawaii Dept. of Land and Natural Resources	11.472		24,280	
State of Hawaii Dept. of Land and Natural Resources	11.482		166,541	
State of Hawaii Dept. of Land and Natural Resources	11.	-----	21,379	
Alu Like, Inc.	11.452		2,678	
High Technology Development Corp	11.611		35,231	
National Marine Sanctuary Foundation	11.429		6,738	
National Marine Sanctuary Foundation	11.	Check No. 14700	3,818	
University Corp for Atmospheric Research	11.431		29,422	414,504
				2,817,258
U.S. Department of Defense				
Air Force				
Air Force Defense Research Sciences Program	12.800			85,253
Army	12.			157,830
Navy				
Basic and Applied Scientific Research	12.300		399,996	
Other	12.		427,989	827,985
National Security Agency				
Language Grant Program	12.900			104,795
Pacific Command	12.			197,529
Defense Logistics Agency	12.			68,124
Passed Through From				
Chaminade University	12.300		66,617	
Ho'okipaipai LLC	12.002		5,082	
Institute of International Education	12.550		346,594	
Institute of International Education	12.	various	721,219	1,139,512
				2,581,028
U.S. Department of Housing & Urban Development				
Office of Policy Development and Research				
Alaska Native/Native Hawaiian Institutions Assisting Communities	14.515			176,727
Passed Through From				
State of Hawaii Dept. of Labor and Industrial Relations	14.401			18,875
				195,602
U.S. Department of the Interior				
Bureau of Land Management				
Fish, Wildlife and Plant Conservation Resource Management	15.231			149
Fish and Wildlife Service				
Partners for Fish and Wildlife	15.631		13,974	
Service Training and Technical Assistance (Generic Training)	15.649		24,455	
Endangered Species Conservation – Recovery Implementation Funds	15.657		17,190	
Fish and Wildlife Coordination and Assistance Programs	15.664		51,262	106,881
U.S. Geological Survey				
Other	15.			77,424
Office of Insular Affairs				
Economic, Social, and Political Development of the Territories	15.875			337,831
National Park Service				
Cooperative Research and Training Programs –				
Resources of the National Park System	15.945		24,884	
Cultural Resources Management	15.946		3,736	
Other	15.		61,438	90,058
Bureau of Ocean Energy Management	15.			1,225

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	CFDA No.	Pass-Through Identifier	Expenditures	
Passed Through From				
State of Hawaii Dept. of Land and Natural Resources	15.611		127,977	
State of Hawaii Dept. of Land and Natural Resources	15.614		5,542	
State of Hawaii Dept. of Land and Natural Resources	15.615		102,871	
State of Hawaii Dept. of Land and Natural Resources	15.634		24,994	
Government of American Samoa	15.	C00216	75,794	
Government of Guam	15.875		45,506	
Malama Kahalawai Inc	15.657		12,249	
University of Washington	15.	CK A250580	12,555	407,488
				<u>1,021,056</u>
U.S. Department of Justice				
Bureau of Justice Assistance				
Capital Case Litigation Initiative	16.746		127,092	
Congressionally Recommended Awards	16.753		(20,396)	106,696
Passed Through From				
State of Hawaii Dept. of Health	16.727		31,483	
State of Hawaii Dept. of Human Services	16.540		125,837	
State of Hawaii Dept. of Public Safety	16.751		30,433	
Rand Corporation	16.730		(4,222)	183,531
				<u>290,227</u>
U.S. Department of Labor				
Passed Through From				
State of Hawaii Dept. of Labor and Industrial Relations	17.207		323,031	
County of Maui	17.259		310,347	633,378
				<u>633,378</u>
U.S. Department of State				
Passed Through From				
East West Center	19.	various		554,738
U.S. Department of Transportation				
Passed Through From				
State of Hawaii Dept. of Land and Natural Resources	20.219		131,026	
State of Hawaii Dept. of Transportation	20.200		14,714	
State of Hawaii Dept. of Transportation	20.205		37,974	
State of Hawaii Dept. of Transportation	20.600		201,898	
State of Hawaii Dept. of Transportation	20.	various	3,227	388,839
				<u>388,839</u>
National Aeronautics and Space Administration				
Goddard				
Science	43.001		801,800	
Education	43.008		214,941	
Other	43.		593,260	1,610,001
Passed Through From				
New Mexico State University	43.009			105,020
				<u>1,715,021</u>
National Endowment for the Arts and Humanities				
National Endowment for the Arts				
Promotion of the Arts – Grants to Organizations and Individuals	45.024			9,997
National Endowment for the Humanities				
Promotion of the Humanities – Division of Preservation and Access	45.149			40,284
Passed Through From				
Hawaii State Foundation on Culture & Arts	45.025		13,362	
Alu Like, Inc.	45.311		17,922	
Association of American College and Universities	45.162		581	
Hawaii Council for the Humanities	45.129		3,011	
WESTAF	45.025		6,425	41,301
				<u>91,582</u>
Small Business Administration				
Small Business Development Centers	59.037			729,378
U.S. Department of Veterans Affairs				
	64.			314,036

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	CFDA No.	Pass-Through Identifier	Expenditures	
Environmental Protection Agency				
Office of Research and Development				
Greater Research Opportunities Fellowships for Undergraduate Environmental Study	66.513		16,515	
Science to Achieve Results Fellowship Program	66.514		<u>35,547</u>	52,062
Passed Through From				
State of Hawaii Dept. of Health	66.460			<u>25,673</u>
				77,735
U.S. Department of Energy				
Conservation Research and Development	81.086			195
ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122			94,719
Passed Through From				
State of Hawaii Dept. of Business, Economic Development and Tourism	81.	-----	73	
Electricore, Inc.	81.087		<u>63,419</u>	<u>63,492</u>
				158,406
U.S. Department of Education				
Office of Postsecondary Education				
National Resource Centers Program for Foreign Language and Areas Studies or Foreign Language and International Studies Program and Foreign Language and Area Studies Fellowship Program	84.015		1,062,960	
Overseas Programs – Group Projects Abroad	84.021		44,396	
Overseas Programs – Doctoral Dissertation Research Abroad	84.022		864	
Fund for the Improvement of Postsecondary Education	84.116		118,199	
Language Resource Centers	84.229		205,315	
Child Care Access Means Parents in School	84.335		182,812	
College Access Challenge Grant Program	84.378		1,064,431	
Strengthening Minority-Serving Institutions	84.382		459,390	
Transition Programs for Students with Intellectual Disabilities Into Higher Education	84.407		<u>501,331</u>	3,639,698
Office of Special Education and Rehabilitative Services				
Rehabilitation Long-Term Training	84.129		198,532	
Special Education – Personnel Development to Improve Services and Results for Children with Disabilities	84.325		1,216,046	
Special Education – Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326		<u>170,736</u>	1,585,314
Office of Elementary and Secondary Education				
English Language Acquisition State Grants	84.365		430,036	
Improving Teacher Quality State Grants	84.367		<u>310,669</u>	740,705
Passed Through From				
State of Hawaii Dept. of Education	84.287		90,969	
State of Hawaii Dept. of Education	84.366		7,614	
State of Hawaii Dept. of Education	84.372		1,188,210	
State of Hawaii Dept. of Human Services	84.126		380,688	
State of Hawaii Dept. of Human Services	84.	-----	(21,734)	
Alu Like, Inc.	84.259		1,181,665	
Government of American Samoa	84.	various	1,352,919	
Gallaudet University	84.116		1,785	
Kaho'olawe Island Reserve Commission	84.259		25,140	
National Writing Project Corp.	84.367		<u>28,797</u>	<u>4,236,053</u>
				10,201,770
U.S. Institute of Peace				
Annual Grant Competition	91.001			54,958
U.S. Department of Health and Human Services				
Health Resources and Services Administration				
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107		953,705	
Maternal and Child Health Federal Consolidated Programs	93.110		601,263	
Emergency Medical Services for Children	93.127		185,391	
Centers of Excellence	93.157		583,086	
Grants to States for Loan Repayment Program	93.165		70,074	
Telehealth Programs	93.211		319,941	
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93.243		9,831	
Advanced Nursing Education Grant Program	93.247		102,731	

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	CFDA No.	Pass-Through Identifier	Expenditures	
Geriatric Academic Career Awards	93.250		86,236	
Universal Newborn Hearing Screening	93.251		522,806	
Advanced Education Nursing Traineeships	93.358		414,520	
Nurse Education, Practice Quality and Retention Grants	93.359		199,429	
Affordable Care Act – National Health Service Corps	93.547		69,089	
Mental and Behavioral Health Education and Training Grants	93.732		95,696	
PPHF Geriatric Education Centers	93.969		441,196	4,654,994
Centers for Disease Control and Prevention				
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283		1,196,746	
Early Hearing Detection and Intervention Information System (“EHDHS”) Surveillance Program	93.314		92,316	1,289,062
Substance Abuse and Mental Health Services Administration				
Substance Abuse and Mental Health Services – Projects of Regional and National Significance	93.243			301,128
Passed Through From				
State of Hawaii Dept. of Education	93.	CO-10266 MOA D11-140	84,939	
State of Hawaii Dept. of Health	93.217		135,671	
State of Hawaii Dept. of Health	93.243		424,979	
State of Hawaii Dept. of Health	93.283		95,720	
State of Hawaii Dept. of Health	93.758		18,717	
State of Hawaii Dept. of Health	93.913		(1,616)	
State of Hawaii Dept. of Health	93.959		559,714	
State of Hawaii Dept. of Health	93.991		16,521	
State of Hawaii Dept. of Health	93.	CAMD LOG 13-089 MOD 2	10,229	
State of Hawaii Dept. of Human Services	93.536		1,696,001	
State of Hawaii Dept. of Human Services	93.558		177,612	
State of Hawaii Dept. of Human Services	93.575		607,722	
State of Hawaii Dept. of Human Services	93.658		180,307	
State of Hawaii Dept. of Human Services	93.667		89,746	
State of Hawaii Judiciary	93.243		6,297	
State of Hawaii Judiciary	93.	J15154	14,713	
City & County of Honolulu	93.052		214,605	
Republic of the Marshall Islands	93.283		360	
Republic of the Marshall Islands	93.	-----	12,512	
University of Arizona	93.516		44,487	
Association of University Centers on Disabilities	93.524		4,600	
Association of University Centers on Disabilities	93.	-----	17,250	
University of California – Berkeley	93.516		3,000	
University of California – San Francisco	93.145		285,796	
Coalition for a Drug-Free Hawaii	93.276		11,044	
Commonwealth of the Northern Mariana Islands	93.185		28,890	
ARRA – Commonwealth of the Northern Mariana Islands	93.719		166,083	
Commonwealth of the Northern Mariana Islands	93.778		26,307	
Commonwealth of the Northern Mariana Islands	93.888		108,342	
Commonwealth of the Northern Mariana Islands	93.912		25,940	
Commonwealth of the Northern Mariana Islands	93.	CNMI-CHC-2012-001	133,073	
Government of Guam	93.185		3,400	
Government of Guam	93.283		67,480	
Government of Guam	93.778		309,101	
ARRA – Hawaii Health Information Exchange	93.718		(983)	
Hawaii Pacific University	93.279		11,583	
Edith Kanaka'ole Foundation	93.612		(65,033)	
Made in Hope	93.290		2,285	
Federated States of Micronesia	93.	A120707121361-12-8310	113,588	
ARRA – Pacific Ecommerce Development Corporation	93.719		191,254	
Pacific Island Health Officers	93.507		6,473	
Republic of Palau	93.283		27,024	
ARRA – Queen's Hospital Medical Center	93.715		202	
University of Tennessee	93.103		35,169	
University Clinical, Education & Research Associates (“UCERA”)	93.917		162,237	
University of Hawaii Foundation	93.375		266,007	
Waianae Coast Comprehensive Health Center	93.178		55,429	6,384,777
				12,629,961
Corporation for National and Community Service				
State Commissions	94.003			214,927
AmeriCorps	94.006			1,816,197
				2,031,124

**University of Hawai'i
State of Hawai'i
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015**

	CFDA No.	Pass-Through Identifier	Expenditures	
U.S. Department of Homeland Security				
Passed Through From				
State of Hawaii Dept. of Defense	97.042			3,840
Agency for International Development				
USAID Foreign Assistance for Programs Overseas	98.001			108,070
Passed Through From				
American Council on Education	98.012		437,383	
University of Rhode Island	98.	040405/0000583	2,780	440,163
				548,233
Other				
Peace Corps	99.		14,091	
Vietnam Education Foundation	99.		4,167	18,258
				40,917,215
Total Other Federal Assistance				40,917,215
Total Expenditures of Federal Awards				\$ 558,754,758

University of Hawai‘i
State of Hawai‘i
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the University and is presented on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB 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 consolidated financial statements.

2. Loans Outstanding

The University had the following loans outstanding as of June 30, 2015, which are not presented in the schedule of expenditures of federal awards.

	CFDA No.	Loans Outstanding
Major Program – Student Financial Assistance		
Federal Perkins Loan	84.038	\$ 18,139,422
Nurse Faculty Loan Program	93.264	4,653
Health Professionals Student Loan	93.342	14,902
Nursing Student Loan	93.364	22,276
		<u>\$ 18,181,253</u>

During the year ended June 30, 2015, the University distributed \$2,668,372 and \$157,913,251 in student loans through the U.S. Department of Education Federal Perkins Loan and Direct Loan programs, respectively. These distributions and related funding sources are presented in the schedule of expenditures of federal awards, however, are not included as expenses and revenues in the University’s consolidated financial statements.

University of Hawai'i
State of Hawai'i
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

3. Subrecipients

Of the federal expenditures presented in the schedule, the University provided federal awards to subrecipients, as follows:

PROGRAM TITLE	CFDA No.	Amount Provided to Subrecipients
U.S. Department of Agriculture		
National Institute of Food and Agriculture		
Secondary and Two-Year Postsecondary Agriculture		
Education Challenge Grants	10.226	\$ 39,538
Agriculture and Food Research Initiative	10.310	1,970,445
Biomass Research and Development Initiative		
Competitive Grants Program	10.312	463,734
Sun Grant Program	10.320	2,915
Cooperative Extension Service	10.500	35,350
U.S. Department of Commerce		
National Oceanic and Atmospheric Administration ("NOAA")		
Sea Grant Support	11.417	245,085
Undersea Research	11.430	18,596
Climate and Atmospheric Research	11.431	48,656
NOAA Cooperative Institutes	11.432	34,349
Habitat Conservation	11.463	16,478
Center for Sponsored Coastal Ocean Research –		
Coastal Ocean Program	11.478	86,099
Coral Reef Conservation Program	11.482	10,851
U.S. Department of Defense		
Air Force		
Air Force Defense Research Sciences Program	12.800	(19,890)
Other	12.	1,959,268
Army		
Basic, Applied, and Advanced Research in Science and Engineering	12.630	9,013
Other	12.	761,804
Navy		
Basic and Applied Scientific Research	12.300	4,467,805
Other	12.	195,000
Deputy Under Secretary Defense	12.	342,365
U.S. Department of Housing & Urban Development		
Office of Policy Development and Research		
Alaska Native/Native Hawaiian Institutions Assisting Communities	14.515	36,202

**University of Hawai'i
State of Hawai'i
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015**

PROGRAM TITLE	CFDA No.	Amount Provided to Subrecipients
U.S. Department of Interior		
U.S. Geological Survey		
National Climate Change and Wildlife Science Center	15.820	196,103
Office of Insular Affairs		
Economic, Social, and Political Development of the Territories	15.875	74,652
National Park Service	15.	2,740
U.S. Department of Justice		
Office of Juvenile Justice and Delinquency Prevention		
Reduction and Prevention of Children's Exposure to Violence	16.730	4,598
U.S. Department of State		
	19.	39,000
U.S. Department of Transportation		
	20.	20,226
National Aeronautics and Space Administration		
Goddard		
Science	43.001	204,971
Other	43.	56,790
National Science Foundation		
Engineering Grants	47.041	11,151
Mathematical and Physical Sciences	47.049	368,916
Geosciences	47.050	312,446
Computer and Information Science and Engineering	47.070	663,060
Biological Sciences	47.074	1,282,547
Social, Behavioral and Economic Sciences	47.075	51,199
Education and Human Resources	47.076	344,847
Office of Cyberinfrastructure	47.080	835,353
Office of Experimental Program to Stimulate Competitive Research	47.081	93,060
ARRA – Trans-NSF Recovery Act Research Support	47.082	(1,094)
U.S. Department of Energy		
Renewable Energy Research and Development	81.087	1,814,852
ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	648,502
U.S. Department of Education		
Office of Postsecondary Education		
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	577,786
College Access Challenge Grant Program	84.378	112,652
Office of Elementary and Secondary Education		
Native Hawaiian Education	84.362	1,172,170

**University of Hawai'i
State of Hawai'i
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015**

PROGRAM TITLE	CFDA No.	Amount Provided to Subrecipients
U.S. Department of Health and Human Services		
National Institutes of Health		
Environmental Health	93.113	61,082
Human Genome Research	93.172	38,432
Mental Health Research Grants	93.242	120,551
Drug Abuse and Addiction Research Programs	93.279	357,564
Minority Health and Health Disparities Research	93.307	544,010
National Center for Research Resources	93.389	236,599
Cancer Cause and Prevention Research	93.393	7,981,408
Cancer Treatment Research	93.395	144,297
Cancer Centers Support Grants	93.397	92,251
Cardiovascular Diseases Research	93.837	84,697
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	25,579
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	45,213
Allergy, Immunology and Transplantation Research	93.855	27,176
Biomedical Research and Research Training	93.859	772,102
International Research and Research Training	93.989	128,507
Health Resources and Services Administration		
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	631,819
Maternal and Child Health Federal Consolidated Programs	93.110	51,024
Affordable Care Act Public Health Training Centers Program	93.516	10,000
Mental and Behavioral Health Education and Training Grants	93.732	52,137
PPHF Geriatric Education Centers	93.969	20,000
Centers for Disease Control and Prevention		
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	232,038
Administration for Children and Families		
Child Care and Development Block Grant	93.575	80,436
Administration for Community Living		
University Centers for Excellence in Developmental Disabilities Education, Research and Service	93.632	361,764
Office of the Secretary		
Teenage Pregnancy Prevention Program	93.297	539,396
Agency for Healthcare Research and Quality		
Research on Healthcare Costs, Quality and Outcomes	93.226	172,801

University of Hawai'i
State of Hawai'i
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

PROGRAM TITLE	CFDA No.	Amount Provided to Subrecipients
Corporation for National and Community Service		
AmeriCorps	94.006	1,816,959
U.S. Department of Homeland Security		
State and Local Homeland Security National Training Program	97.005	2,540,601
Centers for Homeland Security	97.061	464,432
Agency for International Development		
USAID Foreign Assistance for Programs Overseas	98.001	93,146
USAID Development Partnerships for University Cooperation and Development	98.012	94,358
		<u>\$ 37,430,569</u>

SECTION 3

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

University of Hawai‘i²
State of Hawai‘i
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors’ report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	Yes

Identification of Major Programs¹

CFDA Number	Federal Program or Cluster
Various	Research and Development Cluster
Various	Student Financial Assistance Cluster – Grants, Scholarships and Loans
Various	TRIO Cluster
17.282	Trade Adjustment Assistance Community College and Career Training
43.000	NASA IRTF Operation
84.031	Title III Higher Education – Institutional Aid
84.048	Career and Technical Education
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs
84.362	Title VII Native Hawaiian Education
97.005	State and Local Homeland Security National Training Program

Dollar threshold used to distinguish between Type A and Type B programs	\$3,000,000
Auditee qualified as low-risk auditee?	No

¹ Refer to Section 2 of this report for detailed information on each contract and grant comprising the University’s major programs.

² The University’s federal entity identification number is 99-6000354.

University of Hawai'i
State of Hawai'i
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section II – Financial Statement Findings

There were no findings related to the consolidated financial statements. However, we noted other matters involving compliance and internal control over financial reporting that we will be reporting to the Board of Regents and management of the University in a separate letter.

**University of Hawai'i
 State of Hawai'i
 Schedule of Findings and Questioned Costs
 Student Financial Assistance Cluster
 University of Hawaii West O'ahu
 Year Ended June 30, 2015**

Section III – Federal Award Findings and Questioned Costs

**Questioned
 Costs**

\$2,946

Finding No. 2015-01: Return of Title IV Funds – Control Deficiency

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.063 – Federal Pell Grant
 84.268 – Federal Direct Loans

Finding and Cause

During our audit, we noted the following instances of noncompliance:

- For three out of fifteen students tested, the institution incorrectly concluded that no calculation of Title IV funds was necessary. A student who withdraws after the 60% point in each payment period earns all Title IV Funds. The institution used an incorrect date for that 60% point, resulting in an underpayment of \$2,946.
- For one out of fifteen students tested, the institution failed to remit the institutional portion of unearned Title IV Funds to the Title IV program or the FDL lender within 45 days after the institution determined that the students withdrew.

Criteria

Title 34, Section 668.22(e)(2) of the CFR requires the percentage of Title IV grant or loan assistance that has been earned by the student is equal to the percentage of the payment period of enrollment that the student is completed as of the withdrawal date, if this date occurs on or before completion of 60% of the payment period or period of enrollment for a program that is measured in credit hours.

Additionally, Title 34, Section 668.173(b) of the CFR requires the institutional portion of unearned aid to be returned to the appropriate Title IV, HEA program or FFEL lender no later than 45 days after the date of the institution's determination that the student withdrew.

Effect

In accordance with 34 CFR 668.84, the Secretary of Education may levy fines and/or penalties on the institution or suspend future participation in federal student financial assistance programs for failure to comply with the requirements applicable to Title IV of the Higher Education Act ("HEA").

**University of Hawai'i
State of Hawai'i
Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
University of Hawaii West O'ahu
Year Ended June 30, 2015**

Recommendation

We recommend that the institution:

- Ensure the correct enrollment percentages are used when calculating the return of the institutional portion of unearned aid.
- Remit the institutional portion of unearned aid to the appropriate Title IV program within the required 45-day time period in accordance with federal regulations.

**University of Hawai'i
State of Hawai'i
Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
Honolulu Community College
Year Ended June 30, 2015**

**Questioned
Costs**

\$ –

Finding No. 2015-02: Federal Direct Student Loans Exit Interview – Control Deficiency

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.268 – Federal Direct Student Loans

Finding and Cause

During our audit, we noted that for four out of fifteen students tested, the institution failed to provide exit counseling in a timely manner.

Criteria

Title 34, Section 685.304 of the CFR states that a school must ensure that exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower and graduate or professional student Direct PLUS Loan borrower shortly before the student borrower ceases at least half-time study at the school. If a borrower withdraws from the institution without the institution's prior knowledge or fails to complete an exit counseling session as required, the institution must ensure that exit counseling is provided through either interactive electronic means or by mailing counseling materials to the borrower at the borrower's last known address within 30 days after learning that the borrower has withdrawn from the institution or failed to complete exit counseling as required.

Effect

In accordance with 34 CFR 668.84, the Secretary of Education may levy fines and/or penalties on the institution or suspend future participation in federal student financial assistance programs for failure to comply with the requirements applicable to Title IV of the HEA.

Recommendation

We recommend that the institution provide exit counseling to borrowers in a timely manner.

**University of Hawai'i
State of Hawai'i
Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
Kapi'olani Community College
Year Ended June 30, 2015**

**Questioned
Costs**

\$ –

Finding No. 2015-03: Federal Direct Student Loans Exit Interview – Control Deficiency

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.268 – Federal Direct Student Loans

Finding and Cause

During our audit, we noted that for two out of fifteen students tested, the institution failed to provide exit counseling in a timely manner.

Criteria

Title 34, Section 685.304 of the CFR states that a school must ensure that exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower and graduate or professional student Direct PLUS Loan borrower shortly before the student borrower ceases at least half-time study at the school. If a borrower withdraws from the institution without the institution's prior knowledge or fails to complete an exit counseling session as required, the institution must ensure that exit counseling is provided through either interactive electronic means or by mailing counseling materials to the borrower at the borrower's last known address within 30 days after learning that the borrower has withdrawn from the institution or failed to complete exit counseling as required.

Effect

In accordance with 34 CFR 668.84, the Secretary of Education may levy fines and/or penalties on the institution or suspend future participation in federal student financial assistance programs for failure to comply with the requirements applicable to Title IV of the HEA.

Recommendation

We recommend that the institution provide exit counseling to borrowers in a timely manner.

**University of Hawai'i
State of Hawai'i
Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
Kaua'i Community College
Year Ended June 30, 2015**

**Questioned
Costs**

\$ 1,069

Finding No. 2015-04: Financial Aid Administration – Control Deficiency

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.063 – Federal Pell Grant

Finding and Cause

During our audit, we noted the following instances of noncompliance:

- For one out of fifteen students tested, the institution failed to remit all Title IV grant assistance for a student that did not begin attendance at the institution, resulting in an underpayment of \$1,069 to the Title IV program.
- For four out of fifteen students tested, the institution failed to provide exit counseling in a timely manner.

Criteria

Title 34, Section 668.21(a)(1) of the CFR states that if a student does not begin attendance in a payment period or period of enrollment, the institution must return all Title IV Higher Education Act (“HEA”), program funds that were credited to the student’s account at the institution or disbursed directly to the student for that payment period or period of enrollment, for Federal Perkin Loan, FSEOG, TEACH Grant, Federal Pell Grant, ACG, and National SMART Grant program funds.

Title 34, Section 685.304 of the CFR states that a school must ensure that exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower and graduate or professional student Direct PLUS Loan borrower shortly before the student borrower ceases at least half-time study at the school. If a borrower withdraws from the institution without the institution’s prior knowledge or fails to complete an exit counseling session as required, the institution must ensure that exit counseling is provided through either interactive electronic means or by mailing counseling materials to the borrower at the borrower’s last known address within 30 days after learning that the borrower has withdrawn from the institution or failed to complete exit counseling as required.

Effect

In accordance with 34 CFR 668.84, the Secretary of Education may levy fines and/or penalties on the institution or suspend future participation in federal student financial assistance programs for failure to comply with the requirements applicable to Title IV of the HEA.

**University of Hawai'i
State of Hawai'i
Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
Kaua'i Community College
Year Ended June 30, 2015**

Recommendation

We recommend that the institution:

- Remit all aid to the appropriate Title IV program if a student fails to begin attendance.
- Provide exit counseling to borrowers in a timely manner.

**University of Hawai'i
State of Hawai'i
Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
Leeward Community College
Year Ended June 30, 2015**

**Questioned
Costs**

\$ 1,884

Finding No. 2015-05: Return of Title IV Funds – Control Deficiency

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.063 – Federal Pell Grant

Finding and Cause

During our audit, we noted that for one out of fifteen students tested, the institution used the incorrect amount of aid disbursed for the return calculation, resulting in an underpayment of \$1,884.

Criteria

Title 34, Section 668.22(a)(1) through (a)(5) of the CFR requires the institution to determine the amount of Title IV aid earned by the student as of the student's withdrawal date when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance.

Effect

In accordance with 34 CFR 668.84, the Secretary of Education may levy fines and/or penalties on the institution or suspend future participation in federal student financial assistance programs for failure to comply with the requirements applicable to Title IV of the HEA.

Recommendation

We recommend that the institution remit all aid to the appropriate Title IV program if a student fails to begin attendance.

**University of Hawai'i
State of Hawai'i
Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
Windward Community College
Year Ended June 30, 2015**

**Questioned
Costs**

\$ –

Finding No. 2015-06: Federal Direct Student Loans Exit Interview – Control Deficiency

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.268 – Federal Direct Student Loans

Finding and Cause

During our audit, we noted that for three out of fifteen students tested, the institution failed to provide exit counseling in a timely manner.

Criteria

Title 34, Section 685.304 of the CFR states that a school must ensure that exit counseling is conducted with each Direct Subsidized Loan or Director Unsubsidized Loan borrower and graduate or professional student Direct PLUS Loan borrower shortly before the student borrower ceases at least half-time study at the school. If a borrower withdraws from the institution without the institution's prior knowledge or fails to complete an exit counseling session as required, the institution must ensure that exit counseling is provided through either interactive electronic means or by mailing counseling materials to the borrower at the borrower's last known address within 30 days after learning that the borrower has withdrawn from the institution or failed to complete exit counseling as required.

Effect

In accordance with 34 CFR 668.84, the Secretary of Education may levy fines and/or penalties on the institution or suspend future participation in federal student financial assistance programs for failure to comply with the requirements applicable to Title IV of the HEA.

Recommendation

We recommend that the institution provide exit counseling to borrowers in a timely manner.

**University of Hawai'i
State of Hawai'i
Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
General Accounting and Loan Collections
Year Ended June 30, 2015**

**Questioned
Costs**

\$136

Finding No. 2015-07: Financial Aid Administration – Control Deficiency

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.038 – Federal Perkins Loans
84.268 – Federal Direct Student Loans

Finding and Cause

During our audit, we noted that for one out of twenty students tested, the institution posted the collection fee of \$136 to the incorrect borrower.

Criteria

Monthly invoices from the collection agencies with details of all payments received are recorded by General Accounting and Loan Collections and forwarded to Campus Partners, the institution's collection management system, for recordkeeping.

Effect

The total loan amount outstanding to the borrower will be inaccurate.

Recommendation

We recommend that the institution perform additional reviews to ensure data from the collection agencies are correctly applied.

SECTION 4

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding numbers relate to the sequence reported in the respective years.

University of Hawai'i
State of Hawai'i
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

Finding No.	Description	Classification	Status		Current Year Finding No.
			Resolved	Unresolved	
2014-01	Financial Aid Administration	Control deficiency ("CD")		X	2015-01
2014-02	Financial Aid Administration	CD		X	2015-02
2014-03	Federal Direct Student Loans Exit Interview	CD		X	2015-03
2014-04	Financial Aid Administration	CD		X	2015-04
2014-05	Federal Direct Student Loans Exit Interview and Enrollment Reporting	CD		X	2015-06

SECTION 5
CORRECTIVE ACTION PLAN (UNAUDITED)



UNIVERSITY *of* HAWAI'I®

SYSTEM

**INSTITUTIONAL CORRECTIVE ACTION RESPONSES FOR
THE A-133 FINDINGS AND QUESTIONED COSTS**

FISCAL YEAR ENDED JUNE 30, 2015

**Corrective Action Plan Related to the Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
University of Hawai'i - West O'ahu
Year Ended June 30, 2015**

Finding No. 2015-01: Return of Title IV Funds – Control Deficiency

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.063 – Federal Pell Grant
84.268 – Federal Direct Loans

Questioned Costs: \$2,946

Responsible Individual: Hettie Scofield, Interim Director of Financial Aid, UH-West O'ahu

Date Action Taken: July 21, 2015

The required R2T4 calculations were not prepared for three students. Upon notification, the UH-West O'ahu (UHWO) Director of Financial Aid prepared the calculations, revised the award and/or informed the student of the balance due by letter on July 21-22, 2015. The audit finding for missing R2T4 calculations was caused by a miscalculation of the 60% point of a term, used to determine the 60% refund cut-off date.

Prior to the start of each academic year, the UHWO Financial Aid Office develops a calendar for all terms during the aid year: identifying the start date, end date and 60% point date for each term. The calendar is reviewed and approved by the UHWO Director of Enrollment Management to ensure that the dates are correct. The approved R2T4 calendar is shared with all UHWO Financial Aid Office staff and used in determining the appropriate R2T4 cut-off date.

Date Action Taken: Immediately

An R2T4 calculation was processed late and the funds were returned more than 45 days after the institution determined that the student withdrew, due to misplaced paperwork. To prevent future occurrences, the UHWO Financial Aid Office runs a monthly report of students who have withdrawn from a term and compares the list with those students who have had an R2T4 calculation performed to ensure that no students have been missed. The UHWO Financial Aid Office performs the R2T4 calculation as needed for any students identified during this review.

**Corrective Action Plan Related to the Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
Honolulu Community College
Year Ended June 30, 2015**

Finding No. 2015-02: **Federal Direct Student Loans Exit Interview – Control Deficiency**

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.268 – Federal Direct Loans

Responsible Individuals: Jannine Oyama, Financial Aid Administrator, Honolulu Community
College
Gregg Yoshimura, Financial Aid Specialist, UH System

Date Action Taken: November 2014

In November 2014, the UH System Financial Aid Office created a new report to identify students who dropped below half-time status. The UH System Financial Aid Office now runs the report twice a month and sends it to Honolulu CC (HCC) to review and perform exit counseling to students in a timely manner. It was later identified that an additional process to identify graduating students was needed since the process that was created in November 2014 did not identify graduating students unless they dropped below half-time status. The UH System Financial Aid Office implemented this new process in December 2015.

**Corrective Action Plan Related to the Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
Kapi'olani Community College
Year Ended June 30, 2015**

Finding No. 2015-03: **Federal Direct Student Loans Exit Interview – Control Deficiency**

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.268 – Federal Direct Loans

Responsible Individual: Jennifer Bradley, Financial Aid Administrator, Kapi'olani Community College
Gregg Yoshimura, Financial Aid Specialist, UH System

Date Action Taken: October 2014

During the audit for Year Ended June 30, 2014, Kapi'olani Community College (KCC) was cited for failing to provide exit counseling in a timely manner. During the late summer of 2014 KCC started working with the UH System Financial Aid Office to identify inconsistencies and develop a report to identify students who needed to be exited.

The new review process that was implemented in Fall 2014 identifies students who should be exited in an accurate and timely fashion. In fact, the two findings cited for Year Ended June 30, 2015 were for students identified during this new review process. The UH System Financial Aid Office now runs the report twice a month and sends it to KCC to review and perform exit counseling to students in a timely manner.

Corrective Action Plan Related to the Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
Kaua'i Community College
Year Ended June 30, 2015

Finding No. 2015-04: **Financial Aid Administration – Control Deficiency**

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.063 – Federal Pell Grant

Questioned Costs: \$1,069

Responsible Individual: Jeff Anderson, Financial Aid Director, Kaua'i Community College

Date Action Taken: November 25, 2015

The unofficial withdrawal report is manually reviewed to identify students that require an R2T4 calculation, as well as identifying students that never attended during the semester, based on the last date of attendance (LDA). (Note: These students have an LDA date prior to the semester start date.) Improvements to the process will be made by implementing process flows to reduce the number of instances of human error in the manual review. Also, it has been determined why the system's R2T4 calculation process resulted in an incorrect amount of funds to be returned when the calculation was based off of an LDA date prior to the semester start date. If the data in the system is incorrect, such as aid paid/accepted/offered and/or withdrawal dates, the R2T4 calculation will be incorrect. Financial Aid staff have been trained in this process in order to identify incorrect information and fix if needed.

Responsible Individual: Jeff Anderson, Financial Aid Director, Kaua'i Community College
Gregg Yoshimura, Financial Aid Specialist, UH System

Date Action Taken: January 2015

In January 2015, the UH System Financial Aid Office implemented a new process and report to identify student loan recipients who have completely withdrawn or dropped below half time enrollment. The UH System Financial Aid Office generates this report twice a month and sends it to Kauai Community College to review and perform exit counseling to students in a timely manner.

**Corrective Action Plan Related to Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
Leeward Community College
Year Ended June 30, 2015**

Finding No. 2015-05: **Return of Title IV Funds – Control Deficiency**

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.063 – Federal Pell Grant Program

Questioned Costs: \$1,884

Individual Responsible: Tawny Antonio, Financial Aid Officer, Leeward Community College

Date Action to be Taken: June 2015

The Leeward Community College (LCC) Financial Aid Office has taken corrective action to refund the correct amount of Pell Grant for the individual identified through the audit. The LCC Financial Aid Office reviewed the awards for its entire Pell Grant Return to Title IV population to ensure that all funds were calculated and refunded. No other recipients were identified with incorrect Pell Grant refunds.

The LCC Financial Aid Office has initiated a policy to ensure that the correct amount of Title IV aid earned by the student is considered as of the student's withdrawal date when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance.

Corrective Action Plan Related to the Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
Windward Community College
Year Ended June 30, 2015

Finding No. 2015-06: **Federal Direct Student Loans Exit Interviews – Control Deficiency**

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.268 – Federal Direct Loans

Responsible Individual: Steven Chigawa, Financial Aid Director, Windward Community College
Gregg Yoshimura, Financial Aid Specialist, UH System

Date Action Taken: January 2015

The UH System Financial Aid Office created a new report to identify student loan recipients who have completely withdrawn, or dropped below half time enrollment. The UH System Financial Aid Office will complete the process and report twice a month and send it to Windward Community College to review and perform exit counseling to students in a timely manner. These students are mailed loan exit interview letters and their National Student Loan Data System (NSLDS) records are then updated through the clearinghouse reporting or manually on NSLDS.

Corrective Action Plan Related to the Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
General Accounting & Loan Collection
Year Ended June 30, 2015

Finding No. 2015-07: **Financial Aid Administration – Control Deficiency**

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.038 – Federal Perkins Loans
 84.268 – Federal Direct Student Loans

Questioned Costs: \$136

Responsible Individual: Susan Mabe, Collections Manager, General Accounting & Loan
 Collection

Date Action Taken: November 13, 2015

The General Accounting & Loan Collection Office has implemented controls to ensure that the payment information from the collection agencies is posted correctly in the Heartland ECSI (formerly Campus Partners) system.

The loan accountant will post the borrower payments in the Heartland ECSI system. A second staff person will review the payments that have been posted by the loan accountant.

Susan Mabe implemented procedures to ensure that the borrowers are properly credited for their payments.

SECTION 6
CONSOLIDATED FINANCIAL STATEMENTS

University of Hawai'i
State of Hawai'i
Index
June 30, 2015 and 2014

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Report of Independent Auditors

To the Board of Regents of the
University of Hawai'i

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the University of Hawai'i (the "University"), a component unit of the State of Hawai'i, as of and for the years ended June 30, 2015 and 2014, and the related notes to the consolidated financial statements, which collectively comprise the University's basic financial statements as listed in the accompanying index.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of the University of Hawai'i Foundation (the "Foundation"), which represent 13.5 percent and 13.0 percent, respectively, of the total assets and deferred outflows of resources and 1.1 percent and 1.0 percent, respectively, of the total operating revenues of the University as of and for the years ended June 30, 2015 and 2014. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Foundation as of and for the years ended June 30, 2015 and 2014, are based solely on the reports of the other auditors. We conducted our audits 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Hawai'i, as of June 30, 2015 and 2014, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, effective July 1, 2014, the University adopted new accounting guidance under Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of net pension liability, contributions, and funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2016, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2015. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The logo for Accuity LLP is written in a black, cursive script. The word "Accuity" is written in a larger, flowing font, and "LLP" is written in a smaller, simpler font to the right of "Accuity".

Honolulu, Hawai'i
February 11, 2016

University of Hawai'i
State of Hawai'i
Management's Discussion and Analysis (Unaudited)
June 30, 2015 and 2014

Introduction

The following discussion and analysis provides an overview of the consolidated financial position and activities of the University of Hawai'i (the "University") for the years ended June 30, 2015 and 2014, with selected information for the year ended June 30, 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Founded in 1907 under the auspices of the Morrill Act, the University is a land-grant, sea-grant and space-grant institution. The University system distinguishes itself through its Hawaiian, Asian and Pacific orientation and its position as one of the world's foremost multicultural centers for global and indigenous studies. Students are members of a population in which no one ethnic group constitutes a majority, and the educational experience is enriched by the diversity of cultures represented.

The University is Hawai'i's sole public higher education system and is governed by a Board of Regents consisting of fifteen members appointed by the Governor of the State of Hawai'i. The University of Hawai'i system is comprised of 10 campuses – seven community colleges (four on O'ahu, one on Kaua'i, one on Maui, and one on Hawai'i), the University of Hawai'i at Mānoa, the University of Hawai'i at Hilo, and the University of Hawai'i at West Oahu. In Fall 2014, enrollment totaled 57,052 (85 percent undergraduate and 15 percent graduate students). Hawai'i residents comprised 85 percent of all enrolled students, nearly 11 percent were from the U.S. mainland, and the remaining four percent of students were international students from over 100 countries. The University of Hawai'i continues to be one of the nation's more ethnically diverse higher education systems with roughly 26 percent of the students identifying as Asian, 17 percent as Caucasian, and 26 percent as either Hawaiian or Pacific Islander. The University system offers over 637 academic programs, including bachelor's degrees in 139 fields of study, master's degrees in 91 fields of study, doctoral degrees in 53 fields of study, and associate degrees in 117 fields of study. In addition to the educational campuses, the University system houses more than a hundred centers with a research, instruction or public service purpose and receives more than \$425 million sponsored program awards. The University is also engaged in instructional research and service activities at hundreds of Hawai'i schools, hospitals and community sites, and carries out these activities across the Pacific Islands and in foreign countries.

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Using the Financial Statements

The University's consolidated financial statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") principles, which establish standards for external financial reporting for public colleges and universities. The University's consolidated financial statements are comprised of the following four components:

- **Statements of Net Position** – The Consolidated Statements of Net Position present information on the University's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the University's financial condition is improving or deteriorating. Net position increases when revenues exceed expenses, or when assets increase without a corresponding increase in liabilities. This is an indication of improving financial condition. However, when expenses exceed revenues, or when liabilities increase without a corresponding increase in assets, there is an indication of deteriorating financial condition.
- **Statements of Revenues, Expenses and Changes in Net Position** – The Consolidated Statements of Revenues, Expenses and Changes in Net Position present the University's revenues and expenses and illustrate how current year activities improve or weaken the University's financial condition. Changes in net position are reported when the underlying event occurs (accrual basis of accounting), which may be different from actual cash flows. In accordance with GASB requirements, certain significant revenues budgeted for fundamental operational support of the core instructional mission of the University must be recorded as non-operating revenue, include state educational appropriations, private gifts, and investment income. Consequently, the Consolidated Statements of Revenues, Expenses and Changes in Net Position distinguish operating from non-operating revenues and expenses. It is anticipated that the University will consistently report an operating loss since certain significant revenue sources relied upon for core operational needs are considered non-operating revenue.
- **Statements of Cash Flows** – The Consolidated Statements of Cash Flows distinguishes between cash inflows and outflows from operating activities, non-capital financing activities, capital and related financing activities, and investing activities.
- **Notes to Consolidated Financial Statements** – The notes provide additional information that is essential to a full understanding of the information presented in the consolidated financial statements.

Related Entities

The University maintains close relationships with two other entities, considered to be component units, whose financial information is blended into the University's accompanying consolidated financial statements. The University of Hawai'i Foundation (the "Foundation") is a not-for-profit organization established to solicit and manage funds for the benefit of the University. The Research Corporation of the University of Hawai'i (the "Research Corporation") provides administrative support services for research and training programs of the University. Both of the University's component units prepare stand-alone financial statements with footnotes, which are audited by independent auditors. Summarized information of the individual components of the University's consolidated financial position, results of operations and cash flows for the years ended June 30, 2015 and 2014 is presented in Note 18 to the consolidated financial statements.

**University of Hawai'i
State of Hawai'i
Management's Discussion and Analysis (Unaudited)
June 30, 2015 and 2014**

Financial Position

The Consolidated Statements of Net Position present the financial position of the University at the end of the fiscal year and display all assets and liabilities of the University. Assets and liabilities are presented using fair and current values, respectively. Two notable exceptions are receivables and capital assets, which are stated at historical cost less an allowance for doubtful accounts and accumulated depreciation, respectively. The difference between assets and liabilities is net position, representing a measurement of the current financial condition of the University. The University's assets, liabilities and net position at June 30, 2015, 2014 and 2013 are summarized as follows (in thousands):

	2015	Percentage of Total Assets and Deferred Outflows	2014	Percentage of Total Assets and Deferred Outflows	2013	Percentage of Total Assets and Deferred Outflows	FY 15 vs 14 Change	FY 14 vs 13 Change
Current assets								
Cash and operating investments	\$ 375,052	10%	\$ 342,353	10%	\$ 377,545	11%	\$ 32,699	\$ (35,192)
Receivables, net	104,711	3%	108,463	3%	112,384	3%	(3,752)	(3,921)
Other current assets	24,681	1%	23,597	1%	36,301	1%	1,084	(12,704)
Total current assets	504,444	14%	474,413	14%	526,230	15%	30,031	(51,817)
Noncurrent assets								
Endowment and other investments	477,243	13%	499,460	14%	468,120	14%	(22,217)	31,340
Capital assets, net	2,068,691	57%	2,071,850	60%	2,027,120	60%	(3,159)	44,730
Other noncurrent assets	466,840	12%	418,903	12%	379,184	11%	47,937	39,719
Total assets	3,517,218	96%	3,464,626	100%	3,400,654	100%	52,592	63,972
Deferred outflows of resources								
Deferred loss on refunding	5,251	0%	5,576	0%	5,883	0%	(325)	(307)
Difference between expected and actual experience	13,859	0%	-	0%	-	0%	13,859	-
Pension contributions subsequent to the measurement date	120,989	3%	-	0%	-	0%	120,989	-
Total deferred outflows of resources	140,099	4%	5,576	0%	5,883	0%	134,523	(307)
Total assets and deferred outflows of resources	\$ 3,657,317	100%	\$ 3,470,202	100%	\$ 3,406,537	100%	\$ 187,115	\$ 63,665
Current liabilities	\$ 270,047	7%	\$ 263,583	8%	\$ 269,754	8%	\$ 6,464	\$ (6,171)
Noncurrent liabilities								
Long-term debt	561,470	15%	578,585	17%	593,930	17%	(17,115)	(15,345)
Net pension liability	1,089,882	30%	-	0%	-	0%	1,089,882	-
Other noncurrent liabilities	742,335	21%	666,508	19%	605,956	17%	75,827	60,552
Total liabilities	2,663,734	73%	1,508,676	43%	1,469,640	43%	1,155,058	39,036
Deferred inflows of resources								
Difference between projected and actual earnings on pension plan	126,487	3%	-	0%	-	0%	126,487	-
Changes in proportionate rate	24,675	1%	-	0%	-	0%	24,675	-
Total deferred inflows of resources	151,162	4%	-	0%	-	0%	151,162	-
Net position								
Net investment in capital assets	1,503,902	41%	1,519,669	44%	1,482,274	44%	(15,767)	37,395
Restricted								
Nonexpendable	235,894	6%	218,133	6%	207,338	6%	17,761	10,795
Expendable	644,743	18%	598,070	17%	530,130	16%	46,673	67,940
Unrestricted	(1,542,118)	-42%	(374,346)	-11%	(282,845)	-8%	(1,167,772)	(91,501)
Total net position	842,421	23%	1,961,526	57%	1,936,897	57%	(1,119,105)	24,629
Total liabilities, deferred inflows of resources and net position	\$ 3,657,317	100%	\$ 3,470,202	100%	\$ 3,406,537	100%	\$ 187,115	\$ 63,665

Implementation of GASB Statements No. 68 and 71

During fiscal year 2015, University of Hawai'i implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

The adoption of Statement Nos. 68 and 71 has significant impact on the University's financial statements, which requires us to report expenditures and liabilities in the amount statutorily required. Readers of the FY15 financial statements will notice that the University's balance sheet will show significant financial impact by inclusion of the University's proportionate share of the net pension liability for the Employees' Retirement System of the State of Hawai'i ("ERS") plan. The adoption resulted in the restatement of the University's fiscal year 2014 net position. Accordingly, the University's net position as of July 1, 2014 has been restated to \$849 million from \$1.962 billion, which reflects the retrospective effect of adoption for net pension liability of \$1.113 billion. Retroactive implementation of GASB Statement No. 68 was not

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deemed practical due to the cost and timing required to obtain and analyze the activity covering FY14. As such, the University's FY14 financial statements are presented in accordance with GASB Statement No. 27.

As of June 30, 2015, the net pension liability decreased by \$138 million to \$1,090 billion, primarily due to the additional pension expense, the difference between expected and actual experience with economic and demographic factors, effect of changes in assumptions, and the difference between actual and projected earnings on plan investments. Refer to Note 14 for more information regarding the University's pension.

Current Assets and Liabilities

Working capital is a good measure of both the University's efficiency and financial health. Positive working capital means that the University has current assets in excess of current liabilities and is able to pay off short-term obligations. A working capital deficit would mean that the University is unable to meet its short-term obligations with existing current assets.

At June 30, 2015 and 2014, working capital amounted to \$234.4 million and \$210.8 million, respectively. The University is committed to maintaining a prudent level of working capital to fund operations, including pre-funding its approximately \$425 million in extramural grants which are mostly paid on a cost reimbursement basis. To enhance financial management, in November 2013, the University adopted a financial reserve policy to establish system-wide operating reserves from non-general fund revenue in amounts sufficient to provide continued operations for at least two months with a minimum of five percent unencumbered cash from all tuition and fee funds, special funds, and revolving funds. Based on the \$1.533 billion of operating expenses (excluding depreciation) for the year ended June 30, 2015, the working capital at year end represents approximately 53 days of operating funds.

The components of the University's current assets and liabilities and their fluctuations during the two-year period are as follows:

- Current assets consist primarily of cash and cash equivalents, operating investments and net receivables. Total current assets were \$504.4 million and \$474.4 million at June 30, 2015 and 2014, respectively. Total current assets increased by \$30.0 million, or 6.3 percent, due to a \$32.7 million increase in cash and operating investments, which primarily resulted from the implementation of the financial reserve policy. Cash balance from tuition and fees increased by \$20 million in addition to the \$6 million advance from the State of Hawai'i for the Snug Harbor project that was not spent as of June 30, 2015.
- Current liabilities consist primarily of accounts payable, accrued payroll and fringe benefits, advances from sponsors, and unearned revenue. Current liabilities also include amounts due to the State of Hawai'i, the current portion of long-term liabilities and other current liabilities. Total current liabilities were \$270.0 million and \$263.6 million at June 30, 2015 and 2014, respectively. Total current liabilities increased by \$6.5 million, or 2.5 percent, primarily due to increase from the State of Hawai'i for the Snug Harbor \$6 million project advance.

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Endowment and Other Investments

The University's endowment and other investments, including endowments held with the Foundation, decreased by \$22.2 million to \$477.2 million at June 30, 2015. The fiscal year 2015 decrease was primarily due to a \$20.0 million reimbursement of preconstruction costs associated with a new facility for the Cancer Research Center, which was put into service in a prior fiscal year. Endowments and other investments held with the Foundation amounted to \$373.2 million at June 30, 2015 and \$365.8 million at June 30, 2014.

The University's endowment funds consist of both permanent endowments and funds functioning as endowments (quasi-endowment funds). Permanent endowment funds are funds received from donors or other outside agencies with the stipulation that the principal be inviolate and invested in perpetuity for the purpose of producing present and future income which may either be expended for the purposes specified by the donor or added to principal. Quasi-endowment funds are funds which the Board of Regents, rather than a donor or other outside agency, has allocated for long-term investment purposes. The Board of Regents, in accordance with its policies, is not required to maintain the quasi-endowment principal in perpetuity. Quasi-endowment funds are further categorized as restricted and unrestricted. Restricted quasi-endowment funds represent donor-restricted gifts, without the requirement to maintain the principal in perpetuity. Unrestricted quasi-endowment funds represent unrestricted funds designated by the Board of Regents for long-term investment purposes.

Programs supported by the University's permanent and quasi-endowment funds include scholarships, fellowships, professorships, research efforts, and other important programs and activities. The University uses its endowment to support academic and research programs by generating a predictable stream of annual support for current needs, while preserving the purchasing power of the endowment funds for future periods.

The University's spending rate policy is to limit the immediate impact that significant changes in the fair value of the endowment portfolio have on annual distributions. The spending rate policy provides for an annual distribution, ranging between three percent and five percent of the five-year moving average of the endowment portfolio's fair value. In fiscal years 2015 and 2014, the University instituted a 4.5 percent distribution rate on restricted and unrestricted endowments. The total restricted and unrestricted distributions available to the University amounted to \$2.5 million and \$2.4 million in fiscal years 2015 and 2014, respectively.

Capital and Debt Activities

The University's capital assets are separated into seven categories: land, buildings, infrastructure, land improvements, equipment, library materials, and construction in progress. At June 30, 2015 and 2014, total capital assets, net of accumulated depreciation, amounted to \$2.1 billion and \$2.1 billion, respectively, which represented 59 percent and 60 percent, respectively, of the University's total assets. Capital asset additions totaled \$130.7 million and \$186.5 million in fiscal years 2015 and 2014, respectively, while depreciable capital asset disposals, net of accumulated depreciation, amounted to \$12.5 million and \$32.3 million, respectively. The decrease of the additions was due to the completion of many strategic capital projects in prior years. In fiscal year 2015, the University transferred \$5.3 million of capital assets to the Federal government.

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Capital Projects

One of the critical factors in enhancing the quality of the University's academic and research programs and student life enrichment is the development, replacement and renewal of capital assets. The University continues to modernize its older teaching and research facilities, and develop and construct new facilities.

Significant capital projects completed during fiscal years 2015 and 2014 or in progress as of June 30, 2015 and 2014 included:

- **Culinary Institute of the Pacific** – The \$25 million Phase I portion of the Culinary Institute of the Pacific broke ground on September 8, 2015. Phase I includes the infrastructure for the entire project, a parking lot, two single-story laboratory buildings, and an outdoor cooking area. Phase II will include the auditorium, administration building, classrooms, laboratories, and a restaurant.
- **Hawai'i Community College Pāalamanui Campus** – The newest University of Hawai'i campus, the \$27.8 million Hawai'i Community College Pāalamanui opened on August 24, 2015. The community of Pāalamanui, "A Place of Enlightenment," will consist of parks, a University Village Town Center, a University Inn, and placed in the middle will be the Hawai'i Community College Pāalamanui Campus. The first phase includes five single-story buildings with kitchens, classrooms, laboratories, a computer lab, and a library.
- **Clarence T.C. Ching Athletics Complex** – The \$16 million Clarence T.C. Ching Athletics Complex was completed on August 31, 2014. The three-story facility includes grandstand seating for 2,500 people and offices and locker rooms for women's soccer, cross country, track and field, and sand volleyball. Adjacent to the grandstand seating is a sand volleyball court with bleacher style seating.
- **Leeward Community College Ka 'Imi 'Ike** – The dedication ceremony of the \$16.6 million Leeward Community College education building Ka 'Imi 'Ike, "The Search for Knowledge," was held on August 22, 2014. The 24,000 square foot teacher education building includes classrooms, a lecture hall, offices, a resource center, and meeting spaces. Ka 'Imi 'Ike is energy efficient, utilizing large windows for natural sunlight, photovoltaic panels, and a hybrid air-conditioning unit.
- **University of Hawai'i at Hilo Student Services** – The new \$22 million three-story, 35,000 square foot Student Services building was placed into service in May 2014. Students will now be able to attend to their financial, registration and counseling needs in one central location. The project included photovoltaic panels for the Library, College of Business Economics, Performing Arts Center, and the Student Services Buildings. The new University of Hawai'i at Hilo ("UH-Hilo") received the American Institute of Architects "Institutional Award of Merit" at the 2015 AIA-Honolulu Design Awards.
- **University of Hawai'i at Mānoa Campus Center Renovations and Expansion Project** – The \$46 million project was completed on April 11, 2014. It included the addition of the two-story Warrior Recreation Center along with renovations to Campus Center and Hemenway Hall. The Warrior Recreation Center includes an indoor track, a fitness center, locker rooms, and a multi-purpose gymnasium. Renovations to Campus Center include the addition of Starbucks Coffee, an outdoor seating area, improvements to the central air conditioning system, and a new store-front for the University of Hawai'i Bookstore.

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- **Ka Haka 'Ula o Ke'elikolani College of Hawaiian Language** – Hale 'Olelo, the \$24.4 million College of Hawaiian Language facilities on the University of Hawai'i at Hilo campus, was completed on January 11, 2014. The featured space for this 36,800 square foot educational facility is a 200-seat performing arts room with enhanced acoustics and includes a custom retractable lighting system (Haka) and a 36-foot high ceiling. Other notable spaces include a distance learning center designed to support remote classroom instruction and video conferences as well as a library and archives collection for extremely rare printed and audio records. Hale 'Olelo received a Silver LEED certification.
- **University of Hawai'i Information Technology Center** – The \$52.4 million Information Technology Center was completed on December 16, 2013. The building is six stories tall with approximately 74,000 square feet of floor space and has received a LEED silver certification. The Information Technology Center is equipped with an emergency situation room, meeting and training rooms, and houses the entire system-wide Information Technology department.
- **University of Hawai'i at Hilo's University Village** – Hale 'Alahonua, the first phase of the University of Hawai'i at Hilo's University Village project, was completed on August 19, 2013. The \$33.8 million, 105,505 square foot residence hall is located across the main campus of the University of Hawai'i at Hilo's entrance on Kawili Street. The facility is made up of three, three-story walk-ups and a student life common area where the students will be able to cook, do their laundry, and study.
- **University of Hawai'i at Mānoa Edmondson Hall** – The \$20.1 million four-story, 42,000 square foot renovation of Edmondson Hall was completed on July 10, 2013. Edmondson Hall, which was built in 1962, required major renovation due to the October 2007 fire that destroyed a research laboratory and caused extensive water damage to three of the four floors. The newly constructed structure in front of Edmondson Hall will house the stairs and elevators for both Edmondson and Snyder Halls and is scheduled to be completed in February 2016.

Financing

The University uses a variety of sources, including federal and state support, revenue bonds, bank loans, gifts, and other expendable resources to finance capital projects.

- **General obligation bonds** – The State of Hawai'i issued general obligation bonds to help finance certain University projects. These bonds are carried as liabilities of the State. In fiscal years 2015 and 2014, the State appropriated funds directly to the Department of Budget and Finance to pay for debt service on general obligation bonds issued for the University. As a result, the University itself received no appropriations and made no transfers for debt service on general obligation bonds for these fiscal years. In fiscal years 2015 and 2014, \$106.1 million and \$101.0 million were appropriated in each year, respectively.

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- **Revenue bonds** – The University also issued revenue bonds to finance capital projects. These bonds are carried as liabilities of the University. Total revenue bonds liabilities were \$578.6 million and \$593.9 million for fiscal years 2015 and 2014, respectively. The University revenue bonds were assigned municipal bond ratings of “A+,” “Aa2,” and “AA” by Standard & Poor’s, Moody’s Investors Service and Fitch Ratings, respectively. The University has appropriated funds, by statute, from the State of Hawai'i Tobacco Settlement Special Fund for the payment of principal and interest on revenue bonds to finance the cost of construction of the medical school facility and for annual operating expenses incurred by the facility. The University received State of Hawai'i Tobacco Settlement funds in the amount of \$9.9 million in fiscal years 2015 and 2014 to cover debt service for the bonds that financed the medical school facility. Refer to Note 11 for more information regarding the University revenue bonds.
- **Loan agreement** – On May 4, 2012, the University entered into a five-year, unsecured loan agreement (“Note”) with Hawai'i Regional Center LP III (“Lender”) for a commitment amount not to exceed \$18 million, subject to certain limitations. The proceeds were used to facilitate and fund construction of the UH-West O'ahu campus located at Kapolei, Hawai'i. The Note bears interest at the rate of 1.5 percent per annum, which is due and payable semi-annually to the Lender on January 1 and July 1 each year until the Note has been paid in full. Under the terms of the Note, repayment each fiscal year is limited and subject to specific appropriations by the State to make such payments. The Note matures on July 16, 2017, at which time the unpaid principal will be due. As of June 30, 2015, \$17 million remains outstanding.

Net Position

Net position represents the residual interest in the University's assets after liabilities are deducted. At June 30, 2015 and 2014, total net position amounted to \$842.4 million and \$2 billion, respectively. Net position is reported in four major categories: net investment in capital assets, restricted nonexpendable, restricted expendable and unrestricted.

Net investment in capital assets, net of accumulated depreciation and the related outstanding debt used to finance the acquisition, construction or improvement of those assets, amounted to \$1.50 billion and \$1.52 billion at June 30, 2015 and 2014, respectively. The \$15.8 million decrease in fiscal year 2015 was primarily attributable to \$121.4 million of depreciation expense, \$12.5 million in net disposals, and \$12.6 million increase in related debt offset by \$130.7 million of capital asset additions.

Restricted nonexpendable net position primarily represents the University's and Foundation's permanent endowment funds, which are required to be maintained in perpetuity and amounted to \$235.9 million and \$218.1 million at June 30, 2015 and 2014, respectively. The increase of \$17.8 million was primarily attributable to new permanent endowment gifts received.

Restricted expendable net position is subject to externally imposed restrictions governing their use. Net position was restricted for the following purposes at June 30, 2015, 2014 and 2013 (in thousands):

	2015	2014	2013
Plant facilities	\$ 386,742	\$ 327,195	\$ 315,102
Donor-restricted activities	224,904	234,200	178,018
Loan activities	24,363	24,172	24,648
External sponsor activities	8,734	12,502	12,362
	<u>\$ 644,743</u>	<u>\$ 598,070</u>	<u>\$ 530,130</u>

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In fiscal year 2015, the overall increase of \$46.7 million in restricted expendable net position was attributable to a \$56.8 million increase in State capital appropriations to fund construction for the UH-West Oahu Administration and Allied Health Facility and the UH-Hilo College of Pharmacy.

Net position that is not subject to externally imposed restrictions governing their use is classified as unrestricted for financial reporting purposes. At June 30, 2015 and 2014, unrestricted net position amounted to deficits of \$1.54 billion and \$374.3 million, respectively. Although unrestricted net position is not subject to externally imposed restrictions, all of the University's unrestricted net position has been internally designated for various academic and research programs and initiatives, contractual commitments, and capital projects. In addition, unrestricted net position of \$45.0 million and \$46.7 million were designated for endowment activities at June 30, 2015 and 2014, respectively.

Excluding the \$1.113 billion restatement of unrestricted net position from the retrospective adoption of the net pension liability, the reduction in unrestricted net position for the years ended June 30, 2015 and 2014 is primarily attributable to the University's required accounting and recognition of the University's allocated share of the State of Hawai'i's actuarially determined total other post-employment benefits ("OPEB") liability. Similar to other state and local governments, the State of Hawai'i ("State") plan has been paid on a "pay as you go" basis, which resulted in the OPEB liability growing substantially each year. As a result, despite total assets of the University staying relatively constant each year, unrestricted net position continues to decline due to recognition of the OPEB liability. The University's share of the OPEB liability as of June 30, 2015 and 2014 was \$650.8 million and \$579.2 million, respectively. Annual required OPEB contribution payments, on a "pay as you go" basis, towards this liability were paid directly by the State Department of Budget and Finance from its general fund appropriation and not out of the University's operating budget appropriation. The University makes contributions calculated as part of the State's total contribution requirements and are reimbursed to the State's General Fund as part of the fringe benefit rate on University employees' actual salaries.

Below is a table showing the unrestricted net position excluding pension and OPEB liabilities (reported in thousands):

	2015	2014	2013
Unrestricted net position	\$ (1,542,118)	\$ (374,346)	\$ (282,845)
Pension liability	1,089,882	-	-
OPEB liability	<u>650,805</u>	<u>579,196</u>	<u>514,364</u>
Adjusted net unrestricted position	<u>\$ 198,569</u>	<u>\$ 204,850</u>	<u>\$ 231,519</u>

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Results of Operations

The Consolidated Statements of Revenues, Expenses and Changes in Net Position are a presentation of the University's results of operations for the year. It indicates whether the financial condition of the University improved or deteriorated. For financial reporting purposes, certain significant revenues, including state appropriations, private gifts and investment income, which are relied upon and budgeted to support the University's core operations, are required to be reported as nonoperating revenues. The University's results of operations for the years ended June 30, 2015, 2014 and 2013 summarized to match revenues supporting core activities with expenses associated with core activities, are as follows (in thousands of dollars):

	2015		2014		2013		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	FY 15 vs 14 Change	FY 14 vs 13 Change
Revenues								
Operating								
Tuition and fees	\$ 392,471	30.1%	\$ 377,550	27.4%	\$ 362,175	27.8%	\$ 14,921	\$ 15,375
Less: Scholarship allowances	(129,811)	-10.0%	(129,173)	-9.4%	(120,364)	-9.2%	(638)	(8,809)
Grants and contracts	386,260	29.7%	427,056	30.9%	414,793	31.9%	(40,796)	12,263
Sales and services	135,315	10.4%	130,879	9.5%	133,211	10.2%	4,436	(2,332)
Other revenue	2,568	0.2%	2,935	0.2%	2,989	0.2%	(367)	(54)
Total operating revenues	<u>786,803</u>	<u>60.4%</u>	<u>809,247</u>	<u>58.6%</u>	<u>792,804</u>	<u>60.9%</u>	<u>(22,444)</u>	<u>16,443</u>
Non-operating								
State appropriations	413,148	31.7%	391,266	28.3%	374,280	28.7%	21,882	16,986
Federal Pell grant	66,144	5.1%	67,265	4.9%	67,826	5.2%	(1,121)	(561)
Net investment income	4,659	0.4%	51,520	3.7%	32,206	2.5%	(46,861)	19,314
Private gifts	31,870	2.4%	61,127	4.4%	35,206	2.7%	(29,257)	25,921
Total non-operating revenues	<u>515,821</u>	<u>39.6%</u>	<u>571,178</u>	<u>41.4%</u>	<u>509,518</u>	<u>39.1%</u>	<u>(55,357)</u>	<u>61,660</u>
Total revenues supporting core activities	<u>1,302,624</u>	<u>100.0%</u>	<u>1,380,425</u>	<u>100.0%</u>	<u>1,302,322</u>	<u>100.0%</u>	<u>(77,801)</u>	<u>78,103</u>
Expenses								
Operating								
Compensation and benefits	1,093,021	73.1%	1,070,419	71.0%	1,049,129	70.3%	22,602	21,290
Supplies, services and cost of goods sold	205,833	13.8%	238,687	15.8%	243,893	16.3%	(32,854)	(5,206)
Telecom and utilities	72,282	4.8%	79,860	5.3%	79,787	5.3%	(7,578)	73
Scholarships and fellowships	49,302	3.3%	50,835	3.4%	51,414	3.4%	(1,533)	(579)
Other expense	112,076	7.5%	110,597	7.3%	110,928	7.4%	1,479	(331)
Total operating expenses	<u>1,532,514</u>	<u>102.5%</u>	<u>1,550,398</u>	<u>102.8%</u>	<u>1,535,151</u>	<u>102.9%</u>	<u>(17,884)</u>	<u>15,247</u>
Non-operating (revenues) expenses								
Transfers from State, net	(191,584)	-12.8%	(183,460)	-12.2%	(172,757)	-11.6%	(8,124)	(10,703)
Transfers to Federal – capital assets	5,315	0.4%	4,156	0.3%	-	0.0%	1,159	4,156
Interest expense	27,523	1.8%	26,690	1.9%	23,452	1.6%	833	3,238
Total non-operating revenues	<u>(158,746)</u>	<u>-10.6%</u>	<u>(152,614)</u>	<u>-10.0%</u>	<u>(149,305)</u>	<u>-10.0%</u>	<u>(6,132)</u>	<u>(3,309)</u>
Expenses associated with core activities before depreciation	1,373,768	-	1,397,784	-	1,385,846	-	(24,016)	11,938
Loss from core activities before depreciation	(71,144)	-	(17,359)	-	(83,524)	-	(53,785)	66,165
Depreciation	121,378	8.1%	109,458	7.4%	106,631	7.1%	11,920	2,827
Expenses associated with core activities including depreciation	<u>1,495,146</u>	<u>100.0%</u>	<u>1,507,242</u>	<u>100.0%</u>	<u>1,492,477</u>	<u>100.0%</u>	<u>(12,096)</u>	<u>14,765</u>
Loss from core activities	<u>(192,522)</u>		<u>(126,817)</u>		<u>(190,155)</u>		<u>\$ (65,705)</u>	<u>\$ 63,338</u>
Other nonoperating activity								
Capital gifts and grants	171,174		146,068		147,772			
Permanent endowment	19,426		9,502		14,670			
Other revenue (expenses) net	(4,391)		(4,124)		(6,584)			
Other nonoperating income, net	<u>186,209</u>		<u>151,446</u>		<u>155,858</u>			
Increase (decrease) in net position	(6,313)		24,629		(34,297)			
Net position								
Beginning of year	1,961,526		1,936,897		1,971,194			
Adjustment for change in accounting principle	(1,112,792)		-		-			
Beginning of year, as restated	<u>848,734</u>		<u>1,936,897</u>		<u>1,971,194</u>			
End of year	<u>\$ 842,421</u>		<u>\$ 1,961,526</u>		<u>\$ 1,936,897</u>			

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Revenues Supporting Core Activities

The University has a diversified stream of revenues to support its operations. State appropriations and tuition and fees are the core components that support the University's instructional and academic programs. Government and nongovernmental grants and contracts provide opportunities for undergraduate and graduate students to participate in basic research with renowned researchers. Private gifts contribute toward the support of the University's instructional and academic initiatives. Sales and services revenues include revenues from educational departments and auxiliary enterprises, including bookstores, student and faculty housing, food services, parking and athletics.

Tuition and fees revenue, net of scholarship allowances, increased by \$14.3 million, or 5.8 percent, to \$262.7 million in fiscal year 2015. Scholarship allowances amounted to \$129.8 million and \$129.2 million in fiscal years 2015 and 2014, respectively. For fiscal years 2015 and 2014, the increase in tuition and fees revenue and scholarship allowances are primarily attributable to increases in tuition and fee rates offset by slight declines in enrollment.

Revenues from federal, state and local grants, and contracts and nongovernmental sponsored programs decreased by \$40.8 million, or 9.6 percent, to \$386.3 million in fiscal year 2015. The fiscal year 2015 net decrease was attributable to a \$31.7 million decrease in federal grants and contracts due to the sunset of the American Recovery and Reinvestment Act of 2009 ("ARRA") and the timing of revenue recognition and a net decrease of \$8.1 million in nongovernmental sponsored programs relating to the expiration of several major awards. Sales and services revenues, which are mainly comprised of bookstores, student and faculty housing, food services, parking and athletics, increased by \$4.4 million, or 3.4 percent, to \$135.3 million in fiscal year 2015. General state appropriations increased by \$21.9 million, or 5.6 percent, to \$413.1 million in fiscal year 2015. The increase in fiscal year 2015 was mainly attributable to an increase in legislative appropriations to pay for salary increases, called for in faculty union contracts, and to address the need for increased administrative support at the UH-West Oahu campus due to increased enrollment.

The University's net investment income for fiscal year 2015, as compared to fiscal year 2014, decreased by \$46.8 million, resulting in net investment income of \$4.7 million. The fiscal year 2015 decrease was mainly due to the decrease in realized gain of \$13.6 million and the decrease in unrealized gain of \$31.1 million, which was in line with the decrease in the market performance in the current year.

The components of net investment income for the years ended June 30, 2015, 2014 and 2013 were as follows (in thousands):

	2015	2014	2013	Increase (Decrease)	
				FY 15-14 Change	FY 14-13 Change
Interest and dividend income	\$ 7,974	\$ 7,621	\$ 10,232	\$ 353	\$ (2,611)
Net realized gains (losses)	8,336	21,904	4,878	(13,568)	17,026
Net unrealized gains (losses)	(8,232)	22,826	19,102	(31,058)	3,724
Other, net	<u>(3,419)</u>	<u>(831)</u>	<u>(2,006)</u>	<u>(2,588)</u>	<u>1,175</u>
	<u>\$ 4,659</u>	<u>\$ 51,520</u>	<u>\$ 32,206</u>	<u>\$ (46,861)</u>	<u>\$ 19,314</u>

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Private gifts, most of which are restricted as to use, decreased by \$29.3 million, or 48 percent, to \$31.9 million in fiscal year 2015 when compared to \$61.1 million in fiscal year 2014. The fiscal year 2015 decrease was primarily attributable to a one-time \$40 million donation received in fiscal year 2014 offset by a one-time \$5.7 million donation received in fiscal year 2015. The University will continue to aggressively develop private revenue sources and cultivate the increasing trend in private gifts received.

Expenses Associated with Core Activities

The University is committed to recruiting and retaining outstanding faculty and staff, and providing compensation equivalent to peer institutions and nonacademic employers. Of the University's operating expenses, approximately 73.1 percent during fiscal year 2015 and 71.0 percent during fiscal year 2014, were related to compensation and benefits.

Compensation and benefits increased by \$22.6 million, or 2.1 percent, to \$1,093.0 million in fiscal year 2015 as compared to fiscal year 2014.

The fiscal year 2015 increase was attributable to pay and postretirement health and life insurance benefit increases offset by a decrease in the number of employees. The University recognized \$113.0 million and \$106.8 million related to postretirement health and life insurance benefits in fiscal years 2015 and 2014, respectively. The increase was due to enacted Act 268, SLH 2013 during the 2013 legislative session. The Act requires the State and the University to establish a phased annual contribution schedule starting in fiscal year 2015 to fully fund the Annual Required Contribution as determined by an actuary within 30 years. As a result, the discount rate used to calculate the liability has changed from four percent to seven percent, which resulted in a lower cost in fiscal year 2014.

Supplies, services and cost of goods sold expense includes service fees, printing and binding, advertising, dues and subscriptions, controlled property acquisitions, cost of goods sold for resale items, and other miscellaneous operating costs. In fiscal year 2015, such expenses decreased by \$32.9 million, or 13.8 percent, to \$205.8 million as compared to fiscal year 2014. The fiscal year 2015 decrease was primarily attributable to the decrease in sponsored project expenditures due to the sunset of ARRA of 2009 funds.

The University is committed to providing affordable yet quality education to its students. To accomplish this goal, student aid is provided in the form of scholarships and fellowships, including tuition and fee waivers applied to student accounts and reflected as reductions and allowances to student tuition and student housing revenues, and scholarship and fellowship payments (mostly academic and athletic) made directly to students. Total aid to students decreased by \$1 million, or 0.5 percent, to \$179.1 million in fiscal year 2015 as compared to the prior fiscal year 2014. The decrease in fiscal year 2015 is in line with decreased enrollment offset by scheduled tuition increases.

The University depreciates its capital assets over their estimated useful lives using the straight-line method. Depreciation expense increased by \$11.9 million, or 10.9 percent, to \$121.4 million during fiscal year 2015 as compared to fiscal year 2014. The increase in 2015 was primarily attributable to building and equipment additions and reclassifications from construction in progress.

Transfers from State amounted to \$191.6 million and \$183.5 million in fiscal years 2015 and 2014, respectively. Transfers from State were primarily for fringe benefit expenses and the UH Cancer Center cigarette stamp tax collections.

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The Cigarette Tax and Tobacco Tax Law, HRS section 245-15, effective July 1, 2006, established the Hawai'i Cancer Research Special Fund. The cigarette stamp tax, beginning October 1, 2006, provides revenues to support research and operating expenses to this fund as follows:

<u>Time Period</u>	<u>Cigarette Stamp Tax</u>
October 1, 2006 – September 30, 2007	1.0 cent per cigarette
October 1, 2007 – September 30, 2008	1.5 cents per cigarette
October 1, 2008 – thereafter	2.0 cents per cigarette

Other Nonoperating Activities

Revenues from other nonoperating activities are generally not used to support the University's current operations and are comprised primarily of capital gifts and grants and additions to permanent endowments. Capital gifts and grants and state capital appropriations and transfers may only be used for the purchase or construction of specified capital assets. While additions to permanent endowments must be retained in perpetuity, investment earnings thereon may be available in future years to support specified programs.

In fiscal year 2015, capital gifts and grants, including state capital appropriations and transfers, increased by \$25.1 million, or 17.2 percent, to \$171.2 million compared to \$146.1 million in fiscal year 2014. The State of Hawai'i capital appropriations increased by \$19.8 million, or 13.9 percent, to \$161.8 million. Other capital gifts and grants during fiscal year 2015 included federal capital grants of \$4.5 million and private capital gifts and grants of \$5.9 million.

Cash Flows

The Consolidated Statements of Cash Flows present the University's significant sources and uses of cash and cash equivalents, including restricted cash balances. The University's cash is comprised primarily of cash held with the state treasury, demand deposits, and time certificates of deposit with an original maturity of three months or less. A summary of the University's cash flows for the years ended June 30, 2015, 2014 and 2013 are as follows (in thousands):

	2015	2014	2013	FY 15 vs. 14 Change	FY 14 vs. 13 Change
Cash received from operations	\$ 799,834	\$ 799,092	\$ 778,370	\$ 742	\$ 20,722
Cash payments for operations	(1,299,687)	(1,314,062)	(1,331,830)	14,375	17,768
Net cash used in operating activities	<u>(499,853)</u>	<u>(514,970)</u>	<u>(553,460)</u>	<u>15,117</u>	<u>38,490</u>
Net cash provided by noncapital financing activities	538,045	508,527	501,084	29,518	7,443
Net cash used in capital and related financing activities	(36,149)	(50,446)	(110,101)	14,297	59,655
Net cash provided by investing activities	<u>23,461</u>	<u>42,492</u>	<u>185,614</u>	<u>(19,031)</u>	<u>(143,122)</u>
Net increase (decrease) in cash	25,504	(14,397)	23,137	39,901	(37,534)
Cash					
Beginning of year	<u>64,307</u>	<u>78,704</u>	<u>55,567</u>	<u>(14,397)</u>	<u>23,137</u>
End of year	<u>\$ 89,811</u>	<u>\$ 64,307</u>	<u>\$ 78,704</u>	<u>\$ 25,504</u>	<u>\$ (14,397)</u>

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The University's cash and cash equivalents increased by \$25.5 million, or 40 percent, to \$89.8 million at June 30, 2015 from \$64.3 million at June 30, 2014. During fiscal year 2015, \$499.9 million in cash was used for operating activities, offset by \$538.0 million in cash provided by noncapital financing activities. Net cash used in capital and related financing activities amounted to \$36.1 million and \$50.4 million in fiscal years 2015 and 2014, respectively.

The \$14.3 million decrease in cash used in capital and related financing activities in fiscal year 2015 as compared to fiscal year 2014 was primarily attributable to a decrease in capital asset purchases of \$44.2 million, offset by an increase in capital gifts and grants of \$11.4 million and a \$20.0 million transfer of funds for reimbursement of preconstruction costs associated with the UH Cancer Center.

Looking Forward

The University of Hawai'i plays a vital role as the sole public higher education institution in the State of Hawai'i and has a total estimated impact of \$3.61 billion on Hawai'i's economy. To effectively provide higher education to the community, the University has developed and implemented a results-focused strategic plan that is aimed at increasing graduation opportunities, providing affordable access to students, driving economic innovation throughout the State, modernizing the University's facilities, and implementing cost-effective, transparent and accountable practices to ensure the University's financial viability and sustainability.

Looking toward the future, Hawai'i's economy is expected to continue positive growth into 2016. While the tourism and construction industries continue to increase, the government and military sectors remain stable. The robust economy resulted in declining unemployment from 4.2 percent in 2014 to three percent in 2015.

While caution is being exercised in light of federal program cutbacks as well as realignment of research and development funding to improve health care and expanding coverage through the Affordable Care Act, the University achieved an 8.5 percent increase in funding from sponsored awards. This increase has positioned the University to maintain its solid financial condition and level of excellence in service to students, the research community, and the State of Hawai'i.

Enrollment and Tuition

As the sole provider of public higher education in Hawai'i, the University's enrollment remains near historic highs with a highly diverse ethnic mix of students. In academic year 2014–2015, total full time equivalent enrollment equaled 39,237, with over 16,000 at Mānoa, 3,500 at UH-Hilo, 1,600 at West O'ahu, and the remaining 17,800 throughout the University's community college campuses. The applications, acceptances and new enrollments at UH Mānoa, the System's largest campus, have been relatively stable with enrollment slightly down from 4,162 in academic year 2012–2013 to 3,852 in 2014–2015. Enrollment grew during the recession but has since moderated due to the strong economy in Hawai'i.

On October 26, 2011, the University's Board of Regents approved a new tuition increase schedule for Fall 2012 through Spring 2017. This new schedule provides stability and predictability for the University and its students while preserving affordability and access to public higher education in the State of Hawai'i.

The University is committed to maintaining affordability for underserved and low income target groups, with a portion of the additional revenues generated by tuition increases used to enhance financial aid. Institutional financial aid increased for students from \$34.8 million in academic year 2007–2008 to \$65.2 million in academic year 2013–2014.

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Extramural Funds

Funding profile uncertainties with sponsored agencies, federal sequestration and the realignment of research and development ("R&D") funding priorities have impacted the research community nationwide. In order to minimize the impact by the federal funding reduction and build a steady stream of revenue for future years, the University has strategically diversified a mix of research programs and funding. In 2015, the percentage of awards from the federal government has been reduced to 66 percent from 74 percent in 2011. The extramural funds also include a mix of research and non-research programs that provide financial stability and balance to the University. About 40–50 percent of the projects are non-research in nature and are for training, workforce development, outreach and community services, clinical trials, and others.

For fiscal year 2015, extramural awards totaled \$425 million, which reflects an increase of 8.5 percent over last year's total of \$392 million and marked the first increase in extramural award funding after three straight years of decline. One of the significant awards received by the University's community colleges and University campuses was \$69 million in federal grants to support programs serving Native Hawaiians, from pre-school through college and career training. These funds are supporting innovations on campuses, leadership development for Native Hawaiians, STEM education, college student success and Hawai'i culture and language.

Facilities and Infrastructure

The University has a strong commitment to its core facilities and infrastructure. In the past three years, the University completed many major construction projects, which include a new campus at West Oahu, an innovative Cancer Center, an Information Technology Center building that serves all 10 campuses, and new buildings at the Hilo campus, Maui College and Windward Community College to accommodate anticipated enrollment growth. The State of Hawai'i Legislature continued its strong support of the University's capital improvement program and provided general obligation bond appropriations for the 2013–2015 and 2011–2013 fiscal biennia that were approximately \$390 million and \$297 million, respectively.

The University's recent capital plan has been focusing predominantly on addressing deferred maintenance, as exemplified by the Board of Regents instituting a moratorium on new construction until the deferred maintenance backlog has been adequately addressed. The goal is to reduce the deferred maintenance backlog to 40 percent of current levels by the year 2021.

In September 2015, the University issued Series 2015-A Taxable Revenue Bonds to fund two new but strategic construction projects: \$5 million for the Hilo College of Pharmacy and \$3.5 million for the Law School. Both projects were also funded with \$28 million and \$3.5 million, respectively, in GO bond funds.

Fundraising

The University launched a seven-year \$500 million fundraising campaign and began its "quiet phase" on July 1, 2011. Since the launch of the campaign, the University has consistently exceeded the fundraising goals. In fiscal year 2015, the University had another record year and raised \$129.0 million as compared to \$98.6 million in fiscal year 2014 and \$66.3 million in fiscal year 2013.

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State General Fund Appropriations

The State of Hawai'i continues to provide strong support to the University as the sole provider of public higher education in Hawai'i. When compared to other universities in the nation, the University is well supported by the State and is ranked 11th in the category of higher education operating appropriation per full-time equivalent in 2014. The Hawai'i Governor supported, and the State Legislature appropriated, an increase of \$18 million, or 4.4 percent, in general funds to the University's fiscal year 2016 operating budget. These funds were allocated throughout the campuses to fund faculty salary increases that were negotiated through collective bargaining. Future general fund appropriations are dependent upon quarterly State Council of Revenues projections and priorities yet to be articulated by the newly elected Governor and State legislature. The Board of Regents has been working closely with the University leadership in reviewing the fiscal year 2017 campus financial operating plans, to include campus minimum operating reserves to ensure sufficient operating funds for Academic Year 2015–2016, and beyond.

Hawai'i Graduation Initiative and 15 to Finish Campaign

Hawai'i Graduation Initiative ("HGI") is a system-wide strategic initiative that focuses on increasing the number of educated citizens within the state. HGI is aligned with the Hawai'i P-20 goal to increase the number of working age adults in the state who hold a degree to 55 percent by 2025. Because of this focused effort, the UH campuses have increased the number of degrees and certificates awarded to 11,104 or by 34 percent since 2010.

15 to Finish is a campaign within the University of Hawai'i's Hawai'i Graduation Initiative. The campaign encourages students attending or planning to attend the University's two or four-year campuses to take 15 credits per semester to graduate on time. The campaign has garnered national attention. In Fall 2015, there was a 34.6 percent increase in the number of undergraduate students taking 15 credits or more system-wide since 2009. Because of these and other measures, Hawai'i was one of only three states chosen by Complete College America for an academy to develop next steps and specific strategies to improve college completion outcomes.

Hawai'i Innovation Initiative

To leverage its distinctive strengths in earth and ocean sciences, astronomy, evolutionary biology, and energy research, the University is working in partnership with community and business groups to build the state's research industry through the Hawai'i Innovation Initiative. The goal of this initiative is to build a thriving research enterprise that will be driven by the growth of new industries including a robust advanced manufacturing community in Hawai'i – fueled by the University's plans to commercialize its research and to employ and develop top researchers in several focus areas over the next decade. Between 2010–2014, the University completed 200 invention disclosures, issued 30 patents, and created eight start-ups.

University of Hawai'i
State of Hawai'i
Consolidated Statements of Net Position
June 30, 2015 and 2014
(All dollars reported in thousands)

	2015	2014
Assets and Deferred Outflows of Resources		
Current assets		
Cash and cash equivalents	\$ 89,811	\$ 64,307
Operating investments	285,241	278,046
Due from State of Hawai'i	188	924
Accounts receivable, net	87,719	89,301
Current portion of notes and contributions receivable, net	16,221	17,788
Accrued interest receivable	583	450
Inventories	11,765	11,608
Prepaid expenses and other current assets	12,916	11,989
Total current assets	<u>504,444</u>	<u>474,413</u>
Noncurrent assets		
Due from State of Hawai'i	399,144	349,084
Endowment and other investments	477,243	499,460
Notes and contributions receivable, net	48,155	52,116
Capital assets, net	2,068,691	2,071,850
Other noncurrent assets	19,541	17,703
Total noncurrent assets	<u>3,012,774</u>	<u>2,990,213</u>
Total assets	<u>3,517,218</u>	<u>3,464,626</u>
Deferred outflows of resources		
Deferred loss on refunding	5,251	5,576
Difference between expected and actual experience	13,859	-
Pension contributions subsequent to measurement date	120,989	-
Total deferred outflows of resources	<u>140,099</u>	<u>5,576</u>
Total assets and deferred outflows of resources	<u>\$ 3,657,317</u>	<u>\$ 3,470,202</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities		
Accounts payable	\$ 56,702	\$ 71,078
Accrued payroll and fringe benefits	57,434	57,496
Advances from sponsors	33,979	26,636
Unearned revenue	48,361	44,010
Due to State of Hawai'i	12,510	6,272
Current portion of long-term liabilities	51,923	49,186
Other current liabilities	9,138	8,905
Total current liabilities	<u>270,047</u>	<u>263,583</u>
Noncurrent liabilities		
Accrued vacation	44,618	44,341
Accrued workers' compensation	9,926	8,918
Net pension liability	1,089,882	-
Other postemployment benefits	650,805	579,196
Due to State of Hawai'i	195	380
Revenue bonds payable	561,470	578,585
Premium on bonds payable	2,972	3,802
Note payable	17,000	17,000
Other noncurrent liabilities	16,819	12,871
Total noncurrent liabilities	<u>2,393,687</u>	<u>1,245,093</u>
Total liabilities	<u>2,663,734</u>	<u>1,508,676</u>
Deferred inflows of resources		
Difference between projected and actual earnings on pension plan	126,487	-
Changes in proportionate rate	24,675	-
Total deferred inflows of resources	<u>151,162</u>	<u>-</u>
Commitments and contingencies		
Net position		
Net investment in capital assets	1,503,902	1,519,669
Restricted		
Nonexpendable	235,894	218,133
Expendable	644,743	598,070
Unrestricted	(1,542,118)	(374,346)
Total net position	<u>842,421</u>	<u>1,961,526</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,657,317</u>	<u>\$ 3,470,202</u>

The accompanying notes are an integral part of the consolidated financial statements.

University of Hawai'i
State of Hawai'i
Consolidated Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2015 and 2014
(All dollars reported in thousands)

	2015	2014
Operating revenues		
Student tuition and fees	\$ 392,471	\$ 377,550
Less: Scholarship allowances	129,811	129,173
Net student tuition and fees	<u>262,660</u>	<u>248,377</u>
Federal appropriations, grants and contracts	325,531	357,185
State and local grants and contracts	29,033	30,072
Nongovernmental sponsored programs	31,696	39,799
Sales and services of educational departments, other	36,163	32,943
Auxiliary enterprises		
Bookstores	22,467	23,638
Student housing (net of scholarship allowances of \$1,537 and \$1,503)	31,164	29,644
Other auxiliary enterprises revenues	45,521	44,654
Other operating revenues	2,568	2,935
Total operating revenues	<u>786,803</u>	<u>809,247</u>
Operating expenses		
Compensation and benefits	1,093,021	1,070,419
Supplies, services and cost of goods sold	205,833	238,687
Depreciation	121,378	109,458
Telephone and utilities	72,282	79,860
Scholarships and fellowships	49,302	50,835
Travel expenses	33,022	33,279
Repairs and maintenance	33,545	26,907
Rental expenses	12,747	13,043
Other operating expenses	32,762	37,368
Total operating expenses	<u>1,653,892</u>	<u>1,659,856</u>
Operating loss	<u>(867,089)</u>	<u>(850,609)</u>
Nonoperating revenues (expenses)		
State appropriations	413,148	391,266
Federal Pell grants	66,144	67,265
Private gifts	31,870	61,127
Net investment income	4,659	51,520
Interest expense	(27,523)	(26,690)
Net transfers from (to) State of Hawai'i for		
Fringe benefits	162,969	153,919
Tobacco settlement	1,707	2,644
Interest on Tobacco settlement	(3)	(5)
Hawaii Barrel Tax	2,051	201
School of Nursing	133	983
University of Hawai'i Cancer Center	6,919	7,893
Loss on disposal of capital assets	(4,907)	(4,486)
Other, net	516	362
Net nonoperating revenues before capital and endowment additions (deductions)	<u>657,683</u>	<u>705,999</u>
Capital – state appropriations	161,822	142,029
Capital – federal grants/subsidies	4,460	15,865
Capital – gifts and grants	5,918	5,901
Net transfers to State of Hawai'i for capital assets	(1,026)	(17,727)
Transfers from State of Hawai'i, Tobacco settlement	9,924	9,926
Transfers from State of Hawai'i, University of Hawai'i Cancer Center	7,884	7,899
Transfers to Federal – capital assets	(5,315)	(4,156)
Additions to permanent endowments	19,426	9,502
Total other revenues	<u>203,093</u>	<u>169,239</u>
Net nonoperating revenues	<u>860,776</u>	<u>875,238</u>
Change in net position	<u>(6,313)</u>	<u>24,629</u>
Net position		
Beginning of year	1,961,526	1,936,897
Adjustment for change in accounting principle (Note 1)	(1,112,792)	-
Beginning of year, as restated	<u>848,734</u>	<u>1,936,897</u>
End of year	<u>\$ 842,421</u>	<u>\$ 1,961,526</u>

The accompanying notes are an integral part of the consolidated financial statements.

University of Hawai'i
State of Hawai'i
Consolidated Statements of Cash Flows
Years Ended June 30, 2015 and 2014
(All dollars reported in thousands)

	2015	2014
Cash flows from operating activities		
Student tuition and fees	\$ 261,826	\$ 247,158
Grants and contracts	396,744	416,854
Other revenues	141,264	135,080
Payments to employees	(862,510)	(847,053)
Payments to suppliers and other	(387,875)	(416,174)
Payments for scholarships and fellowships	(49,302)	(50,835)
Net cash used in operating activities	<u>(499,853)</u>	<u>(514,970)</u>
Cash flows from noncapital financing activities		
State appropriations	413,884	390,671
Gifts and grants for other than capital purposes	113,125	106,180
Transfer from State of Hawai'i for		
Hawaii Barrel Tax	2,051	201
School of Nursing	133	983
Tobacco Settlement	1,707	2,644
University of Hawai'i Cancer Center	6,919	7,893
Transfers to State of Hawai'i for		
Interest on Tobacco Settlement	(3)	(5)
Other receipts (disbursements)	229	(40)
Net cash provided by noncapital financing activities	<u>538,045</u>	<u>508,527</u>
Cash flows from capital and related financing activities		
Capital appropriations	111,762	131,053
Capital gifts and grants	10,382	21,748
Proceeds from note payable	-	500
Purchases of capital assets	(137,954)	(182,112)
Proceeds from sale of capital assets	1,245	5,912
Principal paid on capital debt	(15,521)	(14,906)
Interest paid on capital debt	(29,871)	(30,466)
Advance from State of Hawai'i	6,000	-
Transfer from State of Hawai'i, Tobacco settlement	9,924	9,926
Transfer from State of Hawai'i, University of Hawai'i Cancer Center	7,884	7,899
Net cash used in capital and related financing activities	<u>(36,149)</u>	<u>(50,446)</u>
Cash flows from investing activities		
Interest and dividends on investments, net	975	7,888
Proceeds from sales and maturities of investments	1,116,678	1,239,893
Purchase of investments	(1,094,192)	(1,205,289)
Net cash provided by investing activities	<u>23,461</u>	<u>42,492</u>
Net increase (decrease) in cash and cash equivalents	25,504	(14,397)
Cash and cash equivalents		
Beginning of year	<u>64,307</u>	<u>78,704</u>
End of year	<u>\$ 89,811</u>	<u>\$ 64,307</u>

The accompanying notes are an integral part of the consolidated financial statements.

University of Hawai'i
State of Hawai'i
Consolidated Statements of Cash Flows
Years Ended June 30, 2015 and 2014
(All dollars reported in thousands)

	2015	2014
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (867,089)	\$ (850,609)
Adjustments to reconcile operating loss to net cash used in operating activities		
On behalf payments by State for fringe benefits	162,969	153,919
Depreciation expense	121,378	109,458
Pension expense	(6,596)	-
Bad debt expense, net	3,454	2,651
Changes in operating assets and liabilities		
Accounts receivable	2,168	4,458
Notes and contributions receivable	317	497
Inventories	(157)	680
Prepaid expenses and other assets	(1,219)	10,097
Accounts payable	(4,990)	(6,063)
Accrued payroll and benefits	923	4,743
Accrued workers' compensation liability	1,244	(430)
Advances from sponsors	7,343	(8,566)
Other postemployment benefits	71,609	64,832
Other, net	8,793	(637)
Net cash used in operating activities	<u>\$ (499,853)</u>	<u>\$ (514,970)</u>
Supplemental information of noncash transactions		
Noncash contributions	\$ 2,196	\$ 1,437
Net transfers to State of Hawai'i for capital assets	(1,026)	(17,727)
Transfers to Federal for capital assets	(5,315)	(4,156)
Accounts payable for capital assets	20,577	29,963

The accompanying notes are an integral part of the consolidated financial statements.

University of Hawai'i
State of Hawai'i
Notes to Consolidated Financial Statements
June 30, 2015 and 2014
(All dollars reported in thousands)

1. Organization and Summary of Significant Accounting Policies

Financial Reporting Entity

The accompanying consolidated financial statements of the University of Hawai'i (the "University") include the activities of the University of Hawai'i at Mānoa, University of Hawai'i at Hilo, University of Hawai'i at West O'ahu, University of Hawai'i at Maui College, University of Hawai'i Community Colleges and its component units. The University has defined its reporting entity in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The basic criterion for including a potential component unit within the reporting entity is financial accountability. Other criteria include fiscal dependency and the nature and significance of the relationship are such that exclusion would cause the financial statements of the University to be misleading. Accordingly, the financial information of the Research Corporation of the University of Hawai'i (the "Research Corporation") and the University of Hawai'i Foundation (the "Foundation") have been blended with the University's financial activity in the accompanying consolidated financial statements.

Complete financial statements of the Research Corporation can be obtained at the Research Corporation of the University of Hawai'i, 2800 Woodlawn Drive, Honolulu, HI 96822. The Foundation's federal Form 990 is available for inspection as required by Internal Revenue Code ("IRC") Section 6104 at the University of Hawai'i Foundation, 2444 Dole Street, Bachman Hall, Room 101, Honolulu, HI 96822.

Similarly, the University is fiscally dependent upon the State of Hawai'i (the "State") and therefore, the State is financially accountable for the University as defined by GASB Statement No. 14. Accordingly, the University's financial information is discretely presented as a component unit within the State's comprehensive annual financial report ("CAFR").

The University is classified as a state instrumentality under IRC Section 115, and is therefore exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under IRC Sections 511 and 514.

Basis of Presentation

The University follows the reporting model prescribed for special-purpose governments engaged only in business-type activities, as defined in GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended. The consolidated financial statements of the University are presented using the economic resources measurement focus and the accrual basis of accounting.

The Foundation's accounting policies conform to accounting principles generally accepted in the United States ("GAAP") applicable to not-for-profit organizations as promulgated by the FASB. The Foundation's financial information has been converted to conform to the University's presentation.

The Research Corporation's accounting policies conform to GAAP applicable to business-type activities of governmental units as promulgated by the GASB.

University of Hawai'i
State of Hawai'i
Notes to Consolidated Financial Statements
June 30, 2015 and 2014
(All dollars reported in thousands)

Cash, Cash Equivalents and Investments

The University considers all cash and investments with original maturities of three months or less to be cash equivalents. The carrying amounts reported in the Consolidated Statements of Net Position for cash equivalents approximate fair value due to the short maturity of these investments.

The University classifies unspent cash, cash equivalents and investments from the issuance of revenue bonds held with an escrow agent and invested until used for the cost of construction as noncurrent assets.

Investments

Investments in money market funds, fixed income securities, equity securities, and mutual funds with readily determinable fair values are reported at fair value based on quoted market prices. Investment agreements, absolute return funds and real assets are reported at fair value, which is generally based on information provided by the respective external investment manager at the most recent valuation date and from the valuation date to fiscal year-end, if applicable. Investments in limited partnerships and real estate are not readily marketable and involve assumptions and methods that are reviewed by management. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investment existed. Unrealized gains and losses on investments are included in the Consolidated Statements of Revenues, Expenses and Changes in Net Position. Realized gains and losses are computed as the difference between the proceeds of the sale and the cost basis of the investment sold. The calculation of realized gains and losses is independent of the calculation of net changes in the fair value of investments.

The title to investment securities is vested in the name of Securities and Exchange Commission ("SEC") registered brokerage firms representing the various investment managers of the University and the Foundation. The title to short-term investments, made from pooled cash, is vested in the name of the University or the Foundation.

Due from and Due to State

The State Director of Budget and Finance is responsible for the safekeeping of all cash in the State Treasury in accordance with State laws. Currently, separate accounts are not maintained in the State Treasury for the University's general operating and capital appropriations. Although these appropriations are available to the University to expend, custody and ownership of the funds remain with the State. Unspent general and capital appropriations that continue to be available to the University for expenditure at the end of the fiscal year are reported as Due from State of Hawai'i in the accompanying Consolidated Statements of Net Position.

Amounts due to the State of Hawai'i are primarily due to operating or capital advances and general obligation bond debt service requirements.

Perpetual Trusts

The Foundation is the beneficiary of certain perpetual trusts held and administered by others. The fair value of the estimated future cash receipts from the trusts is recognized as assets and contribution revenues when the Foundation is notified of their existence. The reported value of the assets is fair value.

University of Hawai'i
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June 30, 2015 and 2014
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Split Interest Agreements

The Foundation's split-interest agreements with donors consist of irrevocable pooled income funds, charitable remainder trusts and charitable gift annuities for which the Foundation serves as trustee. Assets held under the split interest agreements are included in investments. Contribution revenues are recognized at the date the split interest agreements are established after recording liabilities for the present value (utilizing discount rates ranging from two percent to five percent) of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the split-interest agreements for changes in the fair value of the assets, accretion of the discount, and other changes in the estimates of future benefits.

Accounts Receivable

Accounts receivable are initially recorded at the amount invoiced or otherwise due and normally do not bear interest. The University maintains an allowance for doubtful accounts to reduce receivables to their estimated collectible amount. Management estimates the allowance for uncollectible receivables based on a specific review of customer balances, the overall aging of outstanding balances, historical collection experience, and current business and economic conditions. Delinquent accounts in excess of two years are written off upon approval of University general counsel and when, in the judgment of management, they are deemed uncollectible based on an evaluation of the specific circumstances.

Contributions

The Foundation receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements, including time requirements, have been met. In absence of such a promise, revenue is recognized when the gift is received. Endowment pledges that do not meet eligibility requirements, as defined by GASB Statement No. 33, are not recorded as assets until the related gift is received.

Capital Assets

Capital assets are recorded at cost, or if donated, at an appraised value at the date of the gift. Depreciation of capital assets is provided for on a straight-line basis over the estimated useful lives (3 to 100 years) of the respective assets. The University's policy is to capitalize tangible, nonexpendable personal property having an estimated useful life of more than one year. Interest incurred on tax-exempt construction financing, net of investment income on any unspent financing proceeds, is capitalized as a cost of construction. When taxable debt is incurred specifically for a project, interest is capitalized on amounts expended on the project using the weighted-average cost of outstanding borrowings. The capitalization of interest ceases when the project is substantially complete or construction activity is suspended for more than a brief period. The University incurred interest cost of \$29,156 and \$29,720 for the years ended June 30, 2015 and 2014, respectively, of which capitalized interest as a cost of construction amounted to \$1,633 and \$3,030, respectively. The University does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered. Accordingly, such collections are not recognized or capitalized for financial statement purposes. Maintenance and repairs, as well as minor replacements, renewals and betterments, are charged to operations. Major renewals, replacements and betterments are capitalized in the year incurred. Capital assets retired or otherwise disposed of are removed from the appropriate asset and related accumulated depreciation accounts. Gains and losses on disposals and the net book value of transfers of capital assets are reflected in operations.

University of Hawai'i
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Notes to Consolidated Financial Statements
June 30, 2015 and 2014
(All dollars reported in thousands)

The University evaluates the future service utility of capital assets when events or changes in circumstances have occurred. A diminished service utility of the University's capital assets is reported as an impairment loss and netted against any insurance or appropriated recoveries.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period. The University defers recognition of the loss on debt refunding related to issuance of its revenue bonds and amortizes these costs over the life of the bonds using the effective interest rate method. The deferred outflow of resources related to pensions resulted from differences between expected and actual experience which will be amortized over five years and University contributions to the pension plan subsequent to the measurement date of the actuarial valuations for the pension plans which will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Advances from Sponsors

Amounts received from grant and contract sponsors which have not been earned under the terms of the agreement are deferred and reported as advances from sponsors in the Consolidated Statements of Net Position.

Unearned Revenue

Unearned revenue includes amounts received in advance of an event such as student tuition and advance sports ticket sales related to a future period.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employee's Retirement System ("ERS") and additions to/deductions from the ERS's fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at their fair value.

Other Postemployment Benefits

The University applies the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which requires accrual-based measurement and recognition and disclosure of other postemployment benefits ("OPEB") expense, such as retiree medical and dental costs, over the employees' years of service, along with the related liability.

Revenue Bonds Payable

Revenue bonds payable include outstanding amounts due from the issuance of revenue bonds by the University.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position by the University that is applicable to a future reporting period. The deferred inflow of resources related to pensions resulted from the difference between projected and actual earnings on the pension plan and changes in the proportionate rate. These amounts are deferred and amortized over five years.

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(All dollars reported in thousands)

Net Position

The University's net position is classified into the following four net position categories:

- **Net investment in capital assets** – This component of net position represents the University's total investment in capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those capital assets.
- **Restricted**
 - Nonexpendable – Net position subject to externally imposed stipulations that they be maintained permanently by the University, which includes the University's permanent endowment funds.
 - Expendable – Net position that is restricted for specific purposes by sponsors, donors or law. Restrictions in these assets are released when the University complies with the stipulations required by the sponsor, donor or legislative act.
- **Unrestricted** – Net position not classified as restricted or net investment in capital assets and not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Regents ("Board") or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic and research programs and initiatives, and capital asset programs.

When an expense is incurred for purposes for which both restricted and unrestricted resources are available to pay the expenses, resources are generally applied proportionate to the benefit realized. For instances in which such a determination is not feasible or if there are cost compliance issues, unrestricted resources are applied first.

Net Position Restricted by Enabling Legislation

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34*, requires that limitations on the use of net position imposed by enabling legislation be reported as restricted net position. GASB Statement No. 46 also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Restricted net position at June 30, 2015 and 2014 amounted to \$880,637 and \$816,203, respectively, of which \$380,053 and \$323,863 were restricted by enabling legislation for capital activity.

Operating and Nonoperating Activities

The University's policies for defining operating activities, as reported on the Consolidated Statements of Revenues, Expenses and Changes in Net Position, are those that generally result from exchange transactions such as payments received for providing services and goods and payments made for services and goods received. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including state appropriations, gifts and investment income.

Student tuition and fees revenues are recognized in the period earned. Revenues for programs that cross fiscal years are prorated between the two fiscal years.

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(All dollars reported in thousands)

The University recognizes revenue associated with the direct costs of research and training grants and contracts as the related expenses are incurred.

Bookstore revenues are recognized at the point of sale. Sales returns (which are not significant) are recognized at the time returns are made.

Room and other rental revenues are recognized over the period the room is occupied. Room and other rental revenues for the summer term are recognized in the fiscal year in which the term primarily falls. Had room and other rental revenues for the summer term been prorated between fiscal years, the difference would not be material.

Scholarships and Fellowships

Scholarships and fellowships, including tuition and fee waivers applied to student accounts, are shown as a reduction to student tuition and student housing revenues. Stipend and other payments made directly to students are reflected as scholarships and fellowships expense.

State Appropriations

The University recognizes general operating and capital appropriations as nonoperating revenue when allotments are made available to the University for expenditure. If restrictions are placed on such appropriations, the restrictions are given separate and discrete accounting recognition.

Management's Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. These estimates, among others, include workers' compensation liabilities, net pension liabilities, postemployment benefit liabilities, allowances for uncollectible receivables, the useful lives of capital assets, the valuation of investments, and the current versus noncurrent classification of assets and liabilities.

With respect to workers' compensation insurance, the University is self-insured for the first \$500 per occurrence and annual aggregate, and obtains excess insurance of \$50,000 from a commercial insurance company. The University records a liability for risk financing and insurance related losses if it is determined that a loss has been incurred and the amount can be reasonably estimated. The University uses a third-party actuary to estimate its workers' compensation liability. Changes in the liability are the result of claims payments made during the fiscal year, new claims filed, and changes in the estimates of existing claims. Anticipated payments by the third party for the next fiscal year are considered current and payments thereafter are considered noncurrent. The liability represents the University's best estimate of workers' compensation liabilities based on available information. The University's estimated liability for workers' compensation claims is included in "Other Liabilities" in the accompanying Consolidated Statements of Net Position (see Note 11).

The University also uses a third-party actuary to estimate its net pension liability and postretirement health care and life insurance benefit obligations. The assumptions used to determine the liabilities are described in Notes 14 and 15.

The allowance for uncollectible receivables is a valuation account used to estimate the portion of accounts, notes and contributions receivable that are considered uncollectible.

University of Hawai'i
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June 30, 2015 and 2014
(All dollars reported in thousands)

The University depreciates its capital assets using useful lives internally or externally determined to represent the expected service period of the asset.

In general, the fair value of investments has been determined using values supplied by independent pricing services.

New Accounting Pronouncements

In 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Management has adopted the new standard as presented in the University's consolidated financial statements. Due to the adoption of GASB Statement No. 68 in fiscal year 2015, beginning net position was restated. The beginning net position as of July 1, 2014 was restated by \$1,112,792 from \$1,961,526 to \$848,734. Retroactive implementation of GASB Statement No. 68 was not deemed practical due to the cost and timing required to obtain and analyze the activity covering fiscal year 2014. As such, the University's fiscal year 2014 financial statements are presented in accordance with GASB Statement No. 27.

In 2015, the University adopted GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This Statement amends and addressed an issue regarding application of the transition provisions of Statement No. 68. Management has adopted the new standard as presented in the University's financial statements.

The GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015. The University is currently evaluating this accounting pronouncement.

The GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The Statement establishes accounting and financial reporting requirements by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The University is currently evaluating this accounting pronouncement.

The GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The Statement replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The Statement addresses the financial reports of defined benefit other post-employment benefit plans that are administered through trusts that meet specified criteria. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The University is currently evaluating this accounting pronouncement.

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Statement replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement will require governments to report a liability on the face of the financial statements for the other post-employment benefits that they provide. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The University is currently evaluating this accounting pronouncement.

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The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The Statement reduces the generally accepted accounting principles ("GAAP") to two categories of authoritative GAAP. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category includes GASB Implementation Guides, GASB Technical Bulletins, and guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015. The University is currently evaluating this accounting pronouncement.

2. Cash and Investments

The carrying amounts of cash and cash equivalents and time certificates of deposit held outside of the State Treasury as of June 30, 2015 and 2014, classified as cash and cash equivalents and operating investments, were \$299,528 and \$267,023, with corresponding bank balances of \$292,908 and \$285,460, respectively. The portion of such bank balances covered by the Federal Deposit Insurance Corporation or by collateral held by the State Director of Finance in the name of the University totaled \$282,960 at June 30, 2015 and \$280,632 at June 30, 2014. Additional cash equivalent balances of \$6,608 at June 30, 2015 and \$2,180 at June 30, 2014 represent deposits with investment brokers covered by the Securities Investor Protection Corporation and additional insurance provided by the investment brokers.

Endowment funds are combined in investment pools with each individual account subscribing to or disposing of shares on the basis of the market value per share.

Cost of securities sold is determined using the first-in first-out method.

As a result of market fluctuations, the fair market value of certain donor-restricted endowments was less than the historical cost of such funds by \$4,161 and \$2,099 at June 30, 2015 and 2014, respectively. These unrealized losses have been recorded as reductions in unrestricted net position. Future market gains will be used to restore this deficiency in unrestricted net position before any net appreciation above the historical cost value of such funds increases restricted expendable net position.

- **Endowment funds** are received from benefactors who, by the terms of their conveying instruments, have stipulated that the principal of their gifts may never be expended, and use of the income is generally restricted.
- **Quasi-endowment funds** are funds that have been transferred to the endowment funds by the Board. Use of the income is either restricted by the donor or unrestricted and designated by the Board.

The Hawai'i Uniform Prudent Management of Institutional Funds Act ("HUPMIFA"), established under Hawai'i Revised Statute §517E, was enacted by the State of Hawai'i on July 1, 2009. HUPMIFA requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the University classifies as restricted nonexpendable net position (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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The remaining portion of the donor-restricted endowment fund that is not classified in restricted nonexpendable net position is classified as restricted expendable net position until those amounts are expended and distributed by the University in accordance with its Board-approved spending rate policy and in a manner consistent with the standard of prudence prescribed by HUPMIFA. In fiscal years 2015 and 2014, the University's spending rate policy provided for annual distributions was four and a half percent of the trailing five-year moving average of the endowment fair value.

Investment management fees incurred by the University during fiscal years 2015 and 2014 were \$1,423 and \$1,486, respectively.

At June 30, 2015 and 2014, the University's investments were comprised of the following:

	2015		2014	
	Fair Value	Cost	Fair Value	Cost
Money market funds	\$ 17,880	\$ 17,880	\$ 25,406	\$ 25,406
Fixed income securities	171,488	172,227	197,922	199,786
Equity securities	5,658	5,183	5,754	5,137
Mutual funds	170,153	166,251	159,894	149,981
Time certificates of deposit	210,015	210,015	203,014	203,014
Limited partnerships	75,651	43,105	72,645	42,392
Absolute return	27,814	22,905	26,914	22,349
Real estate	23,957	27,365	24,802	23,435
Other investments	59,868	48,304	61,155	48,525
Total investments	<u>762,484</u>	<u>713,235</u>	<u>777,506</u>	<u>720,025</u>
Less: Current portion	<u>285,241</u>	<u>284,871</u>	<u>278,046</u>	<u>277,865</u>
Total noncurrent investments	<u>\$ 477,243</u>	<u>\$ 428,364</u>	<u>\$ 499,460</u>	<u>\$ 442,160</u>

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Changes in the University's investments for the year ended June 30, 2015 were as follows:

	Fair Value	Cost Basis	Net Unrealized Gain (Loss)	Net Realized Gain (Loss)
University Endowment Pool				
End of year	\$ 65,557	\$ 63,930	\$ 1,627	
Beginning of year	66,217	64,643	1,574	
Net change	<u>(660)</u>	<u>(713)</u>	<u>53</u>	\$ (234)
Foundation Endowment Pool				
End of year	265,685	217,861	47,824	
Beginning of year	264,174	210,514	53,660	
Net change	<u>1,511</u>	<u>7,347</u>	<u>(5,836)</u>	6,861
Associated Students of the University of Hawai'i				
End of year	8,099	7,613	486	
Beginning of year	8,251	7,561	690	
Net change	<u>(152)</u>	<u>52</u>	<u>(204)</u>	161
School of Medicine				
End of year	5,516	5,516	-	
Beginning of year	5,622	5,622	-	
Net change	<u>(106)</u>	<u>(106)</u>	<u>-</u>	-
University Bond System				
End of year	24,830	24,830	-	
Beginning of year	53,537	53,539	(2)	
Net change	<u>(28,707)</u>	<u>(28,709)</u>	<u>2</u>	-
Operating investments				
End of year	285,241	284,871	370	
Beginning of year	278,046	277,865	181	
Net change	<u>7,195</u>	<u>7,006</u>	<u>189</u>	49
Other				
End of year	107,556	108,614	(1,058)	
Beginning of year	101,659	100,281	1,378	
Net change	<u>5,897</u>	<u>8,333</u>	<u>(2,436)</u>	1,499
Total investments				
End of year	762,484	713,235	49,249	
Beginning of year	777,506	720,025	57,481	
Net change	<u>\$ (15,022)</u>	<u>\$ (6,790)</u>	<u>\$ (8,232)</u>	<u>\$ 8,336</u>

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Changes in the University's investments for the year ended June 30, 2014 were as follows:

	Fair Value	Cost Basis	Net Unrealized Gain (Loss)	Net Realized Gain (Loss)
University Endowment Pool				
End of year	\$ 66,217	\$ 64,643	\$ 1,574	
Beginning of year	60,234	54,269	5,965	
Net change	<u>5,983</u>	<u>10,374</u>	<u>(4,391)</u>	\$ 10,927
Foundation Endowment Pool				
End of year	264,174	210,514	53,660	
Beginning of year	225,141	195,464	29,677	
Net change	<u>39,033</u>	<u>15,050</u>	<u>23,983</u>	9,070
Associated Students of the University of Hawai'i				
End of year	8,251	7,561	690	
Beginning of year	7,126	6,479	647	
Net change	<u>1,125</u>	<u>1,082</u>	<u>43</u>	1,082
School of Medicine				
End of year	5,622	5,622	-	
Beginning of year	5,099	5,099	-	
Net change	<u>523</u>	<u>523</u>	<u>-</u>	(1)
University Bond System				
End of year	53,537	53,539	(2)	
Beginning of year	83,876	83,957	(81)	
Net change	<u>(30,339)</u>	<u>(30,418)</u>	<u>79</u>	(94)
Operating investments				
End of year	278,046	277,865	181	
Beginning of year	298,841	298,862	(21)	
Net change	<u>(20,795)</u>	<u>(20,997)</u>	<u>202</u>	4
Other				
End of year	101,659	100,281	1,378	
Beginning of year	86,644	88,176	(1,532)	
Net change	<u>15,015</u>	<u>12,105</u>	<u>2,910</u>	916
Total investments				
End of year	777,506	720,025	57,481	
Beginning of year	766,961	732,306	34,655	
Net change	<u>\$ 10,545</u>	<u>\$ (12,281)</u>	<u>\$ 22,826</u>	<u>\$ 21,904</u>

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	2015	2014
Summary of net investment income		
Change in unrealized net gain (loss)	\$ (8,232)	\$ 22,826
Net realized gain	8,336	21,904
	<u>104</u>	<u>44,730</u>
Interest and dividend income	7,974	7,621
Other	<u>(1,996)</u>	<u>655</u>
Investment income before management fees	6,082	53,006
Less: Management fees	<u>1,423</u>	<u>1,486</u>
Net investment income	<u>\$ 4,659</u>	<u>\$ 51,520</u>

The Board is responsible for the establishment of policies over and monitoring of operating investments and endowments held by the University. Investments authorized by the Board include equity investments, bond investments, certificates of deposit, money market funds, U.S. Government, its Agencies, or its Instrumentalities securities, securities guaranteed or collateralized by the U.S. Government, its Agencies or its Instrumentalities and other types of investments.

The Board of Directors of the Foundation is responsible for the establishment of policies over and monitoring of investments and endowments held by the Foundation.

The University's investment strategy incorporates certain financial instruments, which involve, to varying degrees, elements of market risk and credit risk. Market risk is the potential for changes in the value of financial instruments due to market changes, including interest and foreign exchange rate movements and fluctuations embodied in forward and futures, commodity or security prices. Market risk is directly impacted by the volatility and liquidity of the markets in which the related underlying assets are traded. Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. The University's risk of loss in the event of counterparty default is typically limited to the amounts recognized in the Consolidated Statements of Net Position and is not represented by the contract or notional amounts of the instruments.

Investment Risk Factors

There are many factors that affect the value of investments. Some, such as custodial credit risk, concentration risk and foreign currency risk may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

Concentration Risk

Concentration risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit development. The University limits its risk of concentration of assets by limiting individual bond positions other than obligations of the U.S. government to not more than five percent of the total fixed income portion of the portfolio. Individual equities are limited to not more than five percent of the total market value of the stock portfolio. In addition, investment in any one stock is not to exceed five percent of a corporation's outstanding common stock.

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Credit Risk

Credit risk for fixed income securities is the risk that the issuer will not fulfill its obligations. Nationally recognized statistical rating organizations, such as Moody's and Standard and Poor's ("S&P"), assign credit ratings to security issuers and issues that indicate a measure of potential credit risk to investors. To manage credit risk, the University specifies that all nonconvertible bonds should have at least a "BBB" rating or higher and be readily marketable. In addition, no more than 15 percent of the fixed income investments may be graded with an S&P quality rating below "A". The University's mutual bond funds are not rated and classified as such. The underlying securities of the mutual bond funds are graded with an S&P quality rating of "A" or higher.

The composition of fixed income securities at June 30, 2015 and 2014, along with credit quality ratings, is summarized below:

	Fair Value	Credit Quality Rating					Not Rated
		U.S. Govt-Exempt	AAA	AA	A	BBB	
2015							
U.S. Treasury	\$ 62,153	\$ 62,153	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. government agencies	108,746	-	-	108,746	-	-	-
Corporate bonds	589	-	27	134	264	164	-
Mutual bond funds	106,767	-	-	-	-	-	106,767
Total fixed income securities	<u>\$ 278,255</u>	<u>\$ 62,153</u>	<u>\$ 27</u>	<u>\$ 108,880</u>	<u>\$ 264</u>	<u>\$ 164</u>	<u>\$ 106,767</u>

	Fair Value	Credit Quality Rating					Not Rated
		U.S. Govt-Exempt	AAA	AA	A	BBB	
2014							
U.S. Treasury	\$ 76,926	\$ 76,926	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. government agencies	120,278	-	-	120,278	-	-	-
Corporate bonds	718	-	-	79	346	293	-
Mutual bond funds	106,417	-	-	-	-	-	106,417
Total fixed income securities	<u>\$ 304,339</u>	<u>\$ 76,926</u>	<u>\$ -</u>	<u>\$ 120,357</u>	<u>\$ 346</u>	<u>\$ 293</u>	<u>\$ 106,417</u>

Interest Rate Risk

Interest rate risk is the risk that the value of fixed income securities will decline because of changing interest rates. The prices of fixed income securities with a longer time to maturity tend to be more sensitive to changes in interest rates and, therefore, are more volatile than those with shorter maturities.

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At June 30, 2015, the composition of the University's fixed income investments and maturities are summarized below:

	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. Treasury	\$ 62,153	\$ 20,311	\$ 40,118	\$ 1,707	\$ 17
U.S. government agencies	108,746	36,655	47,824	13,533	10,734
Corporate bonds	589	35	372	182	-
Mutual bond funds	106,767	23,479	20,165	54,866	8,257
Total fixed income securities	<u>\$ 278,255</u>	<u>\$ 80,480</u>	<u>\$ 108,479</u>	<u>\$ 70,288</u>	<u>\$ 19,008</u>

Foreign Currency Risk

Foreign currency risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University's investment policy permits investments in publicly-traded foreign securities.

At June 30, 2015 and 2014, the University's exposure to foreign currency risk expressed in U.S. dollars was not significant.

3. Accounts Receivable

The composition of accounts receivable at June 30, 2015 and 2014 is summarized as follows:

	2015	2014
U.S. government	\$ 56,904	\$ 58,485
State and local government	7,211	6,403
Private agencies	7,237	7,773
Other	45,372	42,984
	<u>116,724</u>	<u>115,645</u>
Less: Allowance for uncollectible receivables	<u>29,005</u>	<u>26,344</u>
	<u>\$ 87,719</u>	<u>\$ 89,301</u>

4. U.S. Government Funding

The federal government reimburses the University for certain overhead costs (e.g., facilities and administrative costs) incurred in support of federally-sponsored programs based on cost reimbursement rates negotiated with the University's cognizant agency, the U.S. Department of Health and Human Services. These reimbursements amounted to approximately \$44,936 in 2015 and \$44,142 in 2014.

The University's federal grants and contracts are subject to periodic audit by federal examiners. In the opinion of the University, any adjustments which may be required as a result of these audits would not be material to the overall financial position of the University.

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5. Notes and Contributions Receivable

The composition of notes and contributions receivable at June 30, 2015 and 2014 is summarized as follows:

	2015	2014
Student notes		
Federal loan programs	\$ 18,181	\$ 19,079
State loan programs	7,999	8,095
University loan funds	68	68
Other notes receivable	43	47
Total student and other notes outstanding	<u>26,291</u>	<u>27,289</u>
Less: Allowance for uncollectible receivables	<u>7,760</u>	<u>7,954</u>
Total student and other notes receivable, net	<u>18,531</u>	<u>19,335</u>
Contributions receivable	48,066	52,635
Less: Allowance for uncollectible pledges	1,300	1,207
Less: Discount to present value	921	859
Total contributions receivable, net	<u>45,845</u>	<u>50,569</u>
Total student notes and contributions receivable, net	<u>64,376</u>	<u>69,904</u>
Less: Current portion, net	<u>16,221</u>	<u>17,788</u>
	<u>\$ 48,155</u>	<u>\$ 52,116</u>

The allowance for uncollectible receivables at June 30, 2015 and 2014 is comprised of:

	2015	2014
Federal Perkins loan program	\$ 4,393	\$ 4,575
State of Hawai'i Higher Education loans	3,305	3,317
Nursing/Health Profession loans	34	34
Hawai'i Educator loans	-	-
Short-term loans	28	28
	<u>\$ 7,760</u>	<u>\$ 7,954</u>

Payments on contributions receivable at June 30, 2015 are expected to be collected in:

Less than one year	\$ 13,600
One year to five years	<u>34,466</u>
	<u>\$ 48,066</u>

The principal repayment and interest rate terms of federal and University loans vary considerably. The allowance for uncollectible receivables only applies to University funded notes and the University's portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. Federal loan programs are funded principally with federal advances to the University under the Perkins and various health profession loan programs.

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The Federal Perkins loan program provides for the assignment of uncollectible loans to the U.S. Department of Education for collection. Uncollectible Nursing and Health Profession loans may be written off with the approval of the U.S. Department of Health and Human Services, Division of Financing Services. Uncollectible State of Hawai'i Higher Education loans, Hawai'i Educator loans and University short-term loans may be written off with the approval of the University's General Counsel.

During the years ended June 30, 2015 and 2014, the University distributed \$2,668 and \$2,628 in student loans through the U.S. Department of Education Federal Perkins Loan Program, respectively, and \$157,913 and \$151,730 in Direct Loan programs, respectively. These distributions and related funding sources are not included as expenses or revenues in the accompanying financial statements.

As discussed in Note 1 to the consolidated financial statements, pledges for permanent endowments that do not meet eligibility requirements, as defined by GASB Statement No. 33, are not recorded as assets until the related gift is received. Accordingly, permanent endowment pledges totaling approximately \$39,960 and \$9,359 at June 30, 2015 and 2014, respectively, were not recognized as assets in the accompanying consolidated financial statements because of uncertainties with regard to their realizability, valuation, bequest intentions and other conditional promises until the specified conditions are met.

Unconditional promises to give (contributions receivable) that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in private gift revenues.

6. Inventories

The inventories and the methods of valuation at June 30, 2015 and 2014 are summarized below:

		2015	2014
University of Hawai'i Bookstore merchandise inventory	Lower of cost or market using the first-in, first-out retail inventory method.	\$ 8,396	\$ 8,453
University of Hawai'i Chemistry Stockroom	Cost applied on the first-in, first-out basis.	988	1,103
University of Hawai'i Facilities Management Warehouse	Cost applied on the first-in, first-out basis.	1,055	1,034
University of Hawai'i Press merchandise inventory	Job order or specific identification method. Books remaining in the inventory after the first year of publication are written off on the straight-line basis over a five-year period.	758	676
University of Hawai'i other inventory	Lower of cost or market using the weighted average cost method.	568	342
		<u>\$ 11,765</u>	<u>\$ 11,608</u>

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7. Capital Assets

A summary of capital assets at June 30, 2015 and 2014 is as follows:

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
2015					
Nondepreciable capital assets					
Land	\$ 36,211	\$ -	\$ -	\$ 1,385	\$ 37,596
Construction in progress	230,965	100,367	3,303	(78,241)	249,788
Total capital assets not being depreciated	267,176	100,367	3,303	(76,856)	287,384
Depreciable capital assets					
Land improvements	127,590	307	-	1,116	129,013
Infrastructure	170,432	624	-	3,320	174,376
Buildings	2,192,091	13,474	24,063	67,124	2,248,626
Equipment	383,343	13,368	24,652	5,296	377,355
Library materials	161,839	2,571	-	-	164,410
Total capital assets being depreciated	3,035,295	30,344	48,715	76,856	3,093,780
Less: Accumulated depreciation	1,230,621	121,378	39,526	-	1,312,473
Capital assets, net	\$ 2,071,850	\$ 9,333	\$ 12,492	\$ -	\$ 2,068,691
2014					
Nondepreciable capital assets					
Land	\$ 14,891	\$ 87	\$ -	\$ 21,233	\$ 36,211
Construction in progress	397,825	145,838	6,080	(306,618)	230,965
Total capital assets not being depreciated	412,716	145,925	6,080	(285,385)	267,176
Depreciable capital assets					
Land improvements	122,161	28	-	5,401	127,590
Infrastructure	149,100	552	15,290	36,070	170,432
Buildings	1,964,451	15,062	20,988	233,566	2,192,091
Equipment	366,068	22,529	15,602	10,348	383,343
Library materials	159,466	2,373	-	-	161,839
Total capital assets being depreciated	2,761,246	40,544	51,880	285,385	3,035,295
Less: Accumulated depreciation	1,146,842	109,458	25,679	-	1,230,621
Capital assets, net	\$ 2,027,120	\$ 77,011	\$ 32,281	\$ -	\$ 2,071,850

Capital assets consist of land, land improvements, infrastructure, buildings, equipment, library materials, and construction in progress. Construction in progress ("CIP") additions represent costs for new projects, net of the amount of capital assets placed in service. CIP is not depreciated until the asset is placed in service. Assets acquired are recorded at cost, or if donated, at appraised value at the date of the gift. Land parcels comprising 5,374 acres, or 22 percent of the University's property, are recorded at the State's value of \$1 per parcel. Assets owned by the federal government, although in the custody of the University, are not included in the capital asset total.

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8. Other Noncurrent Assets

Other noncurrent assets at June 30, 2015 and 2014 were comprised of:

	2015	2014
Interest in beneficial trusts held by others	\$ 17,044	\$ 15,159
Prepaid bond insurance	317	337
Other	2,180	2,207
	<u>\$ 19,541</u>	<u>\$ 17,703</u>

9. Due From and Due To the State of Hawai'i

Amounts due from and due to the State of Hawai'i at June 30, 2015 and 2014 were as follows:

	2015		2014	
	Due from	Due to	Due from	Due to
State appropriations for current operations	\$ 188		\$ 924	
State capital appropriations – noncurrent	399,144		349,084	
Total due from State of Hawai'i	<u>\$ 399,332</u>		<u>\$ 350,008</u>	
Imprest/petty cash advances		\$ 84		\$ 86
Advance		12,000		6,000
General obligation bonds – current		185		176
Employee fringe adjustments		241		10
Due to State of Hawai'i – current		<u>12,510</u>		<u>6,272</u>
General obligation bonds – noncurrent		195		380
Total due to State of Hawai'i		<u>\$ 12,705</u>		<u>\$ 6,652</u>

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10. Due to the State of Hawai'i for General Obligation Bonds

Activity related to amounts due to the State of Hawai'i for general obligation bonds for the year ended June 30, 2015 is as follows:

	Original Amount	Beginning Balance	Principal Repayment	Ending Balance
Series DB (interest rate, 2.80% to 5.25%)				
Student Housing				
Mānoa	\$ 731	\$ 282	\$ 89	\$ 193
Hilo	143	55	17	38
Parking Structure Phase I	425	164	52	112
	<u>1,299</u>	<u>501</u>	<u>158</u>	<u>343</u>
Series DG (interest rate, 5.00%)				
Student Housing				
Mānoa	82	32	10	22
Hilo	16	5	2	3
Parking Structure Phase I	47	18	6	12
	<u>145</u>	<u>55</u>	<u>18</u>	<u>37</u>
	<u>\$ 1,444</u>	<u>\$ 556</u>	<u>\$ 176</u>	<u>\$ 380</u>

Activity related to amounts due to the State of Hawai'i for general obligation bonds for the year ended June 30, 2014 is as follows:

	Original Amount	Beginning Balance	Principal Repayment	Ending Balance
Series DB (interest rate, 2.80% to 5.25%)				
Student Housing				
Mānoa	\$ 731	\$ 366	\$ 84	\$ 282
Hilo	143	71	16	55
Parking Structure Phase I	425	213	49	164
	<u>1,299</u>	<u>650</u>	<u>149</u>	<u>501</u>
Series DG (interest rate, 5.00%)				
Student Housing				
Mānoa	82	41	9	32
Hilo	16	7	2	5
Parking Structure Phase I	47	24	6	18
	<u>145</u>	<u>72</u>	<u>17</u>	<u>55</u>
	<u>\$ 1,444</u>	<u>\$ 722</u>	<u>\$ 166</u>	<u>\$ 556</u>

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General obligation bonds are payable in annual installments, including semi-annual interest payments, with final payment due in July 2017. The bonds mature in designated numerical sequence and are payable from the operations of the University. The interest and principal payments are due as follows:

	Principal	Interest
Series DB	September 1	March 1 and September 1
Series DG	July 1	January 1 and July 1

At June 30, 2015, principal and interest maturities on general obligation bonds are as follows:

	Principal	Interest
Year ending June 30,		
2016	\$ 185	\$ 1
2017	195	-
	<u>\$ 380</u>	<u>\$ 1</u>

The general obligation bonds have provisions for early redemption. The premiums on bond redemption, as a percentage of the bond principal redeemed, range from 0.5 percent to 2 percent.

In June 2005, the State issued \$772,600 in general obligation Series DG (refunding bonds), of which the University's portion was approximately \$145, with a five percent interest rate to advance refund approximately \$152 (University's portion) of outstanding general obligation Series CG bonds (refunded bonds) which have been partially defeased. The net proceeds from the issuance of the refunding bonds were placed in an irrevocable trust and were used to purchase securities of the United States government at various interest rates and maturities sufficient to meet the debt service requirements of the refunded bonds.

In September 2003, the State issued \$188,700 in general obligation Series DB bonds (refunding bonds) of which the University's portion was approximately \$1,299, with interest rates ranging from 2.80 percent to 5.25 percent to advance refund approximately \$1,299 (University's portion) of outstanding general obligation Series CG bonds (refunded bonds) which have been partially defeased. The net proceeds from the issuance of the refunding bonds were placed in an irrevocable trust and were used to purchase securities of the United States government at various interest rates and maturities sufficient to meet the debt service requirements of the refunding bonds.

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11. Long-Term Liabilities

Long-term liability activity for the years ended June 30, 2015 and 2014 is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2015					
Bonds payable					
Revenue bonds payable	\$ 593,930	\$ -	\$ 15,345	\$ 578,585	\$ 17,115
Other liabilities					
Workers' compensation	14,268	6,064	4,820	15,512	5,586
Accrued vacation	72,832	26,803	25,795	73,840	29,222
Net pension liability (Note 14)	-	1,329,425	239,543	1,089,882	-
Postretirement health care/life insurance benefits (Note 15)	579,196	113,009	41,400	650,805	-
Note payable	17,000	-	-	17,000	-
Total other liabilities	<u>683,296</u>	<u>1,475,301</u>	<u>311,558</u>	<u>1,847,039</u>	<u>34,808</u>
Total long-term liabilities	<u>\$ 1,277,226</u>	<u>\$ 1,475,301</u>	<u>\$ 326,903</u>	<u>\$ 2,425,624</u>	<u>\$ 51,923</u>
2014					
Bonds payable					
Revenue bonds payable	\$ 608,670	\$ -	\$ 14,740	\$ 593,930	\$ 15,345
Other liabilities					
Workers' compensation	14,698	3,866	4,296	14,268	5,350
Accrued vacation	70,758	26,843	24,769	72,832	28,491
Postretirement health care/life insurance benefits (Note 15)	514,364	106,832	42,000	579,196	-
Note payable	16,500	500	-	17,000	-
Total other liabilities	<u>616,320</u>	<u>138,041</u>	<u>71,065</u>	<u>683,296</u>	<u>33,841</u>
Total long-term liabilities	<u>\$ 1,224,990</u>	<u>\$ 138,041</u>	<u>\$ 85,805</u>	<u>\$ 1,277,226</u>	<u>\$ 49,186</u>

Revenue Bonds Payable

The University's revenue bonds payable at June 30, 2015 and 2014 is as follows:

	Series	Date Issued	Authorized	2015	2014
Frear Hall Construction, Student Housing System at Mānoa, Food Service System and Student Housing System at Hilo (interest rate, 3.25% to 5.0%)	2006A	December 13, 2006	\$ 100,000	\$ 87,540	\$ 89,825
University Health & Wellness Center (interest rate, 3.5% to 5.0%)	Ref 2006A	October 25, 2006	133,810	123,140	127,420
Various acquisition and construction projects (interest rate, 2.5% to 6.0%)	2009A	April 15, 2009	100,000	89,820	92,195
University's Cancer Center (interest rate, 2.5% to 6.0%)	2010A-1, 2010A-2	October 7, 2010	138,640	127,600	130,495
Various construction projects (interest rate, 2.5% to 6.0%)	2010B-1, 2010B-2	October 7, 2010	154,090	145,830	147,995
Student Housing System at Mānoa and Telecommunications System (interest rate, 2.0% to 5.0%)	2012A(R)	February 22, 2012	8,575	4,655	6,000
			<u>\$ 635,115</u>	<u>\$ 578,585</u>	<u>\$ 593,930</u>

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In February 2012, the University issued \$8,575 in Series 2012A(R) revenue bonds to retire (current refund) \$8,955 of the outstanding Series 2001B revenue bonds. The proceeds of the Series 2012A(R) bonds were deposited into a trust account with an escrow agent to fully defease the outstanding principal of the Series 2001B bonds. The defeasance resulted in an accounting gain of \$943 and an economic loss (difference between the present values of the debt service payments on the old and new debt) of \$27. The coupon interest rates for the Series 2012A(R) bonds range from two percent to five percent (first interest payment due on April 1, 2012) and mature on October 1, 2018.

In October 2010, the University issued \$292,730 in Series 2010A-1 (\$111,265), 2010A-2 (\$27,375), 2010B-1 (\$127,535), and 2010B-2 (\$26,555) bonds (collectively, the "Series 2010 Bonds") for the purpose of financing the costs of certain University projects. The Series 2010A-1 and Series 2010B-1 bonds are designated as "Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009. These University projects may include the construction and maintenance of the University's Cancer Center, renovations and additions to the Mānoa Campus Center, construction and equipment for an Information Technology Building, renovations to the Sinclair Library basement on the Mānoa campus, further development of the University of Hawai'i at West O'ahu ("UH-West O'ahu") Kapolei campus, various energy conservation/efficiency projects on the community college campuses on O'ahu and Maui, land acquisition for the Leeward Community College Wai'anae Education Center, construction of the Kapi'olani Community College Culinary Institute of the Pacific, and renovation of the observatory for the Panoramic Survey Telescope & Rapid Response System 2 telescope. The coupon interest rates for the Series 2010 Bonds range from 2.50 percent to 6.03 percent (first interest payment due on April 1, 2011) and mature on October 1, 2030 and 2040.

The University receives funds from the State of Hawai'i Tobacco Settlement Special Fund for the payment of principal and interest on the Refunding Series 2006A bonds to finance the cost of construction of the medical school facility and for annual operating expenses incurred by the facility. The funds received from the State of Hawai'i Tobacco Settlement Special Fund for debt service amounted to \$9,924 and \$9,926 in 2015 and 2014, respectively.

The revenue bonds are paid from certain unrestricted revenues in annual installments, including semi-annual interest payments ranging from \$490 to \$15,906 with the final payment due in October 2040. Series 2006A, 2009A, 2010 and 2012A(R) bonds interest is payable semi-annually on April 1 and October 1, and the principal is payable on October 1 of each year. The Refunding Series 2006A interest is payable semi-annually on January 15 and July 15, and the principal is payable on July 15 of each year. The Bond Resolution adopted on May 17, 2002 and supplemented, stipulates that all available moneys on deposit in any special fund or revolving fund of the University, excluding moneys on deposit in the University Revenue – Undertakings Fund derived from the University Bond System, are pledged to the payment of the Refunding Series 2006A bonds, interest and premiums (if any). All available moneys on deposit in any special fund or revolving fund of the University, including moneys on deposit in the University Bond System, are pledged to the payment of the Series 2006A, 2009A, 2010 and 2012A(R) bonds, interest and premiums (if any).

The University entered into continuing disclosure certificates for the benefit of revenue bondholders, where it agreed to provide certain financial information and operating data relating to the University with respect to its revenue bonds to the Municipal Securities Rulemaking Board. The University, based on consultation with its bond counsel and bond underwriter, has complied in all material respects with the continuing disclosure requirements.

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At June 30, 2015, future maturities of revenue bonds are as follows:

	Principal	Interest
Year ending June 30,		
2016	\$ 17,115	\$ 29,126
2017	17,700	28,393
2018	18,585	27,651
2019	18,065	26,836
2020	18,690	25,976
2021–2025	106,450	115,394
2026–2030	126,475	87,007
2031–2035	133,450	53,388
2036–2040	105,800	19,423
2041	16,255	490
	<u>\$ 578,585</u>	<u>\$ 413,684</u>

In September 2015, the University priced \$166,285 in Series 2015A (\$8,575, taxable new money), 2015B (\$47,010, tax-exempt refunding), 2015C (\$17,585, taxable refunding), 2015D (\$25,715, taxable refunding), and 2015E (\$67,400, tax-exempt forward delivery refunding) bonds (collectively, the “Series 2015 Bonds”) for the purpose of financing the costs of University projects and refunding previously issued bonds. All Series 2015 bonds were closed in September 2015 with the exception of the forward delivery Series 2015E bonds which will close on April 20, 2016. Total premium for the Series 2015 Bonds approximated \$13,698. The University projects include the UH Mānoa Law School Expansion and Modernization Project and the UH Hilo College of Pharmacy Project. The Series 2015B and 2015C bonds will refund a portion of the Series 2006A University Revenue Bonds and the Series 2015D and 2015E bonds refunds a portion of the Refunding Series 2006A University Bonds. The coupon interest rates for the Series 2015 Bonds range from 0.811 percent to 5.000 percent (first interest payment due on April 1, 2016) with the last maturity on October 1, 2044.

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Bond Premiums

Activity related to the premiums on general obligation and revenue bonds for the years ended June 30, 2015 and 2014 is as follows:

	Series	Beginning Balance	Additions	Reductions	Ending Balance
2015					
John A. Burns School of Medicine	Ref 2006A	\$ 1,256	\$ -	\$ 73	\$ 1,183
University's Cancer Center	2010A	1,030	-	315	715
Various construction projects	2010B	1,511	-	437	1,074
General obligation	DB	4	-	4	-
General obligation	DG	1	-	1	-
Total bond premiums		<u>\$ 3,802</u>	<u>\$ -</u>	<u>\$ 830</u>	<u>\$ 2,972</u>
2014					
John A. Burns School of Medicine	Ref 2006A	\$ 1,314	\$ -	\$ 58	\$ 1,256
University's Cancer Center	2010A	1,395	-	365	1,030
Various construction projects	2010B	1,976	-	465	1,511
General obligation	DB	9	-	5	4
General obligation	DG	2	-	1	1
Total bond premiums		<u>\$ 4,696</u>	<u>\$ -</u>	<u>\$ 894</u>	<u>\$ 3,802</u>

Note Payable

On May 4, 2012, the University entered into a five-year, unsecured loan agreement ("Note") with Hawaii Regional Center LP III ("Lender") for a commitment amount not to exceed \$18,000, subject to certain limitations. The proceeds were used to facilitate and fund construction of the UH-West O'ahu campus located in Kapolei, Hawai'i.

The Note bears interest at the rate of 1.5 percent per annum and is due and payable semi-annually to the Lender on January 1 and July 1 each year until the Note has been paid in full. Under the terms of the Note, repayment each fiscal year is limited and subject to specific appropriations by the State to make such payments. The Note matures on July 16, 2017, at which time the unpaid principal will be due. As of June 30, 2015, \$17,000 remains outstanding.

12. Line of Credit (Research Corporation)

The Research Corporation has a revolving line of credit with First Hawaiian Bank in the amount of \$5,000 for short-term working capital, expiring on February 1, 2016. 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 the Research Corporation's accounts receivable. The rate of interest on borrowings was 3.28 percent at June 30, 2015 and 2014. At June 30, 2015 and 2014, there were no borrowings under this line.

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13. Property Leases

The University has entered into real property operating lease agreements with future minimum payments as follows:

	Lease Amount
Year ending June 30,	
2016	\$ 2,468
2017	1,851
2018	1,760
2019	1,102
2020	555
2021–2025	358
2026–2030	333
Thereafter	1,734
	<u>\$ 10,161</u>

Rent expense for outside space for the years ended June 30, 2015 and 2014 approximated \$7,540 and \$7,913, respectively.

14. Employee Benefits

Employees' Retirement System
General Information on the Pension Plan

Plan Description

All eligible employees of the University are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan administered by the Employees' Retirement System of the State of Hawai'i ("ERS"). Benefit terms, eligibility, and contribution requirements are established by HRS Chapter 88 and can be amended through legislation. The ERS issues a publicly available financial report that can be obtained at ERS's website: <http://ers.ehawaii.gov/>.

Benefits Provided

The ERS provides retirement, disability and death benefits that are covered by the provisions of the noncontributory, contributory and hybrid retirement plans. The three plans provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25 percent or 2 percent) multiplied by the average final compensation multiplied by years of credited service. The benefit multiplier decreased by 0.25 percent for new hybrid and contributory plan members hired after June 30, 2012. Average final compensation is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for employees hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for employees hired prior to January 1, 1971.

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For members hired before July 1, 2012, the original retirement allowance is increased by 2.5 percent each July 1 following the calendar year of retirement. This cumulative benefit is not compounded and increases each year by 2.5 percent of the original retirement allowance without a ceiling (2.5 percent of the original retirement allowance the first year, 5.0 percent the second year, 7.5 percent the third year, etc.). For members hired after June 30, 2012 the post-retirement annuity increase was decreased to 1.5 percent per year.

Noncontributory Plan

- Retirement Benefits – General employees' retirement benefits are determined as 1.25 percent of average final compensation multiplied by the years of credited service. Employees with 10 years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.
- Disability Benefits – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35 percent of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5 percent of average final compensation.
- Death Benefits – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30 percent of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or dependent children, no benefit is payable.

Ten years of credited service is required for ordinary death benefits. For ordinary death benefits, the surviving spouse/reciprocal beneficiary (until remarriage/reentry into a new reciprocal beneficiary relationship) and dependent children (up to age 18) receive a benefit equal to a percentage of member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100 percent joint and survivor lifetime pension.

Contributory Plan for Employees Hired prior to July 1, 2012

- Retirement Benefits – General employees' retirement benefits are determined as two percent of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 55.
- Disability Benefits – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 66-2/3 percent of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 30 percent of average final compensation.

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- Death Benefits – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50 percent of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50 percent Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 years of service and designated one beneficiary, or 100 percent Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Hybrid Plan for Employees Hired Prior to July 1, 2012

- Retirement Benefits – General employees' retirement benefits are determined as two percent of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.
- Disability Benefits – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35 percent of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25 percent of average final compensation.
- Death Benefits – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50 percent of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least five years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 150 percent, or 50 percent Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 years of service and designated one beneficiary, or 100 percent Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

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Hybrid Plan for Employees Hired After June 30, 2012

- Retirement Benefits – General employees' retirement benefits are determined as 1.75 percent of average final compensation multiplied by the years of credited service. General employees with 10 years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60.
- Disability and Death Benefits – Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least 10 years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 50 percent Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death and designated one beneficiary, or 100 percent Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributions

Contributions are established by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rates for fiscal year 2015 and 2014 16.50 percent and 16.00 percent, respectively. Contributions to the pension plan from the University for the years ended June 30, 2015, 2014 and 2013 were \$92,988, \$87,753 and \$84,154, respectively.

The University is required to make all contributions for members in the noncontributory plan. For contributory plan employees hired prior to July 1, 2012, general employees are required to contribute 7.8 percent of their salary. Hybrid plan members hired prior July 1, 2012 are required to contribute 6.0 percent of their salary. Hybrid plan members hired after June 30, 2012 are required to contribute 8.0 percent of their salary.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the University reported a liability of \$1,089,882 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on a projection of the University's long-term share of contributions to the pension plan relative to projected contributions of all participants, actuarially determined. At June 30, 2014, the University's proportion was 13.59 percent which was an increase of 0.16 percent from its proportion measured as of June 30, 2013.

There were no changes in other assumptions and inputs that affected the measurement of the total pension liability since the prior measurement date. There were no changes between the measurement date, June 30, 2014, and the reporting date, June 30, 2015, that are expected to have a significant effect on the proportionate share of the net pension liability.

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For the year ended June 30, 2015, the University recognized pension expense of \$87,780. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 13,859	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	126,487
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	24,675
Contributions subsequent to the measurement date	<u>120,989</u>	<u>-</u>
Total deferred inflows and outflows of resources	<u>\$ 134,848</u>	<u>\$ 151,162</u>

The \$120,989 of deferred outflows of resources resulting in the University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources will be recognized in pension expense as follows:

Year ending June 30,	
2016	\$ 33,891
2017	33,891
2018	33,891
2019	33,891
2020	<u>1,739</u>
	<u>\$ 137,303</u>

Actuarial Assumptions

The total pension liability as of the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	3.00 %
Payroll growth rate	3.50 %
Investment rate of return	7.75 %

Post-retirement mortality rates are based on Client Specific Tables and the 1994 U.S. Group Annuity Mortality Statistic Tables for police and firefighters. Pre-retirement mortality rates are based on the RP-2000 tables.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period for the five-year period ending June 30, 2010. ERS updates their experience studies every five years.

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The long-term expected rate of return on pension plan investments was determined using a "top down approach" of the Bespoke Client-Constrained Simulation-based Optimization Model (a statistical technique known as "re-sampling with replacement" that directly keys in on specific plan-level risk factors as stipulated by the ERS Board) in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30%	8.50%
International equity	26%	9.00%
Total fixed-income	20%	3.10%
Real estate	7% *	8.46%
Private equity	7% *	11.75%
Real return	5% *	6.10%
Covered calls	<u>5%</u>	7.65%
Total	<u>100%</u>	

* The real estate, private equity and real return targets will be the percentage actually invested up to 7.0%, 7.0% and 5.0%, respectively, of the total fund. Changes in the real estate, private equity and real return targets will be offset by an equal percentage in the large cap domestic equity target.

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. There has been no change to the discount rate since the prior measurement date.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
The University's proportionate share of the net pension liability	<u>\$ 1,381,405</u>	<u>\$ 1,089,882</u>	<u>\$ 798,360</u>

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Plan Fiduciary Net Position

The pension plan's fiduciary net position is determined on the same basis used by the pension plan. The ERS's financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report. ERS's complete financial statements are available at <http://www.ers.ehawaii.gov>.

Payable to the Pension Plan

At June 30, 2015, the amount payable to the ERS was \$1,204.

Other Benefits

The State absorbs the fringe benefit cost for employees paid from State and federal appropriations. In fiscal years 2014 and 2013, the State appropriated funds to the Department of Budget and Finance to pay for these fringe benefit costs on behalf of the University. Fringe benefit costs included in total revenue and total expenditures amounted to \$179,007 and \$168,891 for fiscal years 2015 and 2014, respectively.

All regular employees, with certain exceptions, earn vacation leave at the rate of 14 hours for each month of service. Employees who are entitled to annual vacation may accumulate for the succeeding year or years up to 15 working days annual vacation allowance, provided that the total accumulation shall not exceed 90 working days at the end of the calendar year. Accumulated vacation leave earned, but not taken, is reflected as an accrual in the accompanying consolidated financial statements. When termination of services takes place, the employees are paid for their vacation allowance in a lump sum.

Sick leave accumulates at the rate of 14 hours for each full month of service without limit, but can be taken only in the event of an illness and is not convertible to pay upon termination of employment. Accordingly, accumulated sick leave, earned but not taken, is not reflected as an accrual in the accompanying consolidated financial statements. Employees who retire with 60 days of unused sick leave are entitled to three months of service credit in the ERS. For each additional 20 days, or major fraction thereof, of unused sick leave they have in excess of 60 days, their service period is increased by one month. As of June 30, 2015 and 2014, accumulated sick leave approximated \$443,641 and \$428,237, respectively.

The University's regular employees may enter into deferred compensation arrangements directly with authorized insurance companies or agencies through a payroll deduction plan. Accordingly, the University has no deferred compensation or withholding payable.

The University manages its workers' compensation program. Medical-related payments for fiscal years 2015 and 2014 were \$2,377 and \$2,080, respectively. Temporary wage loss payments for fiscal years 2015 and 2014 amounted to \$795 and \$577, respectively.

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15. Postemployment Benefits Other than Pensions

In addition to providing pension benefits, the State of Hawai'i, pursuant to HRS Chapter 87, provides other postemployment benefits ("OPEB") such as health care and life insurance benefits to all retired University employees. Effective July 1, 2007, the University implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, prospectively, which establishes standards for the measurement, recognition and display of OPEB expense and related liabilities, note disclosure and required supplementary information in the financial reports.

Plan Description

The State contributes to the Hawai'i Employer-Union Health Benefits Trust Fund ("EUTF"), an agent, multiple-employer defined benefit plan that replaced the Hawai'i Public Employees Health Fund effective July 1, 2003, pursuant to Act 88, SLH of 2001. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees and their dependents. The EUTF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

Hawai'i Employer-Union Health Benefits Trust Fund
City Financial Tower
210 Merchant Street, Suite 1520
Honolulu, Hawai'i 96813

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with 10 years or more of credited service, and 50 percent of the base monthly contribution for employees retiring with fewer than ten years of credited service. Retirees may elect a family plan to cover dependents.

For employees hired after June 30, 1996, but before July 1, 2001, and who retire with less than 10 years of service, the State makes no contributions. For those retiring with at least 10 years, but fewer than 15 years of service, the State pays 50 percent of the base monthly contribution. For those retiring with at least 15 years, but fewer than 25 years of service, the State pays 75 percent of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100 percent of the base monthly contribution. Retirees in this category may elect a family plan to cover dependents.

For employees hired on or after July 1, 2001 and who retire with less than 10 years of service, the State makes no contributions. For those retiring with at least 10 years, but fewer than 15 years of service, the State pays 50 percent of the base monthly contribution. For those retiring with at least 15 years, but fewer than 25 years of service, the State pays 75 percent of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100 percent of the base monthly contribution. Only single plan coverage is paid for retirees in this category. Retirees may elect family coverage, but must pay the difference.

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Funding Policy and Annual OPEB Cost

Employer contributions are financed on a pay-as-you-go basis. The University's contributions are calculated as part of the State's total contribution requirements and are reimbursed to the State's General Fund as part of the fringe benefit rate on the University employees' actual salaries. The University's annual OPEB cost is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following tables present the annual OPEB cost and the percentage of annual OPEB cost contributed to the plan for the fiscal year ended June 30, 2015:

Projected June 30, 2015 Net OPEB Obligation ("NOO")

July 1, 2014 net OPEB obligation	\$ 579,196
Plus: Annual OPEB cost	113,009
Less: Employer contributions (estimated "pay as you go" method)	<u>41,400</u>
Equals: Expected June 30, 2015 net OPEB obligation	<u>\$ 650,805</u>

The University remitted \$57,438 and \$56,972 in State assessed OPEB contributions for the years ended June 30, 2015 and 2014, respectively. The University's actuarially determined minimum OPEB contribution was \$41,400 and \$42,000 for the years ended June 30, 2015 and 2014, respectively. The difference between the State assessed and University actuarially determined OPEB contribution is reported net with Transfers from (to) State for Fringe Benefits in the accompanying Consolidated Statements of Revenues, Expenses and Changes in Net Position.

OPEB Summary

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$113,009	36.6%	\$650,805
June 30, 2014	\$106,832	39.3%	\$579,196
June 30, 2013	\$142,602	29.2%	\$514,364

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Funded Status

Actuarial valuations represent a long-term perspective and involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, investment return and health care cost trends. The projection of benefits does not explicitly incorporate the potential effects of the results of collective bargaining discussions on the contribution rate. Actuarially determined amounts are subject to periodic revisions as actual rates are compared with past expectations and new estimates are made about the future.

Actuarial value of assets	\$ -
Actuarial accrued liability	1,265,625
	<u>1,265,625</u>
Unfunded actuarial accrued liability ("UAAL")	<u>\$ 1,265,625</u>
Funded ratio	0%
Covered payroll (active plan members)	\$ 564,736
UAAL as a percentage of covered payroll	224.1%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions used were as follows:

State of Hawai'i actuarial valuation date	July 1, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage, closed
Amortization period	30 years
Asset valuation method	Fair value
Actuarial assumptions	
Investment rate of return	7.0%
Projected salary increases	3.5%
Health care inflation rates	
PPO	9.0% initial, 5.0% after 10 years
HMO	7.5% initial, 5.0% after 10 years
Dental	4.0%
Vision	3.0%
Medicare Part B	5.0%

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16. Other Noncurrent Liabilities

Other noncurrent liabilities at June 30, 2015 and 2014 are comprised of:

	2015	2014
Liabilities under split interest agreements	\$ 9,999	\$ 6,889
Amounts held for others	3,645	3,182
Other	3,175	2,800
	<u>\$ 16,819</u>	<u>\$ 12,871</u>

17. State Appropriations

By statutory provision, the University prepares a biennium budget for its programs. Budgeted expenditures are derived primarily from the General Appropriations Act and from other specific appropriations acts in various Session Laws of Hawai'i ("SLH").

An allotment system and encumbrance accounting are utilized by the University for statutory budgetary control purposes. Obligations in the form of purchase orders or contracts are recorded as encumbrances at the time purchase orders or contracts are awarded and executed. To the extent they are not expended or encumbered, general fund appropriations generally lapse at the end of the fiscal year. The Hawai'i State Legislature specifies the lapse date and any other particular conditions relating to terminating the authorizations for other appropriations.

Act 122, SLH 2014 Section 35, provided \$106,110 in general fund appropriations directly to the Department of Budget and Finance to pay for debt service on general obligation bonds issued for the University. As a result, the University itself received no appropriations and made no transfers for debt service on general obligation bonds for the year ended June 30, 2015.

Act 122, SLH 2014 Section 35, provided \$101,013 in general fund appropriations directly to the Department of Budget and Finance to pay for debt service on general obligation bonds issued for the University. As a result, the University itself received no appropriations and made no transfers for debt service on general obligation bonds for the year ended June 30, 2014.

The net amount of the University's State general and capital appropriations for the years ended June 30, 2015 and 2014 were \$413,148 and \$161,822 and \$391,266 and \$142,029, respectively.

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Net general and capital appropriations for the year ended June 30, 2015 were as follows:

General appropriations

Act 134, SLH 2013, Amended by Act 122, SLH 2014 Appropriation Warrant No. 35	\$ 409,656
Act 122, SLH 2014, Appropriation Warrant No. 117	200
Total funds lapsed	(34)
Executive Restriction	(5,375)
Collective bargaining adjustment	8,701
Total general appropriations	<u>\$ 413,148</u>

Capital appropriations

Sections 39 & 71 of Act 134, SLH 2013, Amended by Act 122 SLH 2014	\$ 90,500
Sections 39 of Act 134, SLH 2013, Amended by Act 122, SLH 2014	73,800
Total funds lapsed	(2,478)
Total capital appropriations	<u>\$ 161,822</u>

Net general and capital appropriations for the year ended June 30, 2014 were as follows:

General appropriations

Act 134, SLH 2013, Amended by Act 122, SLH 2014 Appropriation Warrant No. 35	\$ 386,721
Act 237, SLH 2013, Appropriation Warrant No. 89	500
Act 272, SLH 2013, Appropriation Warrant No. 97	100
Act 275, SLH 2013, Appropriation Warrant No. 89	150
Total funds lapsed	(158)
Collective bargaining adjustment	3,953
Total general appropriations	<u>\$ 391,266</u>

Capital appropriations

Act 134, SLH2013	\$ 83,900
Sections 39 & 71 of Act 134, SLH 2013	51,940
Section 39 of Act 134, SLH 2013	10,000
Total funds lapsed	(3,811)
Total capital appropriations	<u>\$ 142,029</u>

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18. Blended Component Information

The following condensed combining information summarizes the individual components of the University's consolidated financial position, results of operations and cash flows as of and for the years ended June 30, 2015 and 2014:

Condensed Consolidating Statements of Net Position

	2015				
	University	Research Corporation	Foundation	Consolidation Adjustments	Total
Assets and deferred outflows of resources					
Current assets	\$ 436,106	\$ 39,487	\$ 28,851	\$ -	\$ 504,444
Interdepartmental receivables	25,600	4,148	39,960	(69,708)	-
Capital assets, net	2,064,651	1,757	2,283	-	2,068,691
Other assets	520,926	-	423,157	-	944,083
Total assets	<u>3,047,283</u>	<u>45,392</u>	<u>494,251</u>	<u>(69,708)</u>	<u>3,517,218</u>
Deferred outflows of resources	140,099	-	-	-	140,099
Total deferred outflows of resources	<u>140,099</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,099</u>
Total assets and deferred outflows of resources	<u>\$ 3,187,382</u>	<u>\$ 45,392</u>	<u>\$ 494,251</u>	<u>\$ (69,708)</u>	<u>\$ 3,657,317</u>
Liabilities					
Current liabilities	\$ 240,491	\$ 28,261	\$ 1,295	\$ -	\$ 270,047
Interdepartmental payables	22,508	2,204	4,972	(29,684)	-
Noncurrent liabilities	2,375,511	4,532	13,644	-	2,393,687
Total liabilities	<u>2,638,510</u>	<u>34,997</u>	<u>19,911</u>	<u>(29,684)</u>	<u>2,663,734</u>
Deferred inflows of resources	151,162	-	-	-	151,162
Total deferred inflows of resources	<u>151,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,162</u>
Net position					
Net investment in capital assets	1,499,861	1,757	2,284	-	1,503,902
Restricted					
Nonexpendable	10,493	-	265,361	(39,960)	235,894
Expendable	440,642	-	204,101	-	644,743
Unrestricted	<u>(1,553,286)</u>	<u>8,638</u>	<u>2,594</u>	<u>(64)</u>	<u>(1,542,118)</u>
Total net position	<u>397,710</u>	<u>10,395</u>	<u>474,340</u>	<u>(40,024)</u>	<u>842,421</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,187,382</u>	<u>\$ 45,392</u>	<u>\$ 494,251</u>	<u>\$ (69,708)</u>	<u>\$ 3,657,317</u>

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	2014				Total
	University	Research Corporation	Foundation	Consolidation Adjustments	
Assets and deferred outflows of resources					
Current assets	\$ 405,372	\$ 47,182	\$ 21,859	\$ -	\$ 474,413
Interdepartmental receivables	31,303	5,559	11,135	(47,997)	-
Capital assets, net	2,068,363	1,273	2,214	-	2,071,850
Other assets	498,357	-	416,541	3,465	918,363
Total assets	<u>3,003,395</u>	<u>54,014</u>	<u>451,749</u>	<u>(44,532)</u>	<u>3,464,626</u>
Deferred outflows of resources	5,576	-	-	-	5,576
Total deferred outflows of resources	<u>5,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,576</u>
Total assets and deferred outflows of resources	<u>\$ 3,008,971</u>	<u>\$ 54,014</u>	<u>\$ 451,749</u>	<u>\$ (44,532)</u>	<u>\$ 3,470,202</u>
Liabilities					
Current liabilities	\$ 251,331	\$ 11,007	\$ 1,245	\$ -	\$ 263,583
Interdepartmental payables	5,675	28,607	4,318	(38,600)	-
Noncurrent liabilities	1,230,800	4,222	10,071	-	1,245,093
Total liabilities	<u>1,487,806</u>	<u>43,836</u>	<u>15,634</u>	<u>(38,600)</u>	<u>1,508,676</u>
Net position					
Net investment in capital assets	1,516,182	1,273	2,214	-	1,519,669
Restricted					
Nonexpendable	10,493	-	216,999	(9,359)	218,133
Expendable	381,474	-	213,131	3,465	598,070
Unrestricted	(386,984)	8,905	3,771	(38)	(374,346)
Total net position	<u>1,521,165</u>	<u>10,178</u>	<u>436,115</u>	<u>(5,932)</u>	<u>1,961,526</u>
Total liabilities and net position	<u>\$ 3,008,971</u>	<u>\$ 54,014</u>	<u>\$ 451,749</u>	<u>\$ (44,532)</u>	<u>\$ 3,470,202</u>

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Condensed Consolidating Statements of Revenues, Expenses and Changes in Net Position

	2015				Total
	University	Research Corporation	Foundation	Consolidation Adjustments	
Operating revenues					
Student tuition and fees, net	\$ 263,247	\$ -	\$ -	\$ (587)	\$ 262,660
Federal appropriations, grants and contracts	325,531	-	-	-	325,531
State and local grants and contracts	28,297	2,125	-	(1,389)	29,033
Nongovernmental sponsored programs	45,729	-	-	(14,033)	31,696
Sales and services of educational departments, other	32,318	4,384	6,844	(7,383)	36,163
Auxiliary enterprises	99,166	-	-	(14)	99,152
Other operating revenues	616	-	1,952	-	2,568
Total operating revenues	<u>794,904</u>	<u>6,509</u>	<u>8,796</u>	<u>(23,406)</u>	<u>786,803</u>
Operating expenses					
Depreciation	121,126	216	36	-	121,378
Other operating expenses	<u>1,498,021</u>	<u>5,915</u>	<u>54,820</u>	<u>(26,242)</u>	<u>1,532,514</u>
Total operating expenses	<u>1,619,147</u>	<u>6,131</u>	<u>54,856</u>	<u>(26,242)</u>	<u>1,653,892</u>
Operating income (loss)	(824,243)	378	(46,060)	2,836	(867,089)
Nonoperating activity					
Nonoperating revenues (expenses)	457,576	91	34,258	(3,111)	488,814
Capital contributions and additions to permanent and term endowments	166,269	(2)	50,027	(30,601)	185,693
Special and extraordinary items	-	-	-	-	-
Transfers	<u>186,269</u>	<u>(250)</u>	<u>-</u>	<u>250</u>	<u>186,269</u>
Total nonoperating activity	<u>810,114</u>	<u>(161)</u>	<u>84,285</u>	<u>(33,462)</u>	<u>860,776</u>
Increase (decrease) in net position	(14,129)	217	38,225	(30,626)	(6,313)
Net position					
Beginning of year	1,524,632	10,178	436,115	(9,399)	1,961,526
Adjustment for change in accounting principle	<u>(1,112,792)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,112,792)</u>
Beginning of year, as restated	<u>411,840</u>	<u>10,178</u>	<u>436,115</u>	<u>(9,399)</u>	<u>848,734</u>
End of year	<u>\$ 397,711</u>	<u>\$ 10,395</u>	<u>\$ 474,340</u>	<u>\$ (40,025)</u>	<u>\$ 842,421</u>

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	2014				
	University	Research Corporation	Foundation	Consolidation Adjustments	Total
Operating revenues					
Student tuition and fees, net	\$ 249,334	\$ -	\$ -	\$ (957)	\$ 248,377
Federal appropriations, grants and contracts	357,185	4,708	-	(4,708)	357,185
State and local grants and contracts	28,992	2,290	-	(1,210)	30,072
Nongovernmental sponsored programs	49,585	-	-	(9,786)	39,799
Sales and services of educational departments, other	30,276	-	5,667	(3,000)	32,943
Auxiliary enterprises	97,936	-	-	-	97,936
Other operating revenues	529	-	2,406	-	2,935
Total operating revenues	<u>813,837</u>	<u>6,998</u>	<u>8,073</u>	<u>(19,661)</u>	<u>809,247</u>
Operating expenses					
Depreciation	109,211	211	36	-	109,458
Other operating expenses	<u>1,517,767</u>	<u>6,120</u>	<u>49,754</u>	<u>(23,243)</u>	<u>1,550,398</u>
Total operating expenses	<u>1,626,978</u>	<u>6,331</u>	<u>49,790</u>	<u>(23,243)</u>	<u>1,659,856</u>
Operating income (loss)	(813,141)	667	(41,717)	3,582	(850,609)
Nonoperating activity					
Nonoperating revenues	445,258	93	103,062	(3,564)	544,849
Capital contributions and additions to permanent and term endowments	141,582	-	15,602	(6,100)	151,084
Special and extraordinary items	-	-	-	-	-
Transfers	<u>179,305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,305</u>
Total nonoperating activity	<u>766,145</u>	<u>93</u>	<u>118,664</u>	<u>(9,664)</u>	<u>875,238</u>
Increase (decrease) in net position	(46,996)	760	76,947	(6,082)	24,629
Net position					
Beginning of year	<u>1,571,628</u>	<u>9,418</u>	<u>359,168</u>	<u>(3,317)</u>	<u>1,936,897</u>
End of year	<u>\$ 1,524,632</u>	<u>\$ 10,178</u>	<u>\$ 436,115</u>	<u>\$ (9,399)</u>	<u>\$ 1,961,526</u>

Condensed Consolidating Statements of Cash Flows

	2015			
	University	Research Corporation	Foundation	Total
Net cash provided by (used in)				
Operating activities	\$ (495,020)	\$ (5,474)	\$ 641	\$ (499,853)
Noncapital financing activities	531,407	(250)	6,888	538,045
Capital and related financing activities	(35,447)	(702)	-	(36,149)
Investing activities	<u>23,320</u>	<u>89</u>	<u>52</u>	<u>23,461</u>
Total change in cash	24,260	(6,337)	7,581	25,504
Cash and cash equivalent balances				
Beginning of year	<u>23,146</u>	<u>37,311</u>	<u>3,850</u>	<u>64,307</u>
End of year	<u>\$ 47,406</u>	<u>\$ 30,974</u>	<u>\$ 11,431</u>	<u>\$ 89,811</u>

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	2014			
	University	Research Corporation	Foundation	Total
Net cash provided by (used in)				
Operating activities	\$ (514,055)	\$ 3,903	\$ (4,818)	\$ (514,970)
Noncapital financing activities	492,741	-	15,786	508,527
Capital and related financing activities	(49,945)	(501)	-	(50,446)
Investing activities	59,109	90	(16,707)	42,492
Total change in cash	(12,150)	3,492	(5,739)	(14,397)
Cash and cash equivalent balances				
Beginning of year	35,296	33,819	9,589	78,704
End of year	\$ 23,146	\$ 37,311	\$ 3,850	\$ 64,307

19. Litigation, Other Contingent Liabilities and Commitments

Hawai'i Revised Statutes §304A-108 stipulates that any liability arising from a claim, action or suit brought against the University shall be payable solely from the moneys and property of the University and shall not constitute a general obligation of the State. The Board of Regents is not precluded from requesting and securing legislative appropriations to fund the settlement of any such claim or judgment against the University.

The University is contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Although there are inherent uncertainties in any litigation, the University's management and general counsel are of the opinion that the outcome of such matters will not have a material effect on the University's financial position.

Substantial amounts are received and expended by the University under federal and state programs which are subject to audit by cognizant governmental agencies and independent auditors under OMB Circular A-133. This funding relates to research, student aid and other programs. University management believes that any liabilities arising from such audits will not have a material effect on the University's financial position.

The State and the Office of Hawaiian Affairs ("OHA") are involved in an ongoing dispute relating to certain lands transferred by the former Republic of Hawai'i to the United States which were reconveyed to the State upon Hawai'i's admission to the Union in 1959. These lands (collectively, the "ceded lands") are the subject of a number of claims, litigation and legislation, which are being addressed by the State on behalf of all State agencies, including the University. These matters are more fully described in the State's Comprehensive Annual Financial Report ("CAFR") that includes financial statements and required supplementary information which may be obtained from the following address:

State of Hawai'i Department of Accounting and General Services
1151 Punchbowl Street
Honolulu, Hawai'i 96813

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Although the ultimate outcome and financial impact to the University of these OHA matters are not presently known, the University has come to an agreement with the State with respect to the University's estimated pro rata portion of its obligation due to OHA related to revenues generated from ceded lands. The University's financial statements reflect the liabilities and disbursements in connection with this agreement.

Risk Management

In general, the University obtains third-party insurance coverage directly from third-party insurers or is covered under the umbrella of the State's insurance program. However, the University is partially or entirely self-insured for certain risks, such as unemployment and workers' compensation claims.

Construction and Other Contracts

The University is committed under contracts awarded for construction and other services. These commitments amounted to approximately \$165,506 and \$207,076 as of June 30, 2015 and 2014.

Collective Bargaining Agreements

The Hawaii State Constitution under Article XIII, Section 2, grants public employees in the State the right to organize for the purpose of collective bargaining as provided by law. Chapter 89, HRS, provides for 14 recognized bargaining units ("BU") for all public employees throughout the State, including State, county and municipal employees. Each BU is represented by an employee organization otherwise known as the exclusive bargaining representative of all employees within each unit which negotiates with the public employer. For the purpose of negotiating a collective bargaining agreement ("CBA"), the public employer of an appropriate BU is statutorily defined by law under HRS, §89-6. In BUs with employees in multiple jurisdictions (i.e., State, Counties, Judiciary, Hawaii Health Systems Corporation), the public employer includes the Governor and an employer representative from each applicable jurisdiction to include the Mayors, the Chief Justice, the Hawaii Health Systems Corporation board, the President of the University, the Superintendent of Education, the Board of Regents of the University, and the Board of Education. In the case of the University's BUs 7 and 8 employees, the public employers are the Governor, the Board of Regents, and the President of the University.

Decisions by the employer representatives of the State and county employees are determined by simple majority vote with the Governor having varying numbers of votes depending on the bargaining unit involved. Decisions by the public employer of Board of Regent appointed employees (BUs 7 and 8) are determined by simple majority vote with the Governor having three votes, the Board of Regents having two votes, and the University President having one vote. By statute, statutory impasse is declared by the Hawaii Labor Relations Board on February 1st in the final year of any contract if there is no resolution by January 31st, and the parties may attempt to resolve the impasse through voluntary mediation and mandatory mediation. If the impasse is not resolved through mediation, for BUs 2, 3, 4, 6, 8, 9, 10, 11, 12, 13 and 14, it shall be submitted to a three-member arbitration panel (i.e., interest arbitration) for these bargaining units do not have the right to strike. The BUs that do have the right to strike (i.e., BUs 1, 5 and 7) are still able to mutually agree to other impasses processes and procedures, including the possibility of entering into interest arbitration. Although the statute characterizes arbitration decision as "final and binding," it also provides that all cost items are subject to appropriations by the appropriate legislative bodies.

University of Hawai'i
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Notes to Consolidated Financial Statements
June 30, 2015 and 2014
(All dollars reported in thousands)

Employees of the University belong to one of eight BUs: Unit 1 (nonsupervisory employees in blue collar positions), Unit 2 (supervisory employees in blue collar positions), Unit 3 (nonsupervisory employees in white collar positions), Unit 4 (supervisory employees in white collar positions), Unit 7 (faculty of the University), Unit 8 (personnel of the University, other than faculty), Unit 9 (registered professional nurses) or Unit 10 (institutional, health and correctional workers). Employees in executive/managerial positions, as well as certain other personnel designated as excluded from collective bargaining pursuant to HRS, §89-6(f), are not represented by any union, and some employees (e.g., certain contractual hires) are not parties to any recognized bargaining unit.

Pursuant to mutually agreed upon terms specified in CBAs effective from July 1, 2011 through June 30, 2013, certain employees within BUs 1, 2, 3, 4, 8 and 10 were subjected to a five percent salary reduction during fiscal years 2012 and 2013. Thereafter, multi-year, successor CBAs for BUs 1, 2, 3, 4, 8, 9 and 10 were reached between the unions and the Employer in 2013. CBAs pertaining to BUs 2, 3, 4, 8 and 9 were effective for the duration of July 1, 2013 through June 30, 2015. CBAs pertaining to BUs 1 and 10 are now effective for the duration of July 1, 2013 through June 30, 2017. The aforementioned CBAs stipulated across-the-board ("ATB") salary increases or changes to salary schedules that effectively increase salaries in each year covered by the terms of these agreements which have already been legislatively approved.

The Unit 7 faculty members of the University were under a six-year CBA covering the period July 1, 2009 through June 30, 2015. The subject Unit 7 CBA included a provision to temporarily reduce the salaries of faculty paid by appropriated funds by 6.667 percent for 18 months beginning January 1, 2010. Effective July 1, 2011, the salaries of faculty members subjected to the temporary reduction were restored to December 31, 2009 rates (plus any subsequent promotions or special salary adjustments). The Unit 7 CBA stipulated that faculty who were subjected to the mandated temporary salary reduction may be paid one-time lump sum payments equivalent up to the amount of the temporary reduction taken to be paid in fiscal years 2013 (25 percent), 2014 (25 percent) and 2015 (50 percent) all due on August 1st of each respective fiscal year. The Unit 7 CBA also provided for all faculty members to have their base salaries increased by three percent effective July 1, 2013 and July 1, 2014.

On June 20, 2014 the University administration and the University of Hawai'i Professional Assembly ("UHPA") tentatively agreed to a two-year successor CBA covering the period July 1, 2015 to June 30, 2017. The tentative agreement was ratified in support by the Unit 7 faculty members on August 25, 2014. The successor agreement will provide a four percent across-the-board pay increase in each of the next two years, increases the minimum salaries to faculty members paid by rank, and negotiated EUTF contributions. The total cost is estimated at \$32 million which is subject to legislative appropriations.

Negotiations for BUs 2, 3, 4 and 9 are completed and have ratified and agreed upon successor bargaining contracts for the period July 1, 2015 to June 30, 2017. The aforementioned CBAs stipulated step movements and ATB salary increases, or changes to salary schedules, that effectively increase salaries in each year covered by the terms of these agreements which have already been legislatively approved. The University completed interest arbitration proceedings in early July 2015 with the Hawai'i Government Employees Association for BU 8 administrative, professional and technical employees of the University for a successor contract beyond July 1, 2015. The University's employees in BU 1 and BU 10 are working under a four-year contract that covers the period July 1, 2013 to July 1, 2017.

**Required Supplementary Information
Other Than Management's
Discussion and Analysis**

University of Hawai'i
State of Hawai'i
Schedule of Proportionate Share of the Net Pension Liability (Unaudited)
Schedule of Contributions (Unaudited)
Year Ended June 30, 2015
(All dollars reported in thousands)

Net Pension Liability

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Proportionate Share of the Net Pension Liability

Fiscal Year Ending	Proportionate Share of the Net Pension Liability as a Percentage	Proportionate Share of the Net Pension Liability as an Amount (a)	Annual Covered Payroll (b)	Proportion of the Net Pension Liability as a Percentage of Covered Payroll (a) / (b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	13.60%	\$1,089,882	\$564,736	193%	63.92%
June 30, 2014	13.75%	\$1,227,787	\$550,758	223%	57.96%

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a) - (b)	Covered Annual Payroll (c)	Contributions as a Percentage of Covered Payroll (a) / (c)
June 30, 2015	\$88,381	\$88,381	\$0	\$567,567	15.57%
June 30, 2014	\$80,765	\$80,765	\$0	\$550,758	14.66%

1. Changes of benefit terms

There were no changes of benefit terms in 2015 or 2014.

2. Changes of assumptions

There were no changes of assumptions in 2015 or 2014.

University of Hawai'i
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Schedule of Funding Progress (Unaudited)
Year Ended June 30, 2015
(All dollars reported in thousands)

Postemployment Benefits Other than Pensions

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b) - (a)	Funded Ratio (a) / (b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b) - (a) / (c)
July 1, 2013	\$0	\$1,185,790	\$1,185,790	0%	\$550,758	215.3%
July 1, 2011	\$0	\$1,860,680	\$1,860,680	0%	\$503,900	369.3%
July 1, 2009	\$0	\$1,849,949	\$1,849,949	0%	\$495,498	373.4%