University of Hawai‘i
State of Hawai‘i
Financial and Compliance Audit
June 30, 2020
1. COMPLIANCE REPORTS

Report of Independent Auditors 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

Report of Independent Auditors on Compliance for Each Major Program, Internal Control Over Compliance and the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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SECTION 1

COMPLIANCE REPORTS
Report of Independent Auditors 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 financial statements of the University of Hawai‘i (the “University”) as of and for the year ended June 30, 2020, and have issued our report thereon dated December 3, 2020. Our report includes a reference to other auditors who audited the financial statements of the University of Hawai‘i Foundation, as described in our report on the University’s financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the University’s internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests 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.

Honolulu, Hawai’i
December 3, 2020
Report of Independent Auditors on Compliance for Each Major Program, Internal Control Over Compliance, and the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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 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, 2020. The University’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”). Those standards and the Uniform Guidance 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 identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2020.

Other Matters
The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Findings No. 2020-001 through 2020-005. Our opinion on each major federal program is not modified with respect to these matters.

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 the Uniform Guidance, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 preceding paragraph 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 the accompanying corrective action plan. 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.

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

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the University, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated December 3, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. As described in Note 1 to the schedule of expenditures of federal awards, the accompanying schedule of expenditures of federal awards was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Honolulu, Hawai’i
June 2, 2021
SECTION 2

SCHEDULE OF EXPENDITURES
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## U.S. Department of Defense

### Air Force
- Basic and Applied Scientific Research: 12.300, 78,346
- Air Force Defense Research Sciences Program: 12.800, 335,013
- Other: 12.801, 8,099,846

### Army
- Basic and Applied Scientific Research: 12.300, 479,578, 5,409,026
- Military Medical Research and Development: 12.420, 97,994
- Basic Scientific Research: 12.431, 136,010
- Basic, Applied, and Advanced Research in Science and Engineering: 12.630, 205,568
- Other: 12.631, 26,454

### Navy
- Basic and Applied Scientific Research: 12.300, 1,880,469, 14,279,785
- Navy Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance: 12.335, 41,373
- Other: 12.392, 2,053,153, 22,571,678

### Washington Headquarters Services
- Basic, Applied, and Advanced Research in Science and Engineering: 12.630, 11,673,309

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## U.S. Department of the Interior

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- Wildland Fire Research and Studies: 15.232, 18,858, 88,413
- Bureau of Reclamation: 15.506, 6,344

### U.S. Fish and Wildlife Service
- Coastal: 15.630, 39,870
- Endangered Species Conservation – Recovery Implementation Funds: 15.657, 422,558
- Endangered Species – Candidate Conservation Action Funds: 15.669, 9,987
- Cooperative Ecosystem Studies Units: 15.678, 71,054, 543,469

### U.S. Geological Survey
- Assistance to State Water Resources Research Institutes: 15.805, 211,373
- U.S. Geological Survey Research and Data Collection: 15.808, 91,500, 1,264,988
- Cooperative Research Units: 15.812, 8,209
- Volcano Hazards Program Research and Monitoring: 15.818, 379,593
- National and Regional Climate Adaptation Science Centers: 15.820, 146,935, 977,896, 2,842,057

### National Park Service
- Cooperative Research and Training Programs – Resources of the National Park System: 15.945, 801,882
- Passed Through From
  - State of Hawaii Dept. of Defense: 15.608, PO 20217248, 45,520
  - State of Hawaii Dept. of Land and Natural Resources: 15.605, 294,675
  - State of Hawaii Dept. of Land and Natural Resources: 15.608, C01760, 13,741
  - State of Hawaii Dept. of Land and Natural Resources: 15.611, 207,375
  - State of Hawaii Dept. of Land and Natural Resources: 15.615, 656,182
  - State of Hawaii Dept. of Land and Natural Resources: 15.630, C71806, 9,764
  - State of Hawaii Dept. of Land and Natural Resources: 15.634, 656,526
  - State of Hawaii Dept. of Land and Natural Resources: 15.635, 149,069
  - State of Hawaii Dept. of Land and Natural Resources: 15.944, 27,228
  - State of Hawaii Dept. of Land and Natural Resources: 15.91063, 122,294
  - America View: 15.815, 13,853
  - American Bird Conservancy: 15.663, 62,773
  - Association of Fish & Wildlife: 15.628, 1,004
  - University of California – Davis: 15.512, A18-11325-S001, 1,739
  - Kauai: 15. | 8848, 2,260
  - Island Conservation: 15. | PB012513 Midway, 44,15
  - Malama Learning Center: 15.631, 7,000
  - National Fish and Wildlife Foundation: 15.665, 1701.17058401, 80,609
  - University of Southern California: 15.807, 118093112, 15,000
  - Ulupalakua Ranch Inc: 15.631, prime:F18AC00513, 429, 2,411,455

**Total Expenditures:** 6,693,620
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### National Aeronautics and Space Administration

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### National Endowment for the Arts and Humanities

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### Institute of Museum and Library Services

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### University of Hawai‘i
#### State of Hawai‘i
#### Schedule of Expenditures of Federal Awards
#### Year Ended June 30, 2020

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### Environmental Protection Agency

#### Passed Through From

| State of Hawaii Dept. of Health | 66,419 | various | 78,000 | 276,369 |
| State of Hawaii Dept. of Health | 66,468 | various | 596      |
| State of Hawaii Dept. of Health | 66,472 | various | 3,538   |
| State of Hawaii Dept. of Land and Natural Resources | 66,441 | CO0397 | 61,661 |
| State of Hawaii Dept. of Land and Natural Resources | 66,461 | CO1920 | 20,960 |
|              |          |         | 363,124 |

### U.S. Department of Energy

#### Office of Science Financial Assistance Program

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<tr>
<td>81.087</td>
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#### Lawrence Livermore National Lab

| Lawrence Livermore National Lab | 81.       | 197568 | 88,917 |
|                                 | 81.       | 271451 | 52,989 |
|                                 | 81.       | 168,038 |
|                                 | 81.       | 164,353 |
|                                 | 81.       | 60,190 |
|                                 | 81.       | 3,470 |
|                                 | 81.       | 27,691 |
|                                 | 81.       | 60,190 |
|                                 | 81.       | 3,538 |
|                                 | 81.       | 4,020 |
|                                 | 81.       | 117,766 |
|                                 | 81.       | 279,347 |
|                                 | 81.       | 159,493 |
|                                 | 81.       | 41,927 |
|                                 | 81.       | 5,124 |
|                                 | 81.       | 24,172 |
|                                 | 81.       | 76,792 |
|                                 | 81.       | 468,549 |
|                                 | 81.       | 50,334 |
|                                 | 81.       | 68,768 |
|                                 | 81.       | 2,060,414 |
|                                 | 81.       | 5,549,460 |

| University of Texas – Arlington | 81.049 | various | 68,768 |
|                                 | 81.087 | 130016-0003843 | 49,890 |
|                                 | 81.087 | 2,060,414 |
|                                 | 81.087 | 5,549,460 |
University of Hawai‘i
State of Hawai‘i
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

U.S. Department of Education
Office of Elementary and Secondary Education
Javits Gifted and Talented Students Education
84.206  86,722  780,356
Passed Through From
University of California – Riverside
84.324  S 001168  60,507
Hui No Ke Ola Pono Inc
84.259  —  6,029
University of Kansas Center for Research Inc
84.324  FY2019-102  21,194
Native Hawaiian Education Assn
84.259  —  25,238  127,518  907,874

U.S. Department of Health and Human Services
National Institutes of Health
Family Smoking Prevention and Tobacco Control Act Regulatory Research
93.077  78,479  439,091
Environmental Health
93.112  34,014  243,466
Mental Health Research Grants
93.242  218,613  837,510
Drug Abuse and Addiction Research Programs
93.279  197,988  933,993
Minority Health and Health Disparities Research
93.307  395,208  6,818,938
Research Infrastructure Programs
93.351  —  519,060
Construction Support
93.352  —  770,164
21st Century Cures Act – Beau Biden Cancer Moonshot
93.353  11,163  140,858
Cancer Cause and Prevention Research
93.393  1,633,986  5,417,756
Cancer Detection and Diagnosis Research
93.394  79,248  823,314
Cancer Treatment Research
93.395  343,172  1,246,929
Cancer Biology Research
93.396  —  64,536
Cancer Centers Support Grants
93.397  4,008  3,162,655
Cancer Research Manpower
93.398  80,586  177,334
Cancer Control
93.399  —  910,196
Cardiovascular Diseases Research
93.837  59,330  1,238,455
Lung Diseases Research
93.838  —  141,704
Diabetes, Digestive, and Kidney Diseases Extramural Research
93.847  589,399  2,668,376
Allergy and Infectious Diseases Research
93.855  887,287  3,006,014
Microbiology and Infectious Diseases Research
93.856  —  26,272
Biomedical Research and Research Training
93.857  1,000,152
Child Health and Human Development Extramural Research
93.865  86,529  1,446,028
Medical Library Assistance
93.879  —  28,864
International Research and Research Training
93.985  16,139
Others
93. —  1,674,531  43,114,355
Centers for Disease Control and Prevention
Strengthening Public Health Through Surveillance, Epidemiologic Research, Disease Detection, and Prevention
93.326  —  132,472
Other
93. —  44,775  362,235  494,707
Administration for Community Living ("ACL")
Special Programs for the Aging, Title IV, and Title II Discretionary Projects
93.048  —  182,163
Passed Through From
State of Hawaii Dept. of Health
93.043  —  14,798
State of Hawaii Dept. of Health
93.136  various  567,603
State of Hawaii Dept. of Health
93.243  various  175,866
State of Hawaii Dept. of Health
93.870  various  69,532
State of Hawaii Dept. of Health
93.959  various  435,891
State of Hawaii Dept. of Health
93. —  34,027
American Samoa Community Cancer Coalition
93.307  —  25,847
University of Arkansas
93.865  40,000  157,703
Baylor College of Medicine
93.393  7000000926  240,730
Blood Systems Research Institute
93.242  113520H150  113,853
Brigham and Women's Hospital
93.837  2017DDH158, BWH No. 119749  133,118
Brigham and Women's Hospital
93. —  28,171
University at Buffalo
93.837  R1193645  85,669
University of California – Los Angeles
93.113  1935 G1797  6,960
Cedars-Sinai Medical Center
93.393  —  (1,125)
Cedars Sinai Medical Center
93.395  1632520  264,440
Cedars-Sinai Medical Center
93. —  1644026  169,621
University of Colorado – Denver
93.865  various  157,314
Drexel University
93.853  870072/POU0268258  14,630
Duke University Medical Center
93.865  PTN Opportunity #1  24,180  30,467
ECON-ERRN Cancer Research Group
93. —  (3,875)
Emory University
93.866  A119334  25,721
Florida State University
93.307  various  189,681
George Washington University
Georgia State University
93.853  various  8,795
University of Guam
93.397  SU54CA143378-09  3,699
Harvard University
93.393  114226-092328  48,317
University of Hawaii Foundation
93.375  124-2502-2  338,813
Hawaii Pacific University
93.279  various  13,284
Hutchinson Cancer Research Center
93.393  —  72,016
Ichan School of Medicine at Mount Sinai
93.859  0255-B821-4609  101,667
Johns Hopkins University
93.242  2004018010  27,200
Johns Hopkins University
93.855  IMPAAC T TO LOR 01  237,856
Kaiser Permanente – CHRR
93.847  various  50,889
Kuakini Medical Center
93.859  1918-6420-UH  23,029
Kuakini Medical Center
93.866  various  123,635
Leidos Biomedical Research Inc
93. —  2900282  46,812
Ann & Robert H. Lurie Children’s Hospital of Chicago
93.847  901539-UH  79,195
Maine Medical
93.865  111367-Nadeau  75,592
MD Anderson Cancer Center
93.395  3001235024  15,868
University of Melbourne
93.393  GLO08179-HW-V2  104,431
University of Michigan
93.865  HDB04633-03, R01  35,432

CFDA No.  Pass-Through Identifier  Passed Through to Subrecipients  Expenditures

10
University of Hawai‘i  
State of Hawai‘i  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020

<table>
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<th>CFDA No.</th>
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<th>Expenditures</th>
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| U.S. Agency for International Development | USAID Foreign Assistance for Programs Overseas | 98.001 | 517,012 | 1,699,411 |

| Total Research and Development | 213,466,127 |

| MAJOR PROGRAM – STUDENT FINANCIAL ASSISTANCE |
| U.S. Department of Education |
| Office of Federal Student Aid |
| Federal Supplemental Educational Opportunity Grants | 84.007 | 1,684,417 |
| Federal Work-Study Program | 84.033 | 1,541,913 |
| Federal Pell Grant Program | 84.062 | 52,103,380 |
| Federal Direct Student Loans | 84.268 | 129,435,877 | 184,765,587 |
| Teacher Education Assistance for College and Higher Education ("TEACH") Grants | 84.379 | 94,195 |

| Total Student Financial Assistance | 184,859,782 |

| MAJOR PROGRAM – TITLE III HIGHER EDUCATION – INSTITUTIONAL AID |
| U.S. Department of Education |
| Office of Postsecondary Education |
| Higher Education Institutional Aid | 84.031 | 18,930,083 |

| Total Title III Higher Education – Institutional Aid | 18,930,083 |

| MAJOR PROGRAM – TRIO CLUSTER |
| U.S. Department of Education |
| Office of Postsecondary Education |
| TRIO Student Support Services | 84.042 | 2,092,265 |
| TRIO Talent Search | 84.044 | 1,150,069 |
| TRIO Upward Bound | 84.047 | 2,693,869 |
| TRIO Educational Opportunity Centers | 84.066 | 475,627 | 6,411,830 |

| Total TRIO Cluster | 6,411,830 |

| MAJOR PROGRAM – TITLE VII NATIVE HAWAIIAN EDUCATION |
| U.S. Department of Education |
| Office of Elementary and Secondary Education |
| Native Hawaiian Education | 84.362 | 808,945 | 7,474,244 |
| Passed Through From |
| Native Hawaiian Education Council | 84.362 | CO-2018-002 | 4,969 |

| Total Title VII Native Hawaiian Education | 7,479,213 |

| MAJOR PROGRAM – HOMELAND SECURITY TRAINING |
| U.S. Department of Homeland Security |
| Federal Emergency Management Agency |
| State and Local Homeland Security National Training Program | 97.005 | 1,932,764 | 4,510,017 |

<p>| Total State and Local Homeland Security National Training Program | 4,510,017 |</p>
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<th>Expenditures</th>
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12
### University of Hawai‘i

**State of Hawai‘i**

**Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2020**

<table>
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<tr>
<th>CFDA No.</th>
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<th>Expenditures</th>
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### U.S. Department of Defense

**Army**

- Basic and Applied Scientific Research 12.300 502,640
- Legacy Resource Management Program 12.632 17,593
- Other 12. 46,540 564,773

**Navy**

- Basic and Applied Scientific Research 12.300 1,372,129
- Other 12. 2,648,043 4,020,172

**Defense Logistics Agency**

- Procurement Technical Assistance for Business firms 12.002 7,388

**National Security Agency**

- GenCyber Grants Program 12.903 91,933

**Passed Through From**

- Institute of International Education 12.550 various 125,000 1,871,220
- Johns Hopkins University 12.910 146,641 72,860 1,944,080 6,628,346

### U.S. Department of the Interior

**U.S. Fish and Wildlife Service**

- Endangered Species Conservation – Recovery Implementation Funds 15.657 26,265 198,229
- Cooperative Ecosystem Studies Units 15.678 171,964
- U.S. Geological Survey 15.945 8,996

**Insular Affairs**

- Economic, Social, and Political Development of the Territories 15.875 127,627

**National Park Service**

- American Battlefield Protection 15.926 29,709
- Cooperative Research and Training Programs – Resources of the National Park System 15.945 607,095 636,804

**Passed Through From**

- State of Hawaii Dept. of Land and Natural Resources 15.608 CS0983 7,040
- State of Hawaii Dept. of Land and Natural Resources 15.611 various 271,876
- State of Hawaii Dept. of Land and Natural Resources 15.615 various 649,792
- State of Hawaii Dept. of Land and Natural Resources 15.634 CO1026 27,857
- Commonwealth of the Northern Mariana Islands 15.875 CNMI-CHC-Energy 2015-001 5,273 961,838 1,913,494

### U.S. Department of Justice

**Office of Justice Programs**

- Postconviction Testing of DNA Evidence 16.830 187,726
- Office of the Circuit Executive 16.726 4,122

**Passed Through From**

- National 4-H Council 16.726 57,824 76,471 268,319

### U.S. Department of Labor

**Passed Through From**

- State of Hawaii Dept. of Labor and Industrial Relations 17.268 AAI-15-UH 13,266
- State of Hawaii Dept. of Labor and Industrial Relations 17.285 Appr SEG-16-UH 654,206
- County of Maui 17.359 C6705 70,585
- Alii, Inc 17.265 VE-BOST1718-HON 29,284 767,341

### U.S. Department of State

**Passed Through From**

- East West Center 19. various 505,424

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## University of Hawai‘i
### State of Hawai‘i
#### Schedule of Expenditures of Federal Awards
##### Year Ended June 30, 2020

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>Pass-Through Identifier</th>
<th>Passed Through to Subrecipients</th>
<th>Expenditures</th>
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</thead>
</table>

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**Passed Through From**

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| State of Hawaii Dept. of Transportation | 20.205 | P040058495 | 44,275 |
| State of Hawaii Dept. of Transportation | 20.600 | various | 123,582 |
| State of Hawaii Dept. of Transportation | 20.608 | AI19-02 (13-5-01) | 155,516 |
| Hawaii Alliance for Community Based Economic Development ("HACBED") | 20. | ----- | 9,218 |
| University of Southern California | 20.701 | 84376201 | 126,433 |

### National Aeronautics and Space Administration

**Goddard**

| Science | 43.001 | 86,871 |
| Education | 43.008 | 628,738 |
| Other | 43. | 868,322 |
| Ames Education | 43.008 | 31,553 |
| Johnson Space Center Education | 43.008 | 67,805 |

**Passed Through From**

| University of Arizona | 43. | Y403053 | 115,394 |
| Space Telescope Science Institute | 43.001 | 50854 | 40 |
| Space Telescope Science Institute | 43. | HST-HF2-51424.001-A | 106,662 |

### National Endowment for the Arts and Humanities

**National Endowment for the Arts**

| Promotion of the Arts Grants to Organizations and Individuals | 45.024 | 14,999 |
| Promotion of the Humanities Teaching and Learning Resources and Curriculum Development | 45.162 | 47,109 |

**Passed Through From**

| Hawaii State Foundation on Culture & Arts | 45.025 | various | 42,757 |
| Hawaii State Foundation on Culture & Arts | 45. | 7,000 |
| Hawaii Council for the Humanities | 45.129 | REG-20A-01 | 10,000 |
| WESTAF | 45.025 | various | 6,875 |

### Institute of Museum and Library Services

**Laura Bush 21st Century Librarian Program**

| Washington State University | 45.312 | 116432 G003717 | 47,319 |

### Small Business Administration

**Small Business Development Centers**

| 59.037 | 825,261 |
| Veterans Outreach Program | 59.044 | 286,591 |

| 1,111,852 |

### U.S. Department of Veterans Affairs

| 64. | 79,671 |

### Environmental Protection Agency

**Science to Achieve Results ("STAR") Fellowship Program**

| 66.514 | 2,959 |
| Other | 66. | 11,817 |

**Passed Through From**

| State of Hawaii Dept. of Health | 66.419 | ASIO LOG 19-215 | 15,676 |
| State of Hawaii Dept. of Health | 66.460 | various | 105,160 |
| Extension Foundation | 66.716 | SA-2019-47 | 2,290 |

| 123,128 |

### U.S. Department of Energy

**Passed Through From**

| State of Hawaii Dept. of Business, Economic Development and Tourism | 81.119 | 65616 | 51,984 |
| Battelle Memorial Institute | 81. | 446471 | 35,290 |
| University of Central Florida | 81.087 | 16226104-04 | 29,331 |
| Ushitago Argonne LLC | 81. | 9F-60268 | 21,701 |

| 138,308 |

### U.S. Department of Education

**Office of Postsecondary Education**

| National Resource Centers Program for Foreign Language and Area Studies or Foreign Language and International Studies Program and Foreign Language and Area Studies Fellowship Program | 84.015 | 1,121,732 |
| Overseas Program – Group Projects Abroad | 84.021 | 21,158 |
| Language Resource Centers | 84.229 | 154,804 |
| Child Care Access Means Parents in School | 84.335 | 155,922 |
| Transition Programs for Students with Intellectual Disabilities into Higher Education | 84.407 | 287,992 |

| 1,743,608 |
### University of Hawai‘i
**State of Hawai‘i**

**Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2020**

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>Pass-Through Identifier</th>
<th>Passed Through to Subrecipients</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Office of Special Education and Rehabilitative Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>84.129</td>
<td>MOA D15-068 CO-10584</td>
<td>212,622</td>
<td></td>
</tr>
<tr>
<td>84.325</td>
<td>MOA D17-076 CO-10758</td>
<td>356,412</td>
<td></td>
</tr>
<tr>
<td>84.326</td>
<td>MOA D18-032 CO-10852</td>
<td>142,449</td>
<td>71,483</td>
</tr>
<tr>
<td><strong>Office of Elementary and Secondary Education</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>84.310</td>
<td></td>
<td>798,788</td>
<td></td>
</tr>
</tbody>
</table>

**Passed Through From**

- **State of Hawaii Dept. of Education**
  - 84.084
  - 84.184
  - 84.287
  - 84.365
  - 84.371
  - 84.372
  - 84.126
  - 84.419
- **Hawaii**
  - 84.259
  - 84.403
  - 94.
  - 84.259
  - 84.325
  - 93.032
  - 93.969
  - 93.314
- **Japan U.S. Friendship Commission**
  - 90.300

**U.S. Department of Health and Human Services**

1. Health Resources and Services Administration
   - Training in General, Pediatric, and Public Health Dentistry
   - Area Health Education Centers
   - Maternal and Child Health Federal Consolidated Programs
   - Centers of Excellence
   - Grants to States for Loan Repayment Program
   - Telehealth Programs
   - Advanced Nursing Education Workforce Grant Program
   - Geriatric Academic Career Awards Department of Health and Human Services
   - Universal Newborn Hearing Screening
   - Nurse Education, Practice Quality, and Retention Grants
   - Mental and Behavioral Health Education and Training Grants
   - Health Careers Opportunity Program
   - PPHF Geriatric Education Centers
2. Centers for Disease Control and Prevention
   - Early Hearing Detection and Intervention Information System ("EHDI-IT") Surveillance Program
   - Cancer Prevention and Control Programs
   - Administration for Community Living ("ACL")
   - Alzheimer's Disease Program Initiative ("ADPI")
   - Developmental Disabilities Projects of National Significance
   - University Centers for Excellence in Developmental Disabilities
   - Education, Research, and Service
   - Alzheimer's Disease Initiative: Specialized Supportive Services Project ("ADI-SSS") thru Prevention and Public Health Funds ("PPHF")
3. Office of Minority Health
   - Community Programs to Improve Minority Health Grant Program
4. Substance Abuse and Mental Health Services Administration
   - Substance Abuse and Mental Health Services Projects of Regional and National Significance

**Passed Through From**

- **State of Hawaii Dept. of Education**
  - 84.084
  - 84.184
  - 84.287
  - 84.365
  - 84.371
  - 84.372
  - 84.126
  - 84.419
- **Hawaii**
  - 84.259
  - 84.403
  - 94.
  - 84.259
  - 84.325
  - 93.032
  - 93.969
  - 93.314
- **Japan U.S. Friendship Commission**
  - 90.300

**Final Expenditures**

- 207,159
- 195
- 18,511
- 120,190
- 10758
- 10852
- 102
- 1032
- 10036
- 10651
- 10852
- 10758
- 10584
- 10584
- 10758
- 10584
- 10852
- 102080
- 10651
- 10852
- 1019
- 102
- 1032
### Schedule of Expenditures of Federal Awards

**Year Ended June 30, 2020**

<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>Pass-Through Identifier</th>
<th>Passed Through to Subrecipients</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>93.511</td>
<td>various</td>
<td>569,655</td>
<td></td>
</tr>
<tr>
<td>93.283</td>
<td></td>
<td>35,538</td>
<td></td>
</tr>
<tr>
<td>93.145</td>
<td>various</td>
<td>171,040</td>
<td></td>
</tr>
<tr>
<td>93.</td>
<td>various</td>
<td>83,361</td>
<td></td>
</tr>
<tr>
<td>93.345</td>
<td>various</td>
<td>1,993</td>
<td></td>
</tr>
<tr>
<td>93.778</td>
<td>GDPHSS-Medicaid-CA-002WT1#2</td>
<td>152,282</td>
<td></td>
</tr>
<tr>
<td>93.898</td>
<td>17-0791</td>
<td>7,992</td>
<td></td>
</tr>
<tr>
<td>93.898</td>
<td></td>
<td>(434)</td>
<td></td>
</tr>
<tr>
<td>93.898</td>
<td>CR180261</td>
<td>165</td>
<td></td>
</tr>
<tr>
<td>93.778</td>
<td>various</td>
<td>128,411</td>
<td></td>
</tr>
<tr>
<td>93.898</td>
<td></td>
<td>27,240</td>
<td></td>
</tr>
<tr>
<td>93.621</td>
<td></td>
<td>30,746</td>
<td></td>
</tr>
<tr>
<td>93.898</td>
<td>18-0626</td>
<td>11,029</td>
<td></td>
</tr>
<tr>
<td>93.917</td>
<td>7120-ACR-RW</td>
<td>109,617</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corporation for National and Community Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Commissions</td>
</tr>
<tr>
<td>AmerCorps</td>
</tr>
<tr>
<td>Training and Technical Assistance</td>
</tr>
<tr>
<td>AmerCorps VISTA Recruitment Support</td>
</tr>
</tbody>
</table>

| Social Security Administration                |
| Social Security – Work Incentives Planning and Assistance Program | 108,143                         |

| Agency for International Development          |
| Passed Through From                           |
| University of California – Davis             | 52,340                           |
| University of California – Merced            | 135,329                          |
| Michigan State University                    | 5,356                            |

| Other                                          |
| Peace Corps                                    | 15,335                           |

| Total other federal assistance                 | 50,967,288                       |

| Total expenditures of federal awards          |
|                                              | $ 22,107,035                     |
|                                              | $ 504,917,869                    |

16
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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The University has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

2. Loans Outstanding

The University had the following loans outstanding as of June 30, 2020, which are not presented in the schedule of expenditures of federal awards.

<table>
<thead>
<tr>
<th>Loans Outstanding</th>
<th>CFDA No.</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Perkins Loan</td>
<td>84.038</td>
<td>77,462</td>
</tr>
</tbody>
</table>

During the year ended June 30, 2020, the University distributed $129,435,877 in student loans through the U.S. Department of Education Direct Loan program. 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 financial statements.
SECTION 3

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

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? None reported
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 Title 2 U.S. CFR Part 200, Section 200.516? Yes

Identification of Major Programs

<table>
<thead>
<tr>
<th>CFDA Number</th>
<th>Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various</td>
<td>Research and Development Cluster</td>
</tr>
<tr>
<td>Various</td>
<td>Student Financial Assistance Cluster – Grants, Scholarships and Loans</td>
</tr>
<tr>
<td>Various</td>
<td>TRIO Cluster</td>
</tr>
<tr>
<td>43.000</td>
<td>NASA IRTF Operation</td>
</tr>
<tr>
<td>84.031</td>
<td>Title III Higher Education – Institutional Aid</td>
</tr>
<tr>
<td>84.048</td>
<td>Career and Technical Education – Basic Grants to States</td>
</tr>
<tr>
<td>84.334</td>
<td>Gaining Early Awareness and Readiness for Undergraduate Programs (“GEAR UP”)</td>
</tr>
<tr>
<td>84.362</td>
<td>Title VII Native Hawaiian Education</td>
</tr>
<tr>
<td>84.425</td>
<td>COVID-19 – Higher Education Emergency Relief Fund (“HEERF”)</td>
</tr>
<tr>
<td>97.005</td>
<td>State and Local Homeland Security National Training Program</td>
</tr>
</tbody>
</table>

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.
Section II – Financial Statement Findings

There were no findings related to the 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.
Section III – Federal Award Findings and Questioned Costs

Finding No. 2020-001: Enrollment Reporting – Control Deficiency

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.268 – Federal Direct Student Loans

Condition

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

- For 4 out of 15 students selected for testing, the institution failed to report the student’s enrollment status to the National Student Loan Data System (“NSLDS”).

Criteria

Title 34, Section 685.309 (b)(2) of the U.S. Code of Federal Regulations ("CFR") states that unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, an institution must notify the Secretary within 30 days after the date the institution discovers that a loan under Title IV of the Act was made to or on behalf of a student who was enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period which the loan was intended.

Cause

The institution failed to report the student’s enrollment status accurately and within a timely manner due to miscommunication between the Financial Aid Office and the Office of the Registrar.

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”).
Context

A sample of 15 exit counseling sessions conducted with borrowers were selected for audit from a population of 1,847 exit counseling sessions conducted with borrowers. Our test found four students’ enrollment status was not updated in the NSLDS in a timely manner. Our sample was a statistically valid sample.

Repeat Finding

This is a repeat of prior audit Finding No. 2019-001.

Recommendation

We recommend that the institution update student enrollment status in the NSLDS in an accurate and timely manner to ensure compliance with Federal requirements.

Views of Responsible Officials and Planned Corrective Actions

To ensure compliance with federal reporting guidelines, the Office of the Registrar will review its existing business processes for submitting updated enrollment and degree statuses to the National Student Clearinghouse (“NSC”), including any updates or corrections to a student’s enrollment. Additionally, the Office of the Registrar will work closely with the Financial Aid Office to ensure that the information being transmitted to the NSLDS agrees to the student information system and data submitted to the NSC.
Finding No. 2020-002: Financial Aid Administration – Control Deficiency

Federal Agency: U.S. Department of Education

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

Condition

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

Return of Title IV Funds

• For 4 out of 15 students selected for testing, the institution did not have evidence that the students began attendance in at least one of their enrolled classes. As such, the institution failed to remit the appropriate amount of Title IV funds for these students, resulting in an underpayment of $4,135 to the Title IV program.

Enrollment Reporting

• For 1 out of 15 students selected for testing, the institution failed to report the student’s enrollment status to the NSLDS.

Criteria

Return of Title IV Funds

Title 34, Section 690.80(b) of the CFR requires if a student’s enrollment status changes, the institution must recalculate the Federal Pell Grant that was credited to the student’s account at the institution or disbursed directly to the student for that payment period to reflect only those classes for which the student actually began attendance.

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.
University of Hawaiʻi  
State of Hawaiʻi  
Schedule of Findings and Questioned Costs  
Student Financial Assistance Cluster  
University of Hawaiʻi at West Oʻahu  
Year Ended June 30, 2020

Enrollment Reporting

Title 34, Section 685.309 (b)(2) of the CFR states that unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, an institution must notify the Secretary within 30 days after the date the institution discovers that a loan under Title IV of the Act was made to or on behalf of a student who was enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period which the loan was intended.

Cause

Return of Title IV Funds

The institution was unable to receive sufficient responses regarding the student’s enrollment status from all of the students’ corresponding instructors. Thus, the institution was unable to accurately perform the return to Title IV calculation timely.

Enrollment Reporting

The institution failed to report the student’s enrollment status accurately and within a timely manner due to miscommunication between the Financial Aid Office and the Office of the Registrar.

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.

Context

Return of Title IV Funds

A sample of 15 students who withdrew from the institution and were disbursed a total of $81,311 in Title IV funds was selected for audit from a population of 151 students who withdrew and were disbursed a total of $951,005 in Title IV funds. Our test found four students’ return of Title IV funds were not calculated, resulting in a questioned cost of $4,135. Our sample was a statistically valid sample.

Enrollment Reporting

A sample of 15 exit counseling sessions conducted with borrowers were selected for audit from a population of 532 exit counseling sessions conducted with borrowers. Our test found one student’s enrollment status was not updated in the NSLDS in a timely manner. Our sample was a statistically valid sample.
Repeat Finding

This is not a repeat finding.

Recommendation

We recommend that the institution perform the following to ensure compliance with Federal requirements:

Return of Title IV Funds

- Ensure that the correct information is used to prepare the return of Title IV calculation.

- Remit the institutional portion of unearned aid to the appropriate Title IV program within the required 30-day time period in accordance with federal regulations.

Enrollment Reporting

- Update student enrollment status in the NSLDS in an accurate and timely manner to ensure compliance with Federal requirements.

Views of Responsible Officials and Planned Corrective Actions

Return of Title IV Funds

The Financial Aid Office’s procedures were updated to include the recalculation of Pell Grant awards for students who are not enrolled at their intended original enrollment level upon disbursement.

Enrollment Reporting

The student in question was overlooked because the student appealed their enrollment record after the term ended and the appeal was approved. The Office of the Registrar has updated the process for student appeals to notify the Financial Aid Office of any enrollment adjustments due to appeals and to manually update the NSLDS via the NSC for any enrollment changes after the last regularly scheduled enrollment report to the NSC for the term.
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, 2020

Finding No. 2020-003: Financial Aid Administration – Control Deficiency

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.268 – Federal Direct Student Loans

Condition

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

• For 6 out of 15 students selected for testing, the institution failed to provide exit counseling to borrowers within a timely matter.

Criteria

Title 34, Section 685.304 of the CFR states that an institution 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 institution. 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.

Cause

The institution was unable to perform exit counseling to borrowers in a timely manner due to a misunderstanding of the spring 2020 semester add/drop date.

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
Honolulu Community College
Year Ended June 30, 2020

Context
A sample of 15 exit counseling sessions conducted with borrowers were selected for audit from a population of 163 exit counseling sessions conducted with borrowers. Our test found six exit counseling sessions conducted with borrowers that were not performed timely. Our sample was a statistically valid sample.

Repeat Finding
This is not a repeat finding.

Recommendation
We recommend that the institution provide exit counseling to borrowers timely to ensure compliance with Federal requirements.

Views of Responsible Officials and Planned Corrective Actions
To ensure that exit counseling is provided to borrowers in a timely manner, at least twice a month, campus personnel are working with the Central Financial Aid office to obtain lists of students requiring exit counseling. Personnel will also begin the exit counseling process for graduates 30 days prior to the end of the semester.
University of Hawai‘i
State of Hawai‘i
Schedule of Findings and Questioned Costs
NASA IRTF Operation
Year Ended June 30, 2020

<table>
<thead>
<tr>
<th>Questioned Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>$43,755</td>
</tr>
</tbody>
</table>

Finding No. 2020-004: Payroll Expenditures – Control Deficiency

Federal Agency: NASA Goddard

CFDA Number and Title: 43.000 – NASA IRTF Operation

Condition

During our audit, we noted the following matter related to payroll expenditures incurred by employees of the Research Corporation of the University of Hawaii (“RCUH”) who were working on projects for the NASA IRTF Operation (“NASA”) program:

- For 1 out of 14 employees selected for testing within the NASA program, we noted that the individual who certified the employee’s electronic timesheet in RCUH’s HR AMP system was not the Principal Investigator as listed on the grant document. Furthermore, although the employee’s electronic time sheet was retroactively approved by the Principal Investigator, indicating their certification that the payroll expenditures were accurate and allowable and we were provided with the RCUH “Human Resources Portal Access & PI Delegation of Authority” form evidencing the delegation of approval authority from the Principal Investigator to the individual who ultimately certified the employee’s electronic timesheet, both documents were not completed until fiscal 2021.

Criteria

Section 3.810, RCUH Payroll & Certification, of RCUH’s policies and procedures states that “Principal Investigators or other responsible persons – Must certify the accuracy of all work and/or leave time reported by all employees working on the applicable projects during the pay period. In compliance with the applicable regulations pertaining to federal funds, certification is required to affirm that labor and fringe charges are accurate, allowable and properly allocated to the specific project account(s) where the work was performed.”

Cause

The matter noted above may be attributed to delays in submitting a “Human Resources Portal Access & PI Delegation of Authority” form by the University individuals responsible for reviewing and approving salaries and wages that are requested for reimbursement through the use of federal funds.
Effect

Failure by the University project personnel to adhere to the designated approval processes for salaries and wages exposes the University to an undue risk of noncompliance with Part 220 – *Cost Principles for Educational Institutions*, of Section 2 of the Code of Federal Regulations.

Context

A sample consisted of payroll expenditures across individual pay periods incurred by RCUH employees who were working on grants within the NASA program.

A sample of 14 employees whose payroll expenditures totaled $42,593 were selected for audit from a population of $2,786,489 in payroll expenditures from the NASA program. Our test found one sample where an employee’s timesheet was not approved by an authorized individual in a timely manner.

Repeat Finding

This is not a repeat finding.

Recommendation

We recommend that University project personnel ensure that the proper documentation evidencing the delegation of approval authority for employee timesheets is provided to RCUH’s Human Resources Department in a timely manner.

Views of Responsible Officials and Planned Corrective Actions

During fiscal 2021, the RCUH “Human Resources Portal Access & PI Delegation of Authority” form evidencing the delegation of approval authority from the Principal Investigator to the individual who ultimately certified the employee’s electronic timesheet was completed. The Institute for Astronomy is also in the process of moving RCUH employees who are working on grants within the NASA program to RCUH’s electronic timesheet system.
University of Hawai‘i  
State of Hawai‘i  
Schedule of Findings and Questioned Costs  
Title VII Native Hawaiian Education  
Year Ended June 30, 2020  

<table>
<thead>
<tr>
<th>Questioned Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>$33,915</td>
</tr>
</tbody>
</table>

Finding No. 2020-005: Unallowable Stipend Expenditure – Control Deficiency

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.362 – Title VII Native Hawaiian Education

Condition

During our audit of the Title VII Native Hawaiian Education (“Title VII”) program, we noted changes to the criteria used to determine the amount of the stipend that was ultimately distributed to a participant were verbally communicated to participants who attended a program event. However, these changes were not formally documented and provided to all program participants. Furthermore, when applying the revised criteria, we were unable to recalculate the stipend distributed to 9 out of the 10 participants selected for testing.

Criteria

Section 200.403 – Factors affecting allowability of costs, of Title 2 U.S. CFR Part 200, states “(g) – in order for costs to be allowable under Federal awards it must be adequately documented.”

Cause

The lack of formal documentation evidencing the changes to the criteria used to determine the amount of the stipend to be distributed to program participants and the communication of such changes to all program participants may be attributed to a lack of oversight by program personnel.

Effect

Failure to adhere to the allowable cost principles of Title 2 U.S. CFR Part 200 exposes the University to an undue risk of misuse of federal funds and may ultimately jeopardize the University’s ability to obtain future federal funding.

Context

A sample of 40 scholarship and stipend transactions totaling $11,339 in expenditures from the Title VII program were selected for audit from a population of $698,762 in scholarship and stipend expenditures from the Title VII program. Our test found nine transactions in which the criteria applied to calculate the stipend amount was inadequately documented. Our sample was a statistically valid sample.
Repeat Finding

This is a repeat of prior audit Finding No. 2019-008.

Recommendation

We recommend that the University ensure that adequate documentation is maintained detailing the criteria used to calculate the distribution of stipends utilizing federal funds within the context of Title 2 U.S. 2 CFR 200.

Views of Responsible Officials and Planned Corrective Actions

During fiscal 2021, program personnel distributed a letter to participants advising them of the revised criteria used to determine stipends. Going forward, program personnel also intend to document and communicate in writing to all program participants the criteria used to determine stipends.
SECTION 4

FINANCIAL STATEMENTS
# Index

June 30, 2020 and 2019

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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 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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University’s basic financial statements as listed in the accompanying index.

Management’s Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 financial statements based on our audits. We did not audit the financial statements of the University of Hawai‘i Foundation (the “Foundation”), which represent 14.3 percent and 14.5 percent, respectively, of the total assets and deferred outflows of resources and 0.7 percent of the total operating revenues of the University as of and for the years ended June 30, 2020 and 2019. 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, 2020 and 2019, 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 financial statements are free from material misstatement. The financial statements of the Foundation were not audited under Government Auditing Standards.

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 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 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 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University and its discretely presented component unit as of June 30, 2020 and 2019, and the changes in financial position and, where applicable, 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 financial statements, in 2020, the University elected to change the presentation of its financial statements. The change was applied retrospectively to 2019. 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 the proportionate share of the net pension liability, pension contributions, changes in net OPEB liability and related ratios, and OPEB contributions 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 Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University’s 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 basic 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.

Other Reporting Required by Government Auditing Standards
In accordance with Government Auditing Standards, we have also issued our report dated December 3, 2020, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University’s internal control over financial reporting and compliance.

Honolulu, Hawai’i
December 3, 2020
Introduction

The following discussion and analysis provides an overview of the financial position and activities of the University of Hawai‘i (the “University”) for the years ended June 30, 2020 and 2019, with selected information for the year ended June 30, 2018. 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 and a 10-campus system comprised of a major research university (UH-Mānoa), two baccalaureate campuses (UH-Hilo and UH-West O‘ahu), seven community colleges (Hawai‘i, Honolulu, Kapi‘olani, Kaua‘i, Leeward, Maui and Windward), and nine educational centers distributed across the State.

The University is the sole public higher education system within the State and, therefore, has a unique competitive position and value in Hawai‘i. Furthermore, the University is the only truly integrated higher education system in the country that seamlessly arranges its universities and community colleges into one system. Other public higher education systems in the country are typically separate and distinct systems defined by the type of system (community colleges, junior colleges, and universities).

In addition to being an integrated higher education system, the University distinguishes itself through its Hawai‘i, 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.
University of Hawai‘i  
State of Hawai‘i  
(A Component Unit of the State of Hawai‘i)  
Management’s Discussion and Analysis (Unaudited)  
June 30, 2020 and 2019

<table>
<thead>
<tr>
<th></th>
<th>Academic Year 2020</th>
<th>Academic Year 2019</th>
<th>Academic Year 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undergraduate</td>
<td>44,278</td>
<td>44,564</td>
<td>46,375</td>
</tr>
<tr>
<td>Graduate</td>
<td>5,316</td>
<td>5,413</td>
<td>5,299</td>
</tr>
<tr>
<td>Total</td>
<td>49,594</td>
<td>49,977</td>
<td>51,674</td>
</tr>
<tr>
<td>Type of Degrees Awarded</td>
<td>724</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificates: Community Colleges</td>
<td>171</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificates: University</td>
<td>127</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Associate degrees</td>
<td>127</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bachelor’s degrees</td>
<td>146</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Master’s degrees</td>
<td>92</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Doctoral degrees</td>
<td>57</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional degrees</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Diversity (full time Students)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caucasian</td>
<td>17%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chinese</td>
<td>4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Filipino</td>
<td>14%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hawaiian/Part Hawaiian</td>
<td>24%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japanese</td>
<td>6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pacific Islander</td>
<td>2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mixed</td>
<td>15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Other</td>
<td>18%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenues ($ in thousands)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net tuition and fees</td>
<td>$263,459</td>
<td>14%</td>
<td>$262,063</td>
</tr>
<tr>
<td>Contracts and grants (including Pell grants)</td>
<td>$457,682</td>
<td>24%</td>
<td>$457,902</td>
</tr>
<tr>
<td>State appropriations</td>
<td>$512,608</td>
<td>27%</td>
<td>$506,399</td>
</tr>
<tr>
<td>Transfer from State for fringe benefits</td>
<td>$304,701</td>
<td>16%</td>
<td>$286,479</td>
</tr>
<tr>
<td>Sales and services</td>
<td>$113,511</td>
<td>6%</td>
<td>$130,346</td>
</tr>
<tr>
<td>Capital State appropriations</td>
<td>$203,765</td>
<td>10%</td>
<td>$133,996</td>
</tr>
<tr>
<td>Others</td>
<td>$62,208</td>
<td>3%</td>
<td>$56,152</td>
</tr>
<tr>
<td>Total</td>
<td>$1,917,934</td>
<td>100%</td>
<td>$1,833,337</td>
</tr>
</tbody>
</table>

University of Hawai‘i  
State of Hawai‘i  
(A Component Unit of the State of Hawai‘i)  
Management’s Discussion and Analysis (Unaudited)  
June 30, 2020 and 2019
University of Hawai‘i
State of Hawai‘i
(A Component Unit of the State of Hawai‘i)
Management’s Discussion and Analysis (Unaudited)
June 30, 2020 and 2019

Using the Financial Statements

The University’s 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 financial statements are comprised of the following four components:

- **Statements of Net Position** – The Statements of Net Position present information on the University’s assets, deferred outflow of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the University’s financial condition is improving or deteriorating. Net position increases when revenues exceed expenses, or when assets and deferred outflows of resources increase without a corresponding increase in liabilities and deferred inflows of resources. 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 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 nonoperating revenue, including state educational appropriations, private gifts, and investment income. Consequently, the Statements of Revenues, Expenses, and Changes in Net Position distinguish operating from nonoperating 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 nonoperating revenue.

- **Statements of Cash Flows** – The Statements of Cash Flows distinguish between cash inflows and outflows from operating activities, non-capital financing activities, capital and related financing activities, and investing activities.

- **Notes to Financial Statements** – The notes provide additional information that is essential to a full understanding of the information presented in the financial statements.

Related Entities

The University maintains close relationships with the University of Hawai‘i Foundation (the “Foundation”) and the Research Corporation of the University of Hawai‘i (the “Research Corporation”). The Foundation is a not-for-profit organization established to solicit and manage funds for the benefit of the University and the Research Corporation provides administrative support services for research and training programs of the University. Both entities are considered to be component units of the University under GASB standards, however, only the Foundation’s financial information is discretely presented in the University’s accompanying financial statements. The Research Corporation was excluded from the University’s financial statements due to insignificance.

Management’s interpretation of the presentation of the University’s component units under GASB Statement No. 61 was updated in fiscal year 2020. Prior to fiscal year 2020, both the Foundation and the Research Corporation were blended into the University’s financial statements. Presenting the Foundation as a discretely presented component unit is a common method among similar public colleges
and universities with a legally separate foundation. This change has been applied retrospectively to the 2019 and selected 2018 information in this discussion and analysis.

The Foundation prepares stand-alone financial statements in accordance with the Financial Accounting Standards Board (“FASB”) standards. Under FASB standards, certain revenue recognition and financial statement presentation requirements differ from GASB, however, no modifications have been made to the Foundation’s financial information included in the University’s financial report to account for these differences.

Financial Position

The Statements of Net Position presents information on all of the University’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the components (assets and deferred outflows of resources, less liabilities and deferred inflows of resources) presented as net position. Net position is reported as one of three categories: net investment in capital assets, restricted, or unrestricted. Restricted net position is further classified as either expendable or nonexpendable. The University’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2020, 2019 and 2018 are summarized as follows (in thousands of dollars):

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>Change</th>
<th>2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and operating investments</td>
<td>$457,777</td>
<td>$435,411</td>
<td>$22,366</td>
<td>$397,333</td>
<td>$38,078</td>
</tr>
<tr>
<td>Receivables, net</td>
<td>102,021</td>
<td>113,892</td>
<td>(11,871)</td>
<td>107,184</td>
<td>6,708</td>
</tr>
<tr>
<td>Other current assets</td>
<td>19,422</td>
<td>19,173</td>
<td>249</td>
<td>21,190</td>
<td>(2,017)</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>579,220</td>
<td>568,476</td>
<td>10,744</td>
<td>525,707</td>
<td>42,769</td>
</tr>
<tr>
<td><strong>Noncurrent assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment and other investments</td>
<td>101,647</td>
<td>102,807</td>
<td>(1,160)</td>
<td>102,163</td>
<td>644</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>2,183,025</td>
<td>2,149,722</td>
<td>33,303</td>
<td>2,114,726</td>
<td>34,996</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>490,020</td>
<td>423,910</td>
<td>66,110</td>
<td>439,326</td>
<td>(15,416)</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>3,353,912</td>
<td>3,244,915</td>
<td>108,997</td>
<td>3,181,927</td>
<td>62,993</td>
</tr>
<tr>
<td><strong>Deferred outflows of resources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred outflows on net pension and OPEB liability and other</td>
<td>476,676</td>
<td>506,412</td>
<td>(29,736)</td>
<td>528,105</td>
<td>(21,693)</td>
</tr>
<tr>
<td><strong>Total deferred outflows of resources</strong></td>
<td>476,676</td>
<td>506,412</td>
<td>(29,736)</td>
<td>528,105</td>
<td>(21,693)</td>
</tr>
<tr>
<td><strong>Total assets and deferred outflows of resources</strong></td>
<td>$3,830,588</td>
<td>$3,751,327</td>
<td>$79,261</td>
<td>$3,710,027</td>
<td>$41,300</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td>$250,030</td>
<td>$261,343</td>
<td>(11,313)</td>
<td>$254,996</td>
<td>6,347</td>
</tr>
<tr>
<td><strong>Noncurrent liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue bonds payable</td>
<td>467,795</td>
<td>487,490</td>
<td>(19,695)</td>
<td>506,655</td>
<td>(19,165)</td>
</tr>
<tr>
<td>Net pension liability and other postemployment benefits</td>
<td>3,593,590</td>
<td>3,496,296</td>
<td>97,294</td>
<td>3,432,462</td>
<td>63,834</td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>110,698</td>
<td>119,689</td>
<td>(8,991)</td>
<td>127,700</td>
<td>(8,011)</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>4,422,113</td>
<td>4,364,818</td>
<td>57,295</td>
<td>4,321,813</td>
<td>43,005</td>
</tr>
<tr>
<td><strong>Deferred inflows of resources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred inflows on net pension and OPEB liability</td>
<td>40,708</td>
<td>69,279</td>
<td>(28,571)</td>
<td>53,497</td>
<td>15,782</td>
</tr>
<tr>
<td><strong>Total deferred inflows of resources</strong></td>
<td>40,708</td>
<td>69,279</td>
<td>(28,571)</td>
<td>53,497</td>
<td>15,782</td>
</tr>
<tr>
<td><strong>Net position</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>1,671,445</td>
<td>1,620,054</td>
<td>51,391</td>
<td>1,593,172</td>
<td>26,882</td>
</tr>
<tr>
<td>Nonexpendable</td>
<td>10,493</td>
<td>10,493</td>
<td>-</td>
<td>10,493</td>
<td>-</td>
</tr>
<tr>
<td>Expendable</td>
<td>498,211</td>
<td>427,654</td>
<td>70,557</td>
<td>404,093</td>
<td>23,561</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(2,812,382)</td>
<td>(2,740,971)</td>
<td>(71,411)</td>
<td>(2,673,041)</td>
<td>(67,930)</td>
</tr>
<tr>
<td><strong>Total net position</strong></td>
<td>(632,233)</td>
<td>(682,770)</td>
<td>50,537</td>
<td>(665,283)</td>
<td>(17,487)</td>
</tr>
<tr>
<td><strong>Total liabilities, deferred inflows of resources and net position</strong></td>
<td>$3,830,588</td>
<td>$3,751,327</td>
<td>$79,261</td>
<td>$3,710,027</td>
<td>$41,300</td>
</tr>
</tbody>
</table>
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.

The University recorded an increase in working capital the last three fiscal years, which resulted mainly from the implementation of the new financial management policy. In November 2013, the University adopted a financial reserve policy to establish systemwide operating reserves from non-general fund revenue in amounts sufficient to provide continued operations for at least two months with a minimum of 5.0 percent unencumbered cash from all tuition and fee funds, special funds, and revolving funds. At June 30, 2020, 2019 and 2018, working capital amounted to $329.2 million, $307.1 million and $270.7 million, respectively. The University is committed to maintaining a prudent level of working capital to fund operations, including pre-funding our extramural grants which are mostly paid on a cost reimbursement basis. Based on the $1.7 billion of operating expenses (excluding depreciation) for the year ended June 30, 2020, the working capital at year end represents approximately 68 days of operating funds, as compared to 62 and 59 days of operating funds in 2019 and 2018, respectively.

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

- Current assets consist primarily of cash and cash equivalents, operating investments, and net receivables. Total current assets were $579.2 million, $568.5 million and $525.7 million at June 30, 2020, 2019 and 2018, respectively. Total current assets increased by $10.7 million, or 1.9 percent, at June 30, 2020, primarily due to a $9.0 million increase in cash and cash equivalents and $46.3 million increase in operating investments. The cash increase was attributable to the University implementing various cost control initiatives, including personnel cost reductions, which started in 2018. The operating investments increase was due to the University investing excess cash into government obligations. Total current assets increased by $42.8 million, or 8.1 percent, at June 30, 2019, primarily due to an increase in operating investments. The University implemented various cost control initiatives which started in 2018, that provided for excess funds available for investment in the University’s operating investment pool.

- Current liabilities consist primarily of accounts payable, accrued payroll and fringe benefits, advances from sponsor, 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 $250.0 million, $261.3 million and $255.0 million at June 30, 2020, 2019 and 2018, respectively. Total current liabilities decreased by $11.3 million, or 4.3 percent, at June 30, 2020, as a result of the timing of payments to vendors, as well as a decrease in unearned tuition revenue. Unearned tuition revenue decreased due to the deadline extension for fall 2020 enrollment. In fiscal year 2019, total current liabilities increased by $6.3 million, or 2.5 percent, at June 30, 2019, primarily due to the increase in accounts payable and accrued payroll. Accounts payable increased as a result of the timing of cash disbursements and the increase in accrued payroll was due to the year-over-year increases in compensation and benefits expense.
Endowment and Other Investments

The University’s endowment and other investments consist of the University’s endowment pool, the Associated Students of the University of Hawai‘i endowment, and unspent bond proceeds. The aggregate investment balance remained relatively consistent in fiscal years 2020 and 2019.

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 spending rate policy for the University’s self-managed endowment 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 3.0 percent and 5.0 percent of the five-year moving average of the endowment portfolio’s fair value. In fiscal years 2020, 2019 and 2018, 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 $2.8 million, $2.8 million and $2.7 million in fiscal years 2020, 2019 and 2018, 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, 2020, 2019 and 2018, total capital assets, net of accumulated depreciation, remained relatively constant at approximately $2 billion, which represented approximately 65 percent of the University’s total assets. Capital asset additions totaled $171.4 million, $180.1 million and $177.8 million in fiscal years 2020, 2019 and 2018, respectively.

Capital asset additions remained consistent in the past three fiscal years due to the number of ongoing strategic capital projects.
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 develops and constructs new facilities.

Significant capital projects completed during fiscal years 2020 and 2019 or in progress as of June 30, 2020 and 2019 include:

- **Coconut Island Marine Laboratory 1 & 2** – The new estimated completion date for the $21.5 million Coconut Island Marine Laboratory Buildings 1 & 2 renovation project is December 2020. The Hawai‘i Institute of Marine Biology at the University of Hawai‘i at Mānoa is a world-renowned research institute situated on Coconut Island in the Kāne‘ohe Bay. Coconut Island provides excellent opportunities for research as it covers approximately twenty-nine acres with six acres enclosed in lagoons that are used for keeping organisms in captivity for study. The ongoing research projects on the island cover many disciplines of tropical marine science conducted by researchers from all over the world.

- **Coconut Island Utility Rehabilitation/Replacement** – The $10 million new sewer and telecommunications infrastructure lines were completed in December 2019. The new infrastructure lines were built roughly forty feet below Kāne‘ohe Bay. Additions to the project scope included upsizing the waterline between Coconut Island and O‘ahu and to replacing the existing sewer pump station.

- **Daniel K. Inouye College of Pharmacy** – The $33.7 million Daniel K. Inouye College of Pharmacy building was completed in December 2019. This project provides a two-story 45,000 square-foot building that consolidates student laboratories, faculty offices, and Student Affairs under a single roof. It also provides faculty and student lounges, private study rooms, and a lecture hall. In addition, the new building includes a simulated mannequin lab which features two highly realistic mannequins that, with the aid of computers, can physically respond to stimuli and upon which students can learn and practice medical procedures before treating real-life patients.

- **William S. Richardson School of Law Clinical Building** – The $9 million Law School Clinical Building at the William S. Richardson School of Law on the University of Hawai‘i at Mānoa campus was completed in November 2019. The new building provides much needed space for the growing clinical services offered by law school students and faculty. Students provide thousands of hours of free legal help to some of Hawai‘i’s most vulnerable people, including the elderly, troubled and incarcerated youth, veterans and families living at or near poverty levels.

- **University of Hawai‘i at Mānoa Life Sciences Building** – The $65.5 million University of Hawai‘i at Mānoa Life Sciences Building was completed in July 2020. This new Life Sciences Building will play a critical role in expanding inter-disciplinary educational and research opportunities for our students and faculty and will provide multi-disciplinary shared spaces that inspire learning and advancement. The building includes teaching and research laboratories, laboratory support spaces, and office spaces for the College of Natural Sciences, biology, microbiology and botany departments along with the Pacific Biosciences Research Center, which operates the state’s only transmission electron microscope.
University of Hawai‘i
State of Hawai‘i
(A Component Unit of the State of Hawai‘i)
Management’s Discussion and Analysis (Unaudited)
June 30, 2020 and 2019

- University of Hawai‘i West O‘ahu Creative Media Building – The $34.5 million Creative Media Building at the University of Hawai‘i at West O‘ahu is estimated to be completed in November 2020. This new design-build project will house the existing Academy of Creative Media (“ACM”) program in a 33,000 square foot facility. The building will combine teaching facilities, production facilities, faculty offices, creative workspaces, and an incubator for emerging companies. The building expands the current UH-West O‘ahu ACM program from approximately 110 student majors to an anticipated 500 majors.

- University of Hawai‘i at Mānoa Athletic Gymnasiums 1 & 2 – The $10 million renovation of Athletic Gymnasiums 1 & 2 was completed in July 2019. The project consisted of net zero photovoltaic and roof system and additional thermal insulation for occupants’ comfort and to reduce the noise level. The floors, fixed equipment, and electrical equipment were also upgraded.

- University of Hawai‘i West O‘ahu Allied Health and Administration Building – The grand opening for the University of Hawai‘i West O‘ahu Allied Health and Administration building took place on December 12, 2018. The $33 million two-story 43,000 square foot building houses the allied health, community health, health information management, long-term care, and biology programs and contains administrative offices, faculty offices, classrooms, and lab spaces. The structure is expected to receive at least a Silver LEED certification because of the motion sensor lighting, solar hot water, and water conservation systems. A one hundred-kilowatt rooftop photovoltaic system design was developed for the building.

- Leeward Community College Product Development Center Renovation – The $14.3 million renovation is a cooperative project between the University and the Department of Agriculture’s Agribusiness Development Corporation (“ADC”). The 16,000 square foot facility will include a commercial grade kitchen, flexible classroom space, processing and manufacturing rooms, laboratories, and a public loft space with completion anticipated in May 2022. The product development center will take agricultural items that would normally be wasted and turn it into value-added food products that can be marketed and sold.

- Leeward Community College “DA Native Hawaiian Center for Excellence” – The $7.5 million project was completed in June 2020. Leeward Community College is leading the way in the University’s commitment to “support vigorous programs of study and support for the Hawaiian language, history, and culture” with the renovation of the building. Leeward Community College currently has the most Native Hawaiian students enrolled. The renovation added a new ethnobotany/fiber arts lab and classroom and a dance studio.

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 continues to provide strong support to the University and issued general obligation bonds to help finance certain University projects. These bonds are carried as liabilities of the State. In fiscal years 2020, 2019 and 2018, 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 2020, 2019 and 2018, $126.2 million, $116.3 million and $108.0 million, respectively, were appropriated.
Revenue bonds – The University also issued revenue bonds to finance capital projects. These bonds are carried as liabilities of the University. Total revenue bond liabilities were $487.5 million, $506.7 million and $525.4 million for fiscal years 2020, 2019 and 2018, 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 received funds for debt service in the amount of $9.4 million in each of the fiscal years 2020, 2019 and 2018. The University also receives a portion of the State of Hawai‘i’s cigarette tax revenues, by statute, for the University of Hawai‘i Cancer Center to be used for research and operating expenses and capital expenditures. In each of the fiscal years 2020, 2019 and 2018, $7.9 million from cigarette tax revenues was used to cover debt service for the bonds that financed the University of Hawai‘i Cancer Center. Refer to Note 10 for more information regarding the University revenue bonds.

Equipment lease obligations – In November 2017, the University entered into two tax-exempt lease purchase (“TELP”) agreements to fund the acquisition of energy conservation measures at the four O‘ahu community college campuses (Honolulu, Kapi‘olani, Leeward and Windward) and Maui College for $24.2 million and $6.3 million, respectively. Purchases were financed with a bank and the proceeds were deposited into an acquisition fund held to provide for future payments. See Note 10 for further information.

Net Position

Net position represents the residual interest in the University’s assets after liabilities are deducted. Net position is reported in four major categories: net investment in capital assets, restricted nonexpendable, restricted expendable, and unrestricted. The University’s net position at June 30, 2020, 2019 and 2018 is summarized as follows (in thousands of dollars):

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment in capital assets</td>
<td>$ 1,671,445</td>
<td>$ 1,620,054</td>
<td>$ 1,593,172</td>
</tr>
<tr>
<td>Restricted – Nonexpendable</td>
<td>10,493</td>
<td>10,493</td>
<td>10,493</td>
</tr>
<tr>
<td>Restricted – Expendable</td>
<td>498,211</td>
<td>427,654</td>
<td>404,093</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(2,812,382)</td>
<td>(2,740,971)</td>
<td>(2,673,041)</td>
</tr>
<tr>
<td>Total net position</td>
<td>$ (632,233)</td>
<td>$ (682,770)</td>
<td>$ (665,283)</td>
</tr>
</tbody>
</table>

Net investment in capital assets is the University’s capital asset, net of accumulated depreciation and the related outstanding debt used to finance the acquisition, construction or improvement of those assets.

The net investment in capital assets increased by $51.4 million, or 3.2 percent, in fiscal year 2020, primarily due to a net increase in capital assets of $33.3 million and $14.2 million in related debt retirement. The net investment in capital assets increased by $26.9 million, or 1.7 percent, in fiscal year 2019, primarily due to a net increase in capital assets of $8.1 million and $19.2 million in capital related debt retirement.

Restricted nonexpendable net position primarily represents the University’s permanent endowment funds, which are required to be maintained in perpetuity.

Restricted expendable net position is subject to externally imposed restrictions governing their use.
The overall increases in restricted expendable of $70.6 million and $24.6 million in fiscal years 2020 and 2019, respectively, were primarily due to capital appropriations outpacing capital project expenditures.

Net position that is not subject to externally imposed restrictions governing their use is classified as unrestricted for financial reporting purposes. At June 30, 2020, 2019 and 2018, unrestricted net positions amounted to deficits of $2.81 billion, $2.71 billion and $2.67 billion, respectively. Although unrestricted net position is not subject to externally imposed restrictions, all of the University’s unrestricted net positions have been internally designated for various academic and research programs and initiatives, contractual commitments, and capital projects. In addition, unrestricted net positions of $50.2 million, $48.2 million and $46.9 million were designated for endowment activities at June 30, 2020, 2019 and 2018, respectively.

The reduction in unrestricted net positions for the years ended June 30, 2020 and 2019 was caused by the University’s required accounting and recognition of the University’s allocated share of the State’s actuarially determined net pension and OPEB liabilities.

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

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted net position</td>
<td>$(2,812,382)</td>
<td>$(2,740,971)</td>
<td>$(2,673,041)</td>
</tr>
<tr>
<td>Pension</td>
<td>1,509,291</td>
<td>1,399,792</td>
<td>1,308,560</td>
</tr>
<tr>
<td>OPEB</td>
<td>1,662,321</td>
<td>1,674,987</td>
<td>1,666,481</td>
</tr>
<tr>
<td>Adjusted net unrestricted position</td>
<td>$359,230</td>
<td>$333,808</td>
<td>$302,000</td>
</tr>
</tbody>
</table>
Results of Operations

The Statements of Revenues, Expenses, and Changes in Net Position represent 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, 2020, 2019 and 2018 summarized to match revenues supporting core activities with expenses associated with core activities, are as follows (in thousands of dollars):

<table>
<thead>
<tr>
<th>Revenues</th>
<th>2020 vs 2019</th>
<th>2019 vs 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and fees</td>
<td>$394,967</td>
<td>$394,952</td>
</tr>
<tr>
<td>Less: Scholarship allowances</td>
<td>(131,508)</td>
<td>(132,889)</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>400,970</td>
<td>404,380</td>
</tr>
<tr>
<td>Sales and services</td>
<td>113,511</td>
<td>130,346</td>
</tr>
<tr>
<td>Other revenue</td>
<td>910</td>
<td>633</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>778,850</td>
<td>797,422</td>
</tr>
<tr>
<td>Nonoperating</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State appropriations and transfers for fringe benefits</td>
<td>817,309</td>
<td>792,878</td>
</tr>
<tr>
<td>Federal Pell grant and CARES Act program</td>
<td>56,712</td>
<td>53,522</td>
</tr>
<tr>
<td>Net investment income</td>
<td>17,741</td>
<td>18,316</td>
</tr>
<tr>
<td>Private gifts</td>
<td>3,873</td>
<td>3,128</td>
</tr>
<tr>
<td>Total nonoperating revenues</td>
<td>895,635</td>
<td>867,844</td>
</tr>
<tr>
<td>Total revenues supporting core activities</td>
<td>1,674,485</td>
<td>1,665,266</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>2020 vs 2019</th>
<th>2019 vs 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation and benefits</td>
<td>1,333,828</td>
<td>1,304,933</td>
</tr>
<tr>
<td>Supplies, services and cost of goods sold</td>
<td>172,476</td>
<td>187,498</td>
</tr>
<tr>
<td>Telecom and utilities</td>
<td>65,141</td>
<td>69,309</td>
</tr>
<tr>
<td>Scholarships and fellowships</td>
<td>37,545</td>
<td>31,749</td>
</tr>
<tr>
<td>Other expense</td>
<td>98,829</td>
<td>96,447</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>1,707,819</td>
<td>1,689,936</td>
</tr>
<tr>
<td>Nonoperating revenues (expenses)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers from State, net</td>
<td>25,755</td>
<td>25,489</td>
</tr>
<tr>
<td>Transfers to (from) Federal – capital assets</td>
<td>6,960</td>
<td>87</td>
</tr>
<tr>
<td>Transfers (from) to other State agencies</td>
<td>(247)</td>
<td>269</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(24,296)</td>
<td>(24,959)</td>
</tr>
<tr>
<td>Total nonoperating revenues, net</td>
<td>8,172</td>
<td>866</td>
</tr>
<tr>
<td>Expenses associated with core activities before depreciation</td>
<td>1,699,647</td>
<td>1,689,050</td>
</tr>
<tr>
<td>Loss from core activities before depreciation and amortization</td>
<td>(25,162)</td>
<td>(23,784)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>132,672</td>
<td>130,153</td>
</tr>
<tr>
<td>Expenses associated with core activities including depreciation</td>
<td>1,832,319</td>
<td>1,819,203</td>
</tr>
<tr>
<td>Loss from core activities</td>
<td>(157,834)</td>
<td>(153,937)</td>
</tr>
<tr>
<td>Other nonoperating activity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital appropriations and grants</td>
<td>210,639</td>
<td>141,206</td>
</tr>
<tr>
<td>Other expenses, net</td>
<td>(2,268)</td>
<td>(4,757)</td>
</tr>
<tr>
<td>Other nonoperating income, net</td>
<td>208,371</td>
<td>136,449</td>
</tr>
<tr>
<td>Increase (decrease) in net position</td>
<td>50,537</td>
<td>(17,488)</td>
</tr>
</tbody>
</table>

Net position

Beginning of year | (682,770) | (665,282) | (147,488) |
| End of year | $ (632,233) | $ (682,770) | $ (665,282) |
Revenues Supporting Core Activities

The University has a diversified stream of revenues to support its operations. No single source generated more than 30 percent of the total 2020 revenue. 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 under-graduate 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, remained relatively consistent in fiscal years 2020 and 2019. Scholarship allowances amounted to $131.5 million, $132.9 million and $134.2 million in fiscal years 2020, 2019 and 2018, respectively.

One of the largest sources of revenue continues to be grants and contracts. Total grants and contracts revenue decreased by $3.4 million, or 0.8 percent, in fiscal year 2020 and increased by $7.3 million, or 1.8 percent, in fiscal year 2019. There has been an increasing trend in extramural awards in recent years, however, the year-over-year changes in reported revenues are attributed to the timing of work performed as revenue is recognized when the related expenses are incurred. During fiscal year 2020, the University recognized nonoperating revenue of $4.6 million associated with the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”).

Sales and services revenues are mainly comprised of bookstores, student and faculty housing, food services, parking, and athletics. In fiscal year 2020, sales and services revenues decreased by $16.8 million, or 12.9 percent, which was largely due to the impact of COVID-19 which resulted in a loss of revenues. The University also gave prorated refunds of housing and meal plan fees. Sales and services revenues remained relatively consistent in fiscal year 2019.

The State continues to provide strong financial support to the University as the sole public higher education system within the State. General state appropriations increased by $6.2 million, or 1.2 percent, in fiscal year 2020, and $21.2 million, or 4.4 percent, in fiscal year 2019. The increase in fiscal year 2020 was primarily attributable to an increased allotment of $6.3 million primarily related to fund personnel costs. The increase in fiscal year 2019 was primarily attributable to an increased allotment of $19.5 million for salary increases of 2.82 percent as negotiated by the collective bargaining agreements.

The State also pays for fringe expense for the University’s general funded employees. The transfers for fringe expense amounted to $304.7 million, $286.5 million and $255.3 million in fiscal years 2020, 2019 and 2018, respectively. The year-over-year increases were due to rising fringe benefit rates.

The University’s net investment income of $17.7 million in fiscal year 2020 remained relatively consistent compared to $18.3 million in fiscal year 2019, which increased by $9.1 million, or 98.5 percent, from fiscal year 2018. The fiscal year 2019 increase was mainly due to the increase in operating investments combined with market growth.

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 78.1 percent, 77.2 percent and 76.7 percent were related to compensation and benefits during fiscal years 2020, 2019 and 2018, respectively.
Compensation and benefits went up by $28.9 million, or 2.2 percent, in fiscal year 2020 and $61.2 million, or 4.9 percent, in fiscal year 2019. The fiscal year increases were attributable to increases in the University’s share of pension and OPEB expense under GASB Statements No. 68 and 75. Additionally, the fiscal year 2019 increase was also impacted by the 2.82 percent salary increase to all University faculty, effective July 1, 2018.

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 2020, such expenses decreased by $15.0 million, or 8.0 percent, and remained relatively consistent in fiscal year 2019. The fiscal year 2020 decrease was primarily attributable to the impact of COVID-19 as the University suspended certain services and implemented budget cuts for cost-saving measures.

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 amounted to $169,053, $164,638 and $168,441 in fiscal years 2020, 2019 and 2018, respectively. The increase of $4.4 million, or 2.7 percent, in fiscal year 2020 is due to direct student aid provided for under the CARES Act. The decrease in fiscal year 2019 was due to the timing of the scholarship allowance awarded from the additional state funding for the Hawai‘i Promise scholarship.

Other operating expenses increased by $2.4 million, or 2.5 percent, in fiscal year 2020 and $7.4 million, or 8.3 percent, in fiscal year 2019. The increase in fiscal year 2020 is primarily due to increases in repairs and maintenance by $7.3 million and bad debt expense by $5.3 million, offset by a reduction of travel expenses by $8.4 million. The increase in fiscal year 2019 is primarily due to an increase in repairs and maintenance for the University of $5.8 million.

The University depreciates its capital assets over their estimated useful lives using the straight-line method. The University also records amortization expense in relation to the deferred outflows of resources for asset retirement obligations. Depreciation and amortization expense increased by $2.5 million, or 1.9 percent, during fiscal year 2020 and $3.1 million, or 2.4 percent, in fiscal year 2019. The increases in fiscal years 2020 and 2019 were primarily attributable to increases in depreciable assets relating to buildings and infrastructure.

Transfers from State, net amounted to $25.8 million, $25.5 million and $26.8 million in fiscal years 2020, 2019 and 2018, respectively. Transfers from State were primarily for the tobacco settlement funds paying for John A. Burns School of Medicine revenue bond debt service and the University of Hawai‘i Cancer Center cigarette stamp tax collections.

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 2020, capital appropriations and grants, increased by $69.4 million, or 49.2 percent. The increase in fiscal year 2020 was attributable to an overall increase in capital appropriations from the State to fund various capital projects, including $40 million for the Sinclair Library renovation. Capital appropriations decreased by $46.4 million, or 24.7 percent, in fiscal year 2019 primarily due to decreased allotments for maintenance and renewal of capital assets.

Cash Flows

The 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 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, 2020, 2019 and 2018 is as follows (in thousands of dollars):

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>Change</th>
<th>2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash received from operations</td>
<td>$754,234</td>
<td>$777,594</td>
<td>($23,360)</td>
<td>$754,859</td>
<td>$22,735</td>
</tr>
<tr>
<td>Cash payments for operations</td>
<td>(1,279,910)</td>
<td>(1,276,177)</td>
<td>(3,733)</td>
<td>(1,256,658)</td>
<td>(19,519)</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(525,676)</td>
<td>(498,583)</td>
<td>(27,093)</td>
<td>(501,799)</td>
<td>3,216</td>
</tr>
<tr>
<td>Net cash provided by noncapital financing activities</td>
<td>580,141</td>
<td>571,600</td>
<td>8,541</td>
<td>552,412</td>
<td>19,188</td>
</tr>
<tr>
<td>Net cash used in capital and related financing activities</td>
<td>(51,262)</td>
<td>(52,012)</td>
<td>750</td>
<td>(47,183)</td>
<td>(4,829)</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>(757)</td>
<td>(37,132)</td>
<td>36,375</td>
<td>48,155</td>
<td>(85,287)</td>
</tr>
<tr>
<td>Net increase (decrease) in cash</td>
<td>2,446</td>
<td>(16,127)</td>
<td>18,573</td>
<td>51,585</td>
<td>(67,712)</td>
</tr>
</tbody>
</table>

The net cash received from operating activities decreased by $23.4 million, or 3.0 percent, in fiscal year 2020 and increased by $22.7 million, or 3.0 percent, in fiscal year 2019. The decrease in fiscal year 2020 was largely impacted by the adverse impact of the COVID-19 pandemic. The increase in fiscal year 2019 was primarily due to increases in cash received from student tuition and fees, and grants and contracts.

Net cash used in noncapital financing activities remained strong as a result of the financial support from the State. Also, net cash used in capital and related financing activities remained relatively consistent in fiscal years 2020 and 2019 as a result of ongoing capital projects.

The net cash used in investing activities decreased by $36.4 million in fiscal year 2020 primarily due to relatively flat reinvestment activity compared to the level of net reinvestment activity in fiscal year 2019.

There was a net difference of $85.3 million in investing activity cash flows in fiscal year 2019 as there was $37.1 million in net cash used in investing activities in fiscal year 2019 compared to $48.2 million in net cash provided by investing activities in fiscal year 2018. In fiscal year 2019, there was a net investment of cash as a result of an increase in available funds, whereas the net cash provided by investments in fiscal year 2018 was primarily attributable to the University’s investment in $50 million of time certificates of deposits meeting the criteria to be classified as cash equivalents.
Looking Forward

The University is the sole provider of public higher education in Hawai‘i, known for generating streams of talent, knowledge and social benefits, and has always been at the center of the Hawai‘i economic engine. The University’s programs attract students and faculty from Hawai‘i, the mainland, and many international countries and leverage hundreds of millions of dollars in state, federal and private funding to promote discovery of new knowledge that fuels economic growth.

The University is well recognized for its academic excellence and value in higher education both nationally and internationally.

- **U.S. News and World Report** released its 2021 Best Graduate Schools list that includes:
  - The University of Hawai‘i at Mānoa School of Nursing in the top tier, 99 out of 319 schools, for Best Online Graduate Nursing Programs in 2019.
  - The John A. Burns School of Medicine ranked 62th nationally in medical research and 56th in medical primary care among 188 medical schools in America.
  - The William S. Richardson School of Law’s evening part-time program ranks 31st in the annual national rankings.
  - The Myron B. Thompson School of Social Work ranked 51st of 262, placing it in the top 25 percent of programs nationally for the past seven years.
  - The part-time Master of Business Administration program (Global MBA, 36-month plan) at the Shidler College of Business ranked 106th among 272 part-time MBA programs that qualified for the ranking.
  - The College of Education is ranked 69th of 393 schools.

- The Community College System was ranked in the top 20 of WalletHub’s 2020 list, placing 4th from a sample of 698 schools. WalletHub ranked community colleges based on cost, education and career outcomes.

- The University of Hawai‘i at Mānoa ranked 333 on the 2021 Quacquarelli Symonds World University Ranking (“QSWUR”). The QSWUR is the ranking most used and referenced by international students.

The University’s strength is further demonstrated through its credit ratings. The University holds an Aa3 with stable outlook by Moody’s Investors Service and maintained an AA with stable outlook by Fitch Ratings with both being updated in October 2020. Both credit agencies have cited some of the strong characteristics of the University:

- Dominant provider of higher education and important economic development driver in the State of Hawai‘i.
- Strong operating support from the State of Hawai‘i.
- Unique academic programming and research, and well-diversified revenue.
University of Hawai‘i
State of Hawai‘i
(A Component Unit of the State of Hawai‘i)
Management’s Discussion and Analysis (Unaudited)
June 30, 2020 and 2019

- Low debt burden which reflects strong and growing capital support from the State of Hawai‘i.
- Improved cash and investment cushion and reserve.

The University is committed to improving the social, economic and environmental well-being of current and future generations. To that end, the University developed and implemented the University of Hawai‘i Strategic Directions, 2015–2021, built upon previous work outlined in the Strategic Outcomes and Performances Measures, 2008–2015. This will guide the University’s priorities for the next three biennia to achieve the outcomes directed by the Board of Regents.

The strategic directions for the University were updated in October 2018 to reflect the institutional priorities through 2021 as listed below:

- Hawai‘i Graduation Initiative.
- Hawai‘i Innovation Initiative.
- 21st Century Facilities.
- Mission Focused System.
- High Performing System.

Hawai‘i Graduation Initiative

An educated labor force and engaged citizenry are essential in today’s global, knowledge-based economy. The State of Hawai‘i has set goals to increase the percentage of working age adults with two- or four-year degrees to 55 percent by 2025 (55 by ’25 Campaign). As the sole provider of public higher education in Hawai‘i, the University is doing its part to increase the number of educated citizens within the State. In 2010, the Hawai‘i Graduation Initiative (“HGI”) was established with a set of goals to increase the graduation rate between 4 percent and 5 percent annually. Because of the focused efforts, the University increased its degrees and certificates of achievement earned by 34 percent since 2009.

As part of the HGI’s tactical plans, the 15 to Finish Campaign was launched to encourage students to take 15 credits per semester (or 30 credits per year) to graduate on time (i.e., in most cases, two years for an associate degree and four years for a bachelor’s degree). As a result, 66 percent of all freshmen take 12 or more credits at the community colleges, and more than 90 percent at the four-year campuses.
According to our analysis, students taking 15 credits per semester had significantly higher retention at all levels of academic preparation.

To further the HGI, the University has developed the Guided Pathways System ("GPS") that provides undergraduate students with the optimal path to their destination, i.e., graduation. When students select a new program of study, GPS helps with their registration and creates a path for the students based on where they are and where they want to go and adds in default 15 credit academic maps. With registration through GPS, more students are enrolled in 15 credits per semester.

Another part of the HGI’s tactical plan is the Early College program, which is a collaboration between the University and the Hawai’i State Department of Education ("DOE"), offering students the opportunity to take college courses at their high schools while simultaneously earning credit toward both high school and college diplomas. Over 5,200 high school students are participating in a variety of dual credit programs, including Early College, Early Admit, and Jump Start to earn both college and high school credits.

Enrollment and Tuition

UH-Mānoa, UH-West O‘ahu, and Kaua‘i Community College saw headcount enrollment increases this fall while the entire 10-campus system saw the smallest overall decline since the end of the last recession. In the face of the COVID-19 pandemic and economic fallout, overall enrollment declined 0.8 percent, from 49,977 students in fall 2019 to 49,594 current students, the smallest overall decline since 2012 when enrollment was near record high levels. UH-Mānoa saw a 3.1 percent increase in enrollment to 18,025 students and is the largest enrollment increase and the highest headcount for UH-Mānoa since 2016. First-time freshman enrollment at UH-Mānoa reached 2,184 marking the second straight annual increase and the highest number recorded since fall 1981. The enrollment at UH-West O‘ahu reached an all-time high with a record 3,168 students, a 3.9 percent increase from fall 2019. Enrollment at UH’s seven community colleges dropped by 3.2 percent overall to 25,236 students but has increased slightly for underserved communities. That is a lower decline than the national decline in college enrollment of 7.5 percent. During the last recession UH community colleges experienced a rapid increase in enrollment, but that increase did not begin at the outset of the recession. As of August 2020, the State unemployment rate was at 12.5 percent, compared to 2.7 percent one year ago.

Due to COVID-19, the University System extended the deadline for enrollment from March 1, 2020 to August 1, 2020 or August 10, 2020 for four-year and Community Colleges, respectively. The System also implemented a modified quarantine program for out-of-state students attending campuses on O‘ahu and Kaua‘i, including shuttle service from the airport and hotels. Approximately 2,700 high school students graduating with dual credit were offered summer online Community College summer classes, college and career advising, and/or private scholarships. A targeted mailer was sent to encourage adults to re-enroll, which attracted 445 students to return.

Fall census headcount comparisons are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Fall 2020</th>
<th>Fall 2019</th>
<th>% Change</th>
<th>Fall 2018</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mānoa</td>
<td>18,025</td>
<td>17,490</td>
<td>3.1</td>
<td>17,710</td>
<td>-1.2</td>
</tr>
<tr>
<td>Hilo</td>
<td>3,165</td>
<td>3,372</td>
<td>-6.1</td>
<td>3,406</td>
<td>-1.0</td>
</tr>
<tr>
<td>West O‘ahu</td>
<td>3,168</td>
<td>3,049</td>
<td>3.9</td>
<td>3,128</td>
<td>-2.5</td>
</tr>
<tr>
<td>Community Colleges</td>
<td>25,236</td>
<td>26,066</td>
<td>-3.2</td>
<td>26,819</td>
<td>-2.8</td>
</tr>
<tr>
<td></td>
<td>49,594</td>
<td>49,977</td>
<td>-0.8</td>
<td>51,063</td>
<td>-2.1</td>
</tr>
</tbody>
</table>
In March 2020, the University suspended in-person classes for the balance of the Spring 2020 semester. Summer 2020 classes were primarily conducted in a distance learning format. The University commenced fall 2020 semester classes with a mixture of online lectures and seminars, and in-person laboratory, clinics, art studio classes, and shops and practicum work in technical education where necessary. University attendance and research are considered essential activities under the Emergency Orders, and in-person attendance is not prohibited. The University is offering approximately 9 percent of its courses as in-person classes in fall 2020, and 8 percent of its courses in a hybrid in person and online combination. Notwithstanding the University has requested students to take as many courses online as possible while staying on track for on-time achievement of degrees and certificates. The University has extensive experience with distance learning and online attendance. For years the University has permitted students on one campus to enroll in classes at other campuses and to view lectures in real time and participate in class discussions remotely.

The mode of instruction for more than 70 percent of the courses offered in the fall semester of 2020 was adjusted to help adhere to the physical distancing requirements related to COVID-19. The affected courses were either moved entirely online or to a hybrid combination of online and in-person instruction.

The University remains committed to providing the high-quality education it is known for and have provided resources to our faculty to help with this transition to online learning.

After several years of moderate tuition increases, in May 2019 the Board of Regents approved a three-year freeze of undergraduate tuition rates at all ten campuses beginning with the 2020–2021 academic year. The new tuition schedule also decreases general graduate student tuition rates at UH-Mānoa. The intent of the freeze is to ensure affordable higher education for the people of Hawai‘i while providing stability that will aid student recruitment and retention. It will also increase the competitiveness in the broader higher education landscape.
Research and Innovation

The University’s extramural fund awards include a mix of research and non-research programs that provide financial stability and balance to the University. About 40 to 50 percent of the projects are non-research in nature and are intended for training, workforce development, outreach and community services, clinical trials, and others. The University of Hawai‘i at Mānoa, the flagship campus, is ranked by National Science Foundation (“NSF”) as 80th among 902 public and private universities for research and development expenditures in fiscal year 2017.

The extramural awards totaled $450 million in fiscal year 2020, a progressive increase over the previous four years. As we continue to endure the fluctuations in federal funding and work to make adjustments in strategy, we have managed to keep extramural funding relatively stable in the neighborhood of $400 million over the last ten years. Despite the significant reductions in federal support that have put a strain on research institutions across the county, the University is doing its best to weather the storm through the dedicated efforts of our talented research faculty and support staff. Here are some highlights of fiscal year 2020:

- The School of Ocean and Earth Science and Technology (“SOEST”) is the research powerhouse of the University, generating fully one third of the total extramural funding received at UH-Mānoa. In fiscal year 2020, SOEST received $99.1 million in extramural awards.

- John A. Burns School of Medicine (“JABSOM”) worked on a project to gain better understanding of Hansen’s Disease is part of Hawai‘i’s legacy to the world. More recently, it has made contributions in AIDS, in Kawasaki’s Disease, and the epidemiology of heart disease. In fiscal year 2020, JABSOM received $46.5 million in extramural awards.

- The University of Hawai‘i Cancer Center is one of only 71 research organizations in the country designated by the National Cancer Institute. In fiscal year 2020, the University of Hawai‘i Cancer Center received $30.1 million in extramural awards.

Facilities and Infrastructure

Improvement and modernization of the University’s physical assets are key to delivering the University’s strategic directions that strives for 21st century facilities for learning, teaching and research. The University has developed a six-year plan for fiscal years 2020–2025 (the “6-Year CIP Plan”) that sets forth a vision of a physical environment that supports and augments the high-quality education and research that takes place at our University. It also presents a coordinated, long-term strategy that (1) prioritizes classrooms, laboratories, and student spaces with a focus on improving the learning and research environment, (2) targets those facilities with the highest utility and poorest conditions through upgrades to the interior/exterior structures, building roofs, mechanical and electrical systems, pedestrian pathways, and roadways, and (3) changes the paradigm on how the University manages its space.

The State of Hawai‘i Legislature continued its strong financial support to the University’s capital improvement program and provided general obligation bond appropriations with $329.8 million for fiscal years 2020 and 2021. The University currently has bond issuance authorization through June 30, 2021 for $100 million for strategic capital projects, $9.6 million for land acquisition, and $38 million for parking structure improvements at UH-Mānoa. During October 2020, a revenue bond was issued by the University for $10 million, specifically for the parking structure major improvements.
The University continues to strive to meet the demand for modern, university housing at a reasonable cost through P3 (Public, Private Partnerships) Housing Projects. The Atherton Project, which is a partnership with the Foundation and the Hunt Development Group, is expected to house 350 students in a world-class mixed-use space that will include an innovation and entrepreneurship center. The National Oceanic and Atmospheric Administration project is a mixed-use family-oriented rental housing for graduate students, University faculty and staff, at below market rate. This is a partnership with Greystar Development Services and will have approximately 400 individual units.

Fundraising

The University and the Foundation exceeded its $500 million goal 15 months ahead of schedule. The Foundation received 17,414 donations for over $84.7 million in fiscal year 2020, despite the impact of COVID-19. Both the University’s Legacy Endowment and the Foundation held value despite the economic impact of COVID-19.

COVID-19, a highly contagious, upper respiratory tract illness caused by a novel strain of coronavirus, is having significant adverse health and financial impacts throughout the world, including the State of Hawai‘i. The World Health Organization declared the spread of COVID-19 to be a pandemic, and the Secretary of Health, Education and Welfare of the United States, the Governor of the State of Hawai‘i, and the mayors of each county have each declared states of emergency. Since the first case was reported on February 17, 2020, there have been over 16,700 confirmed cases of COVID-19 as of November 16, 2020, in the State of Hawai‘i, the majority of confirmed cases having been identified since a “second wave” of infections began in late July 2020.

On March 4, 2020, State of Hawai‘i Governor David Y. Ige proclaimed the spread of COVID-19 in Hawai‘i to be a disaster, declared a state of emergency in Hawai‘i, and announced State responses, including the use of disaster relief funds, to address the spread of COVID-19. The Governor subsequently issued fifteen (15) supplemental proclamations through November 16, 2020, and a series of executive orders closing non-essential business, activities, and government operations for the duration of the public health emergency. On March 17, 2020, the Governor asked visitors to postpone their trips to Hawai‘i and then
implemented a mandatory fourteen (14) day self-quarantine requirement for all persons entering the State, as well as for inter-island travelers. The quarantine requirement for persons entering the State has also been extended, but effective October 15, 2020, under a pre-travel testing program persons who have had an FDA-approved nucleic acid amplification test conducted within 72 hours of departure and can produce a negative test result may enter without having to quarantine. In addition, counties are authorized to approve enhanced movement quarantine areas, such as self-contained resorts, in which self-quarantined persons may freely move within the entire quarantine area.

On July 17, 2020, the State modified this order to permit out-of-state travelers arriving in Hawai‘i prior to October 15, 2020 to attend University campuses on O‘ahu and Kaua‘i who have had negative test results within 72 hours of departure or 48 hours of arrival to modify self-quarantine. These students and other University related personnel may leave self-quarantine to attend classes and other official University activities during the 14-day self-quarantine period.

The spread of COVID-19 and responsive measures have had a negative impact on the State’s economy. Economic activity in the State has slowed significantly, due to the closure of non-essential businesses, traveler quarantine requirements, and substantial reduction in visitors to Hawai‘i. Airlines have suspended nearly all flights to and from the State and the U.S. Mainland and Asia, resulting in about a 91 percent reduction in air seat capacity. Visitor arrivals to Hawai‘i dropped from an average of 30,000 to 35,000 people a day to 200 people a day in March 2020 and have risen slightly to approximately 700-plus people a day beginning in June 2020. In April 2020, 4,564 visitors came to Hawai‘i, as compared to 856,250 visitors in April 2019. In August 2020, 22,334 visitors arrived in Hawai‘i, as compared to 926,417 visitors in July 2019. In the first eight months of 2020, total visitor arrivals dropped 69.0 percent to 2,201,141. Many of Waikiki’s major hotels have closed for the duration of the Emergency Orders through October 2020. O‘ahu’s hotel occupancy rate in April 2020, the first full month of the quarantine, was 8.0 percent, a 72 percent decline from April 2019. Waikiki’s hotel occupancy rate in April 2020 was 5.4 percent. In May 2020, Oahu’s hotel occupancy rate was 13 percent, an 84 percent decline from May 2019. Hawai‘i’s seasonally adjusted unemployment rate has increased from less than 3.0 percent before the COVID-19 pandemic to 13.4 percent in June 2020, before decreasing slightly to 13.1 percent in July 2020.

The impact on State finances has been severe. The State’s expenditures to respond to the COVID-19 pandemic were not budgeted, and State tax revenues have declined with the suspension of economic activity. The State Department of Taxation has reported that May 2020 tax collections were likely to be less than 50 percent of May 2019 tax collections. On May 15, 2020, the State Department of Business, Economic Development and Tourism predicted that Hawai‘i’s economic growth would decline by 12.1 percent in the next year. On May 28, 2020, the State’s Council on Revenues predicted that State tax revenues would decrease by 7 percent for the fiscal year ending June 30, 2020 from the fiscal year ended June 30, 2019, and State tax revenues would decrease an additional 12 percent for the fiscal year ending June 30, 2021. On September 9, 2020, the Council on Revenues reduced the projected decrease for the fiscal year ending June 30, 2021 from 12 percent to 11 percent. The amount of the decrease was originally estimated to be approximately $2.3 billion.

The impact on University finances is expected to be substantial. In response to the COVID-19 pandemic, the federal government recently enacted the CARES Act, which created the Coronavirus Relief Fund for State and Local Governments. The U.S. Treasury Department is distributing $150 billion to state and local governments under a population-based formula to reimburse state and local governments for COVID-19-related medical, public health, economic support, and other emergency response costs incurred and spent between March 1, 2020 and December 30, 2020, provided that such costs were not included in the most recently approved local government budget.
The University was awarded $44.9 million in direct CARES Act funding in three tranches. Tranche 1 funds of $12 million are for aid awarded and paid directly to students. Tranche 2 funds of $12 million may be used to cover costs associated with changes to the delivery of instruction such as the purchase of equipment or software for distance learning. The University may use Tranche 3 funds of $20.9 million to defray institutional expenses, including loss of revenue and costs associated with the transition to distance learning.

The University was also awarded $20.13 million from the State’s allocation of CARES Act funds. The University is using these funds primarily for COVID-19 related expenses, including cleaning, janitorial, and face protection supplies for COVID-19 related response and overtime for after-hours cleaning. Additionally, the University was awarded $3 million from the City and County of Honolulu’s allocation of CARES Act funds to provide job training for approximately 2,000 unemployed individuals under the newly-created O’ahu Back to Work Program.

It is likely that the fiscal impact of the COVID-19 pandemic on the University will last for several years and continue to change as the situation further develops. The fiscal impact will depend on future events outside of the University’s control, including actions of the federal government and the State.
## University of Hawai‘i

State of Hawai‘i

(A Component Unit of the State of Hawai‘i)

**Statements of Net Position – University of Hawai‘i**

**Years Ended June 30, 2020 and 2019**

*(All dollars reported in thousands)*

<table>
<thead>
<tr>
<th>Assets and Deferred Outflows of Resources</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$86,533</td>
<td>$84,087</td>
</tr>
<tr>
<td>Operating investments</td>
<td>371,244</td>
<td>351,324</td>
</tr>
<tr>
<td>Due from State of Hawai‘i</td>
<td>1,951</td>
<td>944</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>90,021</td>
<td>93,820</td>
</tr>
<tr>
<td>Due from the Research Corporation of the University of Hawai‘i, net</td>
<td>9,394</td>
<td>18,138</td>
</tr>
<tr>
<td>Current portion of notes receivable, net</td>
<td>655</td>
<td>990</td>
</tr>
<tr>
<td>Other current assets</td>
<td>19,422</td>
<td>19,173</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>579,220</td>
<td>568,476</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from State of Hawai‘i</td>
<td>484,663</td>
<td>414,016</td>
</tr>
<tr>
<td>Endowment and other investments</td>
<td>101,647</td>
<td>102,807</td>
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<tr>
<td>Notes receivable, net</td>
<td>4,290</td>
<td>7,790</td>
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<tr>
<td>Capital assets, net</td>
<td>2,183,025</td>
<td>2,149,722</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>1,067</td>
<td>2,104</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td>2,774,892</td>
<td>2,676,439</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>3,353,912</td>
<td>3,244,915</td>
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</table>

<table>
<thead>
<tr>
<th>Deferred outflows of resources</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred outflows on net pension liability, OPEB liability, and other</td>
<td>476,676</td>
<td>506,412</td>
</tr>
<tr>
<td><strong>Total deferred outflows of resources</strong></td>
<td>476,676</td>
<td>506,412</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities, Deferred Inflows of Resources, and Net Position</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$59,248</td>
<td>$64,529</td>
</tr>
<tr>
<td>Accrued payroll and fringe benefits</td>
<td>57,759</td>
<td>56,773</td>
</tr>
<tr>
<td>Advances from sponsors</td>
<td>20,639</td>
<td>22,937</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>35,793</td>
<td>43,461</td>
</tr>
<tr>
<td>Due to State of Hawai‘i</td>
<td>8,909</td>
<td>6,129</td>
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<tr>
<td>Current portion of long-term liabilities</td>
<td>64,450</td>
<td>61,151</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>6,332</td>
<td>6,363</td>
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<tr>
<td><strong>Total current liabilities</strong></td>
<td>250,030</td>
<td>261,343</td>
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</table>

<table>
<thead>
<tr>
<th>Noncurrent liabilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued vacation</td>
<td>44,810</td>
<td>42,654</td>
</tr>
<tr>
<td>Accrued workers’ compensation</td>
<td>11,683</td>
<td>11,666</td>
</tr>
<tr>
<td>Revenue bonds payable</td>
<td>467,796</td>
<td>487,490</td>
</tr>
<tr>
<td>Premium on bonds payable</td>
<td>18,469</td>
<td>20,272</td>
</tr>
<tr>
<td>Equipment lease obligations</td>
<td>25,491</td>
<td>27,003</td>
</tr>
<tr>
<td>Net pension liability</td>
<td>1,791,098</td>
<td>1,685,800</td>
</tr>
<tr>
<td>Other postemployment benefits</td>
<td>1,802,492</td>
<td>1,800,496</td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>10,245</td>
<td>17,894</td>
</tr>
<tr>
<td><strong>Total noncurrent liabilities</strong></td>
<td>4,172,083</td>
<td>4,103,475</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>4,422,113</td>
<td>4,364,818</td>
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</table>

<table>
<thead>
<tr>
<th>Deferred inflows of resources</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred inflows on net pension and OPEB liability</td>
<td>40,708</td>
<td>69,279</td>
</tr>
<tr>
<td><strong>Total deferred inflows of resources</strong></td>
<td>40,708</td>
<td>69,279</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net position</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment in capital assets</td>
<td>1,671,445</td>
<td>1,620,054</td>
</tr>
<tr>
<td>Restricted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonexpendable</td>
<td>10,493</td>
<td>10,493</td>
</tr>
<tr>
<td>Expendable</td>
<td>498,211</td>
<td>427,654</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(2,812,382)</td>
<td>(2,740,971)</td>
</tr>
<tr>
<td><strong>Total net position</strong></td>
<td>(632,233)</td>
<td>(682,770)</td>
</tr>
<tr>
<td><strong>Total liabilities, deferred inflows of resources, and net position</strong></td>
<td>3,830,588</td>
<td>3,751,327</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
## University of Hawai‘i
State of Hawai‘i
(A Component Unit of the State of Hawai‘i)

### Statements of Financial Position – University of Hawai‘i Foundation

**Years Ended June 30, 2020 and 2019**

*(All dollars reported in thousands)*

<table>
<thead>
<tr>
<th>Assets</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$16,028</td>
<td>$19,771</td>
</tr>
<tr>
<td>Contributions receivable, net</td>
<td>26,555</td>
<td>35,811</td>
</tr>
<tr>
<td>Prepaid expenses and other receivables</td>
<td>7,781</td>
<td>2,072</td>
</tr>
<tr>
<td>Property and equipment, at cost, net of accumulated depreciation and amortization of $2,038 and $1,843</td>
<td>10,191</td>
<td>10,386</td>
</tr>
<tr>
<td>Other assets, at cost</td>
<td>1,918</td>
<td>3,700</td>
</tr>
<tr>
<td>Investments</td>
<td>457,269</td>
<td>439,691</td>
</tr>
<tr>
<td>Beneficial interest in trusts held by others</td>
<td>28,665</td>
<td>31,917</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$548,407</strong></td>
<td><strong>$543,348</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$5,618</td>
<td>$8,553</td>
</tr>
<tr>
<td>Liabilities under split-interest agreements</td>
<td>12,141</td>
<td>12,529</td>
</tr>
<tr>
<td>Amounts held for others</td>
<td>4,487</td>
<td>4,362</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>7,400</td>
<td>8,200</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>3,245</td>
<td>668</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>32,891</strong></td>
<td><strong>34,312</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
# University of Hawai‘i
State of Hawai‘i
(A Component Unit of the State of Hawai‘i)

Statements of Revenues, Expenses, and Changes in Net Position – University of Hawai‘i

Years Ended June 30, 2020 and 2019

(All dollars reported in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student tuition and fees</td>
<td>394,967</td>
<td>394,952</td>
</tr>
<tr>
<td>Less: Scholarship allowances</td>
<td>131,508</td>
<td>132,889</td>
</tr>
<tr>
<td>Net student tuition and fees</td>
<td>263,459</td>
<td>262,063</td>
</tr>
<tr>
<td>Federal appropriations, grants and contracts</td>
<td>308,033</td>
<td>310,647</td>
</tr>
<tr>
<td>State and local grants and contracts</td>
<td>45,206</td>
<td>42,250</td>
</tr>
<tr>
<td>Nongovernmental sponsored programs</td>
<td>47,731</td>
<td>51,483</td>
</tr>
<tr>
<td>Sales and services of educational departments, other</td>
<td>30,723</td>
<td>37,900</td>
</tr>
<tr>
<td><strong>Auxiliary enterprises</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bookstores</td>
<td>13,533</td>
<td>15,886</td>
</tr>
<tr>
<td>Student housing, net of scholarship allowances of $999 and $1,432</td>
<td>28,234</td>
<td>30,322</td>
</tr>
<tr>
<td>Other auxiliary enterprises revenues</td>
<td>41,021</td>
<td>46,238</td>
</tr>
<tr>
<td><strong>Other operating revenues</strong></td>
<td>910</td>
<td>633</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>778,850</td>
<td>797,422</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation and benefits</td>
<td>1,333,828</td>
<td>1,304,933</td>
</tr>
<tr>
<td>Supplies, services, and cost of goods sold</td>
<td>172,476</td>
<td>187,498</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>132,672</td>
<td>130,153</td>
</tr>
<tr>
<td>Telephone and utilities</td>
<td>65,141</td>
<td>69,309</td>
</tr>
<tr>
<td>Scholarships and fellowships</td>
<td>37,545</td>
<td>31,749</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>21,438</td>
<td>29,864</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>36,507</td>
<td>29,252</td>
</tr>
<tr>
<td>Rental expenses</td>
<td>10,077</td>
<td>9,926</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>30,807</td>
<td>27,405</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>1,840,491</td>
<td>1,820,089</td>
</tr>
<tr>
<td><strong>Operating loss</strong></td>
<td>(1,061,641)</td>
<td>(1,022,667)</td>
</tr>
</tbody>
</table>

| **Nonoperating revenues (expenses)** |               |               |
| State appropriations            | 512,608       | 506,399       |
| Federal Pell grants             | 52,103        | 53,522        |
| Federal CARES Act program       | 4,609         | -             |
| Private gifts                   | 3,873         | 3,128         |
| Net investment income           | 17,741        | 18,316        |
| Interest expense                | (24,296)      | (24,959)      |
| Net transfers from State of Hawai‘i | 313,203      | 294,705       |
| Loss on disposal of capital assets | (1,864)     | (4,860)       |
| **Other, net**                  | (404)         | 103           |
| **Net nonoperating revenues before capital and endowment additions** | 877,573       | 846,354       |
| Capital – state appropriations  | 203,765       | 133,996       |
| Capital – federal grants/subsidies | 6,161       | 5,955         |
| Capital – gifts and grants      | 711           | 581           |
| Net transfers from State of Hawai‘i for capital assets | 2            | 674           |
| Transfers from State of Hawai‘i, Tobacco settlement | 9,396       | 9,400         |
| Transfers from State of Hawai‘i, University of Hawai‘i Cancer Center | 7,857       | 7,863         |
| Net transfers from (to) other State agencies | (247)       | 269           |
| Net transfers from Federal – capital assets | 6,960       | 87            |
| **Total other revenues**        | 234,605       | 158,825       |
| **Net nonoperating revenues**   | 1,112,178     | 1,005,179     |
| **Change in net position**      | 50,537        | (17,488)      |

| **Net position**                |               |               |
| Beginning of year               | (682,770)     | (665,282)     |
| **End of year**                 | (632,233)     | (682,770)     |

The accompanying notes are an integral part of the financial statements.
University of Hawai‘i  
State of Hawai‘i  
(A Component Unit of the State of Hawai‘i)  
Statements of Activities – University of Hawai‘i Foundation  
Years Ended June 30, 2020 and 2019  
(All dollars reported in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2020 Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$1,060</td>
<td>$62,464</td>
<td>$63,524</td>
</tr>
<tr>
<td>Fees, honoraria, royalties and other</td>
<td>3,660</td>
<td>688</td>
<td>4,348</td>
</tr>
<tr>
<td>Investment income (loss), net</td>
<td>2,540</td>
<td>(3,799)</td>
<td>(1,259)</td>
</tr>
<tr>
<td>Administrative fees</td>
<td>7,275</td>
<td>(7,275)</td>
<td>-</td>
</tr>
<tr>
<td>Fundraising events and projects</td>
<td>-</td>
<td>766</td>
<td>766</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>46,429</td>
<td>(46,429)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>60,964</td>
<td>6,415</td>
<td>67,379</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2019 Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$225</td>
<td>$53,486</td>
<td>$53,711</td>
</tr>
<tr>
<td>Fees, honoraria, royalties and other</td>
<td>3,832</td>
<td>851</td>
<td>4,683</td>
</tr>
<tr>
<td>Investment income (loss), net</td>
<td>4,833</td>
<td>(55,315)</td>
<td>(50,482)</td>
</tr>
<tr>
<td>Administrative fees</td>
<td>6,718</td>
<td>(6,718)</td>
<td>-</td>
</tr>
<tr>
<td>Fundraising events and projects</td>
<td>-</td>
<td>1,070</td>
<td>1,070</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>46,240</td>
<td>(46,240)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>61,848</td>
<td>504,396</td>
<td>515,244</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2020 Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extension and public services</td>
<td>1,196</td>
<td>-</td>
<td>1,196</td>
</tr>
<tr>
<td>Academic support</td>
<td>6,938</td>
<td>-</td>
<td>6,938</td>
</tr>
<tr>
<td>Research</td>
<td>11,001</td>
<td>-</td>
<td>11,001</td>
</tr>
<tr>
<td>Student aid and services</td>
<td>11,574</td>
<td>-</td>
<td>11,574</td>
</tr>
<tr>
<td>Faculty and staff support</td>
<td>3,415</td>
<td>-</td>
<td>3,415</td>
</tr>
<tr>
<td>Capital projects</td>
<td>1,877</td>
<td>-</td>
<td>1,877</td>
</tr>
<tr>
<td>Athletics</td>
<td>2,535</td>
<td>-</td>
<td>2,535</td>
</tr>
<tr>
<td>Special programs</td>
<td>7,774</td>
<td>-</td>
<td>7,774</td>
</tr>
<tr>
<td>Other</td>
<td>119</td>
<td>-</td>
<td>119</td>
</tr>
<tr>
<td><strong>Total program services</strong></td>
<td>46,241</td>
<td>-</td>
<td>46,241</td>
</tr>
<tr>
<td>Supporting services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative, management, and fiscal services</td>
<td>6,609</td>
<td>-</td>
<td>6,609</td>
</tr>
<tr>
<td>Development</td>
<td>7,861</td>
<td>-</td>
<td>7,861</td>
</tr>
<tr>
<td><strong>Total supporting services</strong></td>
<td>14,470</td>
<td>-</td>
<td>14,470</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>60,899</td>
<td></td>
<td>60,899</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>65</td>
<td>6,415</td>
<td>6,480</td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td>4,640</td>
<td>504,396</td>
<td>509,036</td>
</tr>
<tr>
<td><strong>Net assets at end of year</strong></td>
<td>$4,705</td>
<td>$504,396</td>
<td>$515,096</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
## University of Hawai‘i

**State of Hawai‘i**

**(A Component Unit of the State of Hawai‘i)**

**Statements of Cash Flows – University of Hawai‘i**

**Years Ended June 30, 2020 and 2019**

*(All dollars reported in thousands)*

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student tuition and fees</td>
<td>$257,368</td>
<td>$261,298</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>400,914</td>
<td>402,333</td>
</tr>
<tr>
<td>Other revenues</td>
<td>95,952</td>
<td>113,963</td>
</tr>
<tr>
<td>Payments to employees</td>
<td>(908,449)</td>
<td>(897,979)</td>
</tr>
<tr>
<td>Payments to suppliers and other</td>
<td>(333,997)</td>
<td>(346,535)</td>
</tr>
<tr>
<td>Payments for scholarships and fellowships</td>
<td>(37,464)</td>
<td>(31,663)</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>(525,676)</td>
<td>(498,583)</td>
</tr>
<tr>
<td><strong>Cash flows from noncapital financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State appropriations</td>
<td>511,601</td>
<td>506,724</td>
</tr>
<tr>
<td>Gifts and grants for other than capital purposes</td>
<td>60,358</td>
<td>56,661</td>
</tr>
<tr>
<td>Net transfers from State of Hawai‘i</td>
<td>8,502</td>
<td>8,226</td>
</tr>
<tr>
<td>Other disbursements</td>
<td>(320)</td>
<td>(11)</td>
</tr>
<tr>
<td><strong>Net cash provided by noncapital financing activities</strong></td>
<td>580,141</td>
<td>571,600</td>
</tr>
<tr>
<td><strong>Cash flows from capital and related financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital appropriations</td>
<td>133,023</td>
<td>122,124</td>
</tr>
<tr>
<td>Capital gifts and grants</td>
<td>6,099</td>
<td>6,208</td>
</tr>
<tr>
<td>Proceeds from other note payable</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Purchases of capital assets</td>
<td>(163,040)</td>
<td>(152,072)</td>
</tr>
<tr>
<td>Proceeds from sale of capital assets</td>
<td>708</td>
<td>720</td>
</tr>
<tr>
<td>Principal paid on capital debt and leases</td>
<td>(20,551)</td>
<td>(20,873)</td>
</tr>
<tr>
<td>Interest paid on capital debt and leases</td>
<td>(24,754)</td>
<td>(25,382)</td>
</tr>
<tr>
<td>Transfer from State of Hawai‘i for Tobacco Settlement</td>
<td>9,396</td>
<td>9,400</td>
</tr>
<tr>
<td>University of Hawai‘i Cancer Center</td>
<td>7,857</td>
<td>7,863</td>
</tr>
<tr>
<td><strong>Net cash used in capital and related financing activities</strong></td>
<td>(51,262)</td>
<td>(52,012)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividends on investments, net</td>
<td>9,832</td>
<td>9,750</td>
</tr>
<tr>
<td>Proceeds from sales and maturities of investments</td>
<td>637,686</td>
<td>626,637</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>(648,275)</td>
<td>(673,519)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(757)</td>
<td>(37,132)</td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash and cash equivalents</strong></td>
<td>2,446</td>
<td>(16,127)</td>
</tr>
<tr>
<td><strong>Beginning of year</strong></td>
<td>84,087</td>
<td>100,214</td>
</tr>
<tr>
<td><strong>End of year</strong></td>
<td>$86,533</td>
<td>$84,087</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
### Reconciliation of operating loss to net cash used in operating activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating loss</td>
<td>$(1,061,641)</td>
<td>$(1,022,667)</td>
</tr>
<tr>
<td>Adjustments to reconcile operating loss to net cash used in operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On behalf payments by State for fringe benefits</td>
<td>304,701</td>
<td>286,479</td>
</tr>
<tr>
<td>Depreciation and amortization expense</td>
<td>132,672</td>
<td>130,153</td>
</tr>
<tr>
<td>Pension and other postretirement healthcare benefit expense</td>
<td>96,833</td>
<td>99,670</td>
</tr>
<tr>
<td>Bad debt expense, net</td>
<td>3,174</td>
<td>2,138</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(1,617)</td>
<td>(4,776)</td>
</tr>
<tr>
<td>Due from the Research Corporation of the University of Hawai‘i, net</td>
<td>8,960</td>
<td>(3,437)</td>
</tr>
<tr>
<td>Notes receivable</td>
<td>(71)</td>
<td>1,057</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>(1,616)</td>
<td>4,144</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(65)</td>
<td>5,561</td>
</tr>
<tr>
<td>Accrued payroll and fringe benefits</td>
<td>3,157</td>
<td>2,560</td>
</tr>
<tr>
<td>Accrued workers’ compensation liability</td>
<td>(109)</td>
<td>332</td>
</tr>
<tr>
<td>Advances from sponsors</td>
<td>(2,298)</td>
<td>(438)</td>
</tr>
<tr>
<td>Other, net</td>
<td>(7,756)</td>
<td>641</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td><strong>$(525,676)</strong></td>
<td><strong>$(498,583)</strong></td>
</tr>
</tbody>
</table>

### Supplemental information of noncash transactions

<table>
<thead>
<tr>
<th>Description</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net transfers from State of Hawai‘i for capital assets</td>
<td>$ 97</td>
<td>$ 1,694</td>
</tr>
<tr>
<td>Net transfers from Federal for capital assets</td>
<td>6,960</td>
<td>87</td>
</tr>
<tr>
<td>Net transfers (to) from other State agencies</td>
<td>(247)</td>
<td>269</td>
</tr>
<tr>
<td>Accounts payable for capital assets</td>
<td>30,507</td>
<td>31,820</td>
</tr>
<tr>
<td>Escrow funds used to fund capital asset additions</td>
<td>792</td>
<td>20,891</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
1. **Organization and Summary of Significant Accounting Policies**

**Financial Reporting Entity**

The accompanying 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, including 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.

The Research Corporation of the University of Hawai‘i (the “Research Corporation”) is a legally separate, tax-exempt entity that provides administrative support services for research and training programs of the University. At June 30, 2020 and 2019, the net position of the Research Corporation was $9,416 and $9,554, respectively. The University has determined that the Research Corporation meets the criteria to be considered a component unit of the University, however, has excluded the Research Corporation from the accompanying financial statements due to insignificance.

The University of Hawai‘i Foundation (the “Foundation”) is a legally separate, not-for-profit organization established to solicit and manage funds for the benefit of the University. Although the University does not control the timing, purpose, or amount of its receipts from the Foundation, the resources that the Foundation holds and invests can only be used by, or for the benefit of, the University. Because of the nature and significance of the Foundation’s relationships with the University, the Foundation is considered a component unit of the University and is discretely presented in the accompanying financial statements. In addition, the Foundation’s significant notes are summarized in Note 3.

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 Financial Accounting Standards Board (“FASB”). No modifications have been made to the Foundation financial information included in the University’s financial report to account for these differences.

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, 1314 South King Street, Suite B, Honolulu, HI 96814.

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. 61. Accordingly, the University’s financial information is discretely presented as a component unit within the State’s comprehensive annual financial report (“CAFR”).

In fiscal year 2020, the Research Corporation, which was previously presented as a blended component unit, is excluded from the University’s financial statements as their financial information was determined to be insignificant to the University as a whole. Additionally, the Foundation, which was also previously presented as a blended component unit, is now
a discretely presented component unit. This change has been applied retrospectively to the 2019 financial statements to conform with the 2020 presentation. The change resulted in the exclusion due to materiality of the Research Corporation's net position and the separate presentation of the Foundation's net assets.

The discrete presentation of the Foundation is a common method of presentation among similar public colleges and universities with a legally separate foundation. It also better reflects the net position of the University as the University does not control the timing, purpose, or amount of its receipts from the Foundation.

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 financial statements of the University are presented using the economic resources measurement focus and the accrual basis of accounting.

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 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, and unspent cash, cash equivalents, and investments that were deposited into an acquisition fund held in trust by the acquisition fund custodian for equipment lease obligations, as noncurrent assets.

Investments
Investments in money market instruments that have remaining maturity at time of purchase of one year or less are reported at amortized cost. Investments in time certificates of deposits are carried at cost. Investments in money market funds, fixed income securities, and equity securities with readily determinable fair values are reported at fair value based on quoted market prices. Unrealized gains and losses on investments are included in the 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. The title to short-term investments, made from pooled cash, is vested in the name of the University.
Fair Value Measurements
For financial assets reported at fair value, the University defines fair value as the price that would be received to sell an asset in the principal or most advantageous market in an orderly transaction between market participants. The University measures fair value using assumptions developed based on market data obtained from independent external sources and the reporting entity’s own assumptions. The hierarchy is broken down into levels based on the reliability of the inputs as follows:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** – Inputs (other than quoted prices) included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3** – Unobservable inputs for an asset or liability reflecting management’s assumption. Level 3 inputs are used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

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 Statements of Net Position.

Amounts due to the State are primarily due to operating or capital advances.

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.

Due from the Research Corporation, Net
The Research Corporation provides administrative support services such as human resources, payroll processing, procurement, and disbursement services for research and training programs of the University, and receives a management fee for such services. The University is responsible for all programmatic decisions and for authorizing and approving all project expenditures and commitments, however, the contractual commitments of the projects are in the name of the Research Corporation and are included as a liability for such commitments on their balance sheet, with a corresponding receivable for reimbursement from the University. “Due from the Research Corporation, net” represents funds advanced to the Research Corporation for project expenditures net of management fees due.
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. 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 renewals, replacements 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. 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 the net pension and other postemployment benefits (“OPEB”) liabilities resulted from differences between expected and actual experiences, changes in assumptions, the net difference between projected and actual earnings on pension plan investments, changes in proportion which are amortized over five years, and the University’s contributions to the pension and OPEB plans subsequent to the measurement date of the actuarial valuations for the pension and OPEB plans that will be recognized as a reduction of the net pension liabilities and net OPEB liability in the subsequent fiscal year. The deferred outflow of resources related to asset retirement obligations (“AROs”) represents the difference between the AROs and the cash received to assume the related AROs, and are amortized over the remaining useful life of the related capital assets.

Advances from Sponsors
Advances from sponsors represent amounts received from grant and contract sponsors which have not been earned under the terms of the agreement.

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.
Postemployment Benefits Other Than Pensions
For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Hawai‘i Employer-Union Health Benefits Trust Fund (“EUTF”), and additions to/ deductions from the EUTF’s fiduciary net position have been determined on the same basis as they are reported by the EUTF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at their fair value.

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

Equipment Lease Obligations
Obligations for equipment leased under capital leases to fund the installation and acquisition of energy conservation measurements are recorded based on the present value of the future minimum lease payments using the appropriate interest rate. Refer to Note 10 for more information regarding the University’s equipment lease obligations.

Asset Retirement Obligations
AROs represent the liabilities where both an external obligating event and internal obligating event have occurred and the liability is reasonably estimable and recorded based on the University’s best estimates of the current value of outlays expected to be incurred. The AROs are reevaluated annually for the effects of general inflation or deflation and any events that would cause a significant change in the estimated outlays. AROs are included in other noncurrent liabilities. Refer to Note 14 for more information.

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 pension and OPEB resulted from differences between expected and actual experiences and changes in proportion of the pension plan which will be amortized over five years.

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 it 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, 2020 and 2019 amounted to $508,704 and $438,147, respectively, of which $455,012 and $386,075 were restricted by enabling legislation for capital activity.

**Operating and Nonoperating Activities**

The University’s policies for defining operating activities, as reported on the 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, federal Pell grants, 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.

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. If the room and other rental revenues for the summer term been prorated between fiscal years, the difference would not be material.

Federal economic relief received as a result of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") represent nonexchange transactions that are reported as nonoperating revenues. During fiscal year 2020, the University received payments from the Higher Education Emergency Relief Fund.
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 financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the 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 $650 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 Statements of Net Position (see Note 10).

The University records its proportional share of the State’s share of the EUTF net OPEB liability through the State’s allocation schedules to its component units and proprietary funds. The actuarial assumptions used to determine the liabilities are described in Notes 12 and 13.

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

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

The GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, postponed by GASB Statement No. 95 for eighteen months. The University has begun the data collection and analysis to determine the effect this Statement will have on its financial statements.

The GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective at multiple periods depending on when certain Statements are implemented, postponed by GASB Statement No. 95 for one year. The University has not determined the effect this Statement will have on its financial statements.

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of interbank offered rates. The removal of the London Interbank Offered Rate as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020, postponed by GASB Statement No. 95 for one year. The University has not determined the effect this Statement will have on its financial statements.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The University has not determined the effect this Statement will have on its financial statements.

During fiscal year 2020, the University implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The requirements of this Statement are effective immediately. This Statement did not have any effect on the University’s financial statements.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The University has not determined the effect this Statement will have on its financial statements.
The GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The main objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. Certain requirements of this Statement are effective immediately while other requirements, like reporting for section 457 plans are effective for fiscal years beginning after June 15, 2021. The University has not determined the effect this Statement will have on its financial statements.

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, 2020 and 2019, classified as cash and cash equivalents and operating investments, were $198,209 and $212,763, with corresponding bank balances of $181,811 and $219,633, respectively. The portion of such bank balances covered by the Federal Deposit Insurance Corporation or by collateral held by the State Director of Budget & Finance in the name of the University totaled $181,061 at June 30, 2020 and $217,883 at June 30, 2019.

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 may fall below the historical cost of such funds and are 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. There were no deficiencies of this nature as of June 30, 2020 and 2019.

- **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 (“HRS”) §517E, was enacted by the State 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.

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 2020 and 2019, the University’s spending rate policy provided for annual distributions at 4.5 percent of the trailing five-year moving average of the endowment fair value.

At June 30, 2020 and 2019, the University’s investments were comprised of the following:

<table>
<thead>
<tr>
<th></th>
<th>2020 Fair Value</th>
<th>2020 Cost</th>
<th>2019 Fair Value</th>
<th>2019 Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and money market funds</td>
<td>$2,476</td>
<td>$2,476</td>
<td>$1,965</td>
<td>$1,965</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>299,146</td>
<td>291,971</td>
<td>272,885</td>
<td>269,706</td>
</tr>
<tr>
<td>Equity securities</td>
<td>58,222</td>
<td>50,478</td>
<td>49,626</td>
<td>45,499</td>
</tr>
<tr>
<td>Time certificates of deposit</td>
<td>111,750</td>
<td>111,750</td>
<td>128,750</td>
<td>128,750</td>
</tr>
<tr>
<td>Other investments</td>
<td>1,297</td>
<td>1,297</td>
<td>905</td>
<td>905</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td><strong>472,891</strong></td>
<td><strong>457,972</strong></td>
<td><strong>454,131</strong></td>
<td><strong>446,825</strong></td>
</tr>
<tr>
<td>Less: Current portion</td>
<td>371,244</td>
<td>366,729</td>
<td>351,324</td>
<td>349,684</td>
</tr>
<tr>
<td><strong>Total noncurrent investments</strong></td>
<td><strong>$101,647</strong></td>
<td><strong>$91,243</strong></td>
<td><strong>$102,807</strong></td>
<td><strong>$97,141</strong></td>
</tr>
</tbody>
</table>
Changes in the University’s investments for the year ended June 30, 2020 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Fair Value</th>
<th>Cost Basis</th>
<th>Net Unrealized Gain (Loss)</th>
<th>Net Realized Gain (Loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>University Endowment Pool</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of year</td>
<td>$78,324</td>
<td>$68,489</td>
<td>$9,835</td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>74,853</td>
<td>69,622</td>
<td>5,231</td>
<td></td>
</tr>
<tr>
<td>Net change</td>
<td>3,471</td>
<td>(1,133)</td>
<td>4,604</td>
<td>$54</td>
</tr>
<tr>
<td><strong>Associated Students of the University of Hawai‘i</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of year</td>
<td>9,188</td>
<td>8,622</td>
<td>566</td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>9,074</td>
<td>8,682</td>
<td>392</td>
<td></td>
</tr>
<tr>
<td>Net change</td>
<td>114</td>
<td>(60)</td>
<td>174</td>
<td>(60)</td>
</tr>
<tr>
<td><strong>School of Medicine</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of year</td>
<td>2,453</td>
<td>2,453</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>2,577</td>
<td>2,575</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Net change</td>
<td>(124)</td>
<td>(122)</td>
<td>(2)</td>
<td>9</td>
</tr>
<tr>
<td><strong>University Bond System</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of year</td>
<td>10,385</td>
<td>10,382</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>15,398</td>
<td>15,357</td>
<td>41</td>
<td></td>
</tr>
<tr>
<td>Net change</td>
<td>(5,013)</td>
<td>(4,975)</td>
<td>(38)</td>
<td>81</td>
</tr>
<tr>
<td><strong>Operating investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of year</td>
<td>371,244</td>
<td>366,729</td>
<td>4,515</td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>351,324</td>
<td>349,684</td>
<td>1,640</td>
<td></td>
</tr>
<tr>
<td>Net change</td>
<td>19,920</td>
<td>17,045</td>
<td>2,875</td>
<td>341</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of year</td>
<td>1,297</td>
<td>1,297</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>905</td>
<td>905</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Net change</td>
<td>392</td>
<td>392</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of year</td>
<td>472,891</td>
<td>457,972</td>
<td>14,919</td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>454,131</td>
<td>446,825</td>
<td>7,306</td>
<td></td>
</tr>
<tr>
<td>Net change</td>
<td>$18,760</td>
<td>$11,147</td>
<td>$7,613</td>
<td>$425</td>
</tr>
</tbody>
</table>
Changes in the University’s investments for the year ended June 30, 2019 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Fair Value</th>
<th>Cost Basis</th>
<th>Net Unrealized Gain (Loss)</th>
<th>Net Realized Gain</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>University Endowment Pool</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of year</td>
<td>$ 74,853</td>
<td>$ 69,622</td>
<td>$ 5,231</td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>72,692</td>
<td>65,825</td>
<td>6,867</td>
<td></td>
</tr>
<tr>
<td>Net change</td>
<td>2,161</td>
<td>3,797</td>
<td>(1,636)</td>
<td>$ 4,667</td>
</tr>
<tr>
<td><strong>Associated Students of the University of Hawai‘i</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of year</td>
<td>9,074</td>
<td>8,682</td>
<td>392</td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>8,896</td>
<td>8,880</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Net change</td>
<td>178</td>
<td>(198)</td>
<td>376</td>
<td>(124)</td>
</tr>
<tr>
<td><strong>School of Medicine</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of year</td>
<td>2,577</td>
<td>2,575</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>2,733</td>
<td>2,731</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Net change</td>
<td>(156)</td>
<td>(156)</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td><strong>University Bond System</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of year</td>
<td>15,398</td>
<td>15,357</td>
<td>41</td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>17,588</td>
<td>17,565</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>Net change</td>
<td>(2,190)</td>
<td>(2,208)</td>
<td>18</td>
<td>91</td>
</tr>
<tr>
<td><strong>Operating investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of year</td>
<td>351,324</td>
<td>349,684</td>
<td>1,640</td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>297,118</td>
<td>299,912</td>
<td>(2,794)</td>
<td></td>
</tr>
<tr>
<td>Net change</td>
<td>54,206</td>
<td>49,772</td>
<td>4,434</td>
<td>108</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of year</td>
<td>905</td>
<td>905</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>254</td>
<td>254</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Net change</td>
<td>651</td>
<td>651</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of year</td>
<td>454,131</td>
<td>446,825</td>
<td>7,306</td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>399,281</td>
<td>395,167</td>
<td>4,114</td>
<td></td>
</tr>
<tr>
<td>Net change</td>
<td>$ 54,850</td>
<td>$ 51,658</td>
<td>$ 3,192</td>
<td>$ 4,748</td>
</tr>
</tbody>
</table>
Net investment income for the years ended June 30, 2020 and 2019 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summary of net investment income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in unrealized net gain</td>
<td>$ 7,613</td>
<td>$ 3,192</td>
</tr>
<tr>
<td>Net realized gain</td>
<td>425</td>
<td>4,748</td>
</tr>
<tr>
<td>Total investment income</td>
<td>8,038</td>
<td>7,940</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>10,249</td>
<td>10,858</td>
</tr>
<tr>
<td>Investment income before management fees</td>
<td>18,287</td>
<td>18,798</td>
</tr>
<tr>
<td>Less: Management fees</td>
<td>546</td>
<td>482</td>
</tr>
<tr>
<td>Net investment income</td>
<td>$ 17,741</td>
<td>$ 18,316</td>
</tr>
</tbody>
</table>

The University's investments reported at fair value on a recurring basis have been categorized based on the fair value hierarchy in Note 1 at June 30, 2020 and 2019 as follows:

<table>
<thead>
<tr>
<th></th>
<th>Fair Value</th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Investments Not Categorized Within the Fair Value Hierarchy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and money market funds</td>
<td>$ 2,476</td>
<td>$ 2,476</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>299,146</td>
<td>184,570</td>
<td>104,653</td>
<td>9,923</td>
</tr>
<tr>
<td>Equity securities</td>
<td>58,222</td>
<td>58,222</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Time certificates of deposit</td>
<td>111,750</td>
<td>-</td>
<td>-</td>
<td>111,750</td>
</tr>
<tr>
<td>Other investments</td>
<td>1,297</td>
<td>-</td>
<td>-</td>
<td>1,297</td>
</tr>
<tr>
<td>Total investments</td>
<td>$ 472,891</td>
<td>$ 245,268</td>
<td>$ 104,653</td>
<td>$ 122,970</td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and money market funds</td>
<td>$ 1,965</td>
<td>$ 1,965</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>272,885</td>
<td>155,260</td>
<td>111,491</td>
<td>6,134</td>
</tr>
<tr>
<td>Equity securities</td>
<td>49,626</td>
<td>49,626</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Time certificates of deposit</td>
<td>128,750</td>
<td>-</td>
<td>-</td>
<td>128,750</td>
</tr>
<tr>
<td>Other investments</td>
<td>905</td>
<td>-</td>
<td>-</td>
<td>905</td>
</tr>
<tr>
<td>Total investments</td>
<td>$ 454,131</td>
<td>$ 206,851</td>
<td>$ 111,491</td>
<td>$ 135,789</td>
</tr>
</tbody>
</table>

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 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
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 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 5.0 percent of the total fixed income portion of the portfolio. Individual equities are limited to not more than 5.0 percent of the total market value of the stock portfolio. In addition, investment in any one stock is not to exceed 5.0 percent of a corporation’s outstanding common stock.

**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. Certain fixed-income securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are considered to have minimal credit risk. To manage credit risk, the University specifies that no more than 15 percent of the fixed income investments may be lower than investment grade.

The composition of fixed income securities at June 30, 2020 and 2019, along with credit quality ratings, is summarized below:

<table>
<thead>
<tr>
<th>Credit Quality Rating</th>
<th>U.S. Govt-Exempt</th>
<th>AAA</th>
<th>AA</th>
<th>A</th>
<th>BBB</th>
<th>BB or Lower</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market funds</td>
<td>533</td>
<td>-</td>
<td>533</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>184,841</td>
<td>184,841</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>U.S. government agencies</td>
<td>101,974</td>
<td>-</td>
<td>101,974</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>12,331</td>
<td>-</td>
<td>307</td>
<td>1,006</td>
<td>4,105</td>
<td>6,445</td>
</tr>
<tr>
<td>Total fixed income securities</td>
<td>299,679</td>
<td>184,841</td>
<td>840</td>
<td>102,980</td>
<td>4,105</td>
<td>6,445</td>
</tr>
</tbody>
</table>

| 2019                  |                  |     |    |   |     |            |
| Money market funds    | 639              | -   | 639| - | -   | -          |
| U.S. Treasury         | 155,546          | 155,546 | - | - | -   | -          |
| U.S. government agencies | 103,445         | -   | 103,445 | - | -   | -          |
| Corporate bonds       | 13,894           | -   | 265| 1,890 | 5,560 | 5,854      |
| Total fixed income securities | 273,524 | 155,546 | 904| 105,335 | 5,560 | 5,854 | 325 |

45
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.

At June 30, 2020, the composition of the University’s fixed income investments and maturities are summarized below:

<table>
<thead>
<tr>
<th>Investment Maturities (in Years)</th>
<th>More than 10</th>
<th>6 to 10</th>
<th>1 to 5</th>
<th>Less than 1</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ 533</td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ 533</td>
</tr>
<tr>
<td>U.S. government agencies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ 85,998</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ 64,472</td>
</tr>
<tr>
<td>Total fixed income securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ 299,679</td>
</tr>
</tbody>
</table>

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, 2020 and 2019, the University’s exposure to foreign currency risk expressed in U.S. dollars was not significant.
3. Foundation Investments

The Foundation invests in various types of investment securities that are reported at fair value. It applies the provisions of FASB Accounting Standard Codification (“ASC”) Topic 820 in applying valuation techniques. The fair value hierarchy of inputs to valuation techniques in ASC Topic 820 are consistent with GASB Statement No. 72.

The Foundation’s estimated fair values of investments measured on a recurring basis as of June 30, 2020 and 2019 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
<th>Investments Not Categorized Within the Fair Value Hierarchy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2020</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic equities</td>
<td>$ 43,903</td>
<td>$ 12,417</td>
<td>-</td>
<td>$ 31,486</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>139,008</td>
<td>130,506</td>
<td>8,502</td>
<td>-</td>
</tr>
<tr>
<td>Foreign equities</td>
<td>68,972</td>
<td>26,666</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Money market funds</td>
<td>590</td>
<td>590</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Natural resources/real estate</td>
<td>26,505</td>
<td>3,440</td>
<td>9,497</td>
<td>13,568</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>132,440</td>
<td>4,130</td>
<td>-</td>
<td>128,310</td>
</tr>
<tr>
<td>Private equity securities</td>
<td>45,851</td>
<td>-</td>
<td>1,906</td>
<td>43,945</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td><strong>$ 457,269</strong></td>
<td><strong>$ 177,749</strong></td>
<td><strong>$ 8,502</strong></td>
<td><strong>$ 259,615</strong></td>
</tr>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic equities</td>
<td>$ 42,331</td>
<td>$ 10,221</td>
<td>-</td>
<td>$ 32,110</td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>132,903</td>
<td>122,579</td>
<td>10,324</td>
<td>-</td>
</tr>
<tr>
<td>Foreign equities</td>
<td>81,438</td>
<td>38,734</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Money market funds</td>
<td>2,222</td>
<td>2,222</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Natural resources/real estate</td>
<td>36,973</td>
<td>7,670</td>
<td>10,258</td>
<td>19,045</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>107,619</td>
<td>5,281</td>
<td>-</td>
<td>102,338</td>
</tr>
<tr>
<td>Private equity securities</td>
<td>36,205</td>
<td>-</td>
<td>1,906</td>
<td>34,299</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td><strong>$ 439,691</strong></td>
<td><strong>$ 186,707</strong></td>
<td><strong>$ 10,324</strong></td>
<td><strong>$ 230,496</strong></td>
</tr>
</tbody>
</table>

Investments in limited partnerships, absolute return, real estate, and other investments include limited partnership investments in private equity, venture capital, real estate, and hedge funds including absolute return and long/short hedge funds. Fair value 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. The private equity, venture capital, and real estate investments are not readily marketable and involve assumptions and methods that are reviewed by the Foundation. 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. A portion of the investments made by certain hedge funds is also not readily marketable; additionally, hedge fund managers may not provide the detail of their underlying marketable securities. The hedge fund valuation process is carefully reviewed by the Foundation with the assistance of an outside consultant. The Foundation utilized the net asset value per share for the investments in limited partnerships, absolute return, real estate, and other investments.
The following is a general description of the terms and conditions upon which the Foundation may redeem investments that are carried at net asset value:

- **Domestic equities** – These investments can be redeemed on a monthly or quarterly basis, with notification provided between 15 and 30 days prior to redemption.

- **Foreign equities** – These investments can be redeemed on a monthly basis with notification provided between 5 and 30 days prior to redemption.

- **Natural resources/real estate and private equity securities** – These investments can be redeemed at the discretion of the investment managers. The Foundation has commitments to contribute additional amounts to this class of investments of approximately $39,700 at June 30, 2020.

- **Hedge funds** – Redemption frequency for these investments range from monthly to annually, with notification provided between 2 and 90 days prior to redemption. Additionally, certain investments can be redeemed at the discretion of the investment managers.

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.

4. **Accounts Receivable**

The composition of accounts receivable, net of allowance for uncollectible receivables, of $36,106 and $30,519 at June 30, 2020 and 2019, respectively, is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. government</td>
<td>$ 52,584</td>
<td>$ 53,289</td>
</tr>
<tr>
<td>State and local government</td>
<td>10,832</td>
<td>9,653</td>
</tr>
<tr>
<td>Private agencies</td>
<td>11,953</td>
<td>13,962</td>
</tr>
<tr>
<td>Student tuition and fees</td>
<td>6,502</td>
<td>8,503</td>
</tr>
<tr>
<td>Other</td>
<td>8,150</td>
<td>8,413</td>
</tr>
<tr>
<td></td>
<td>$ 90,021</td>
<td>$ 93,820</td>
</tr>
</tbody>
</table>

At June 30, 2020 and 2019, private agency receivables from the Foundation was $7,577 and $6,487, respectively. Private grant revenue from the Foundation approximated $15,137 and $15,014 during fiscal years 2020 and 2019, respectively.

The University has an agreement with the Foundation to receive fundraising and alumni services through June 30, 2020. The annual compensation under this agreement amounted to $3,000 for each of the fiscal years 2020 and 2019. The service expense was paid in full as of fiscal years ended June 30, 2020 and June 30, 2019, and is reported in supplies, services, and cost of goods sold in the accompanying financial statements.
5. **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 $44,654 in 2020 and $45,387 in 2019 and are reported in federal appropriations, grants and contracts revenue.

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.

6. **Direct Loan Programs**

During the years ended June 30, 2020 and 2019, the University distributed $129,384 and $137,147, respectively, in Direct Loan programs. These distributions and related funding sources are not included as expenses or revenues in the accompanying financial statements. There were no distributions of any student loans through the U.S. Department of Education Federal Perkins Loan Program.
7. **Other Current Assets**

Other current assets at June 30, 2020 and 2019 were comprised of:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued interest receivable</td>
<td>$2,125</td>
<td>$2,253</td>
</tr>
<tr>
<td>Inventories</td>
<td>8,601</td>
<td>7,281</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>8,246</td>
<td>9,577</td>
</tr>
<tr>
<td>Other</td>
<td>450</td>
<td>62</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$19,422</td>
<td>$19,173</td>
</tr>
</tbody>
</table>

The inventories and the methods of valuation at June 30, 2020 and 2019 are summarized below:

<table>
<thead>
<tr>
<th>Inventory Description</th>
<th>Method</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Hawai‘i Bookstore merchandise inventory</td>
<td>Lower of cost or market using the first-in, first-out retail inventory method.</td>
<td>$5,417</td>
<td>$4,328</td>
</tr>
<tr>
<td>University of Hawai‘i Chemistry Stockroom</td>
<td>Cost applied on the first-in, first-out basis.</td>
<td>1,167</td>
<td>1,112</td>
</tr>
<tr>
<td>University of Hawai‘i Facilities Management Warehouse</td>
<td>Cost applied on the first-in, first-out basis.</td>
<td>957</td>
<td>917</td>
</tr>
<tr>
<td>University of Hawai‘i Press merchandise inventory</td>
<td>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.</td>
<td>836</td>
<td>703</td>
</tr>
<tr>
<td>University of Hawai‘i other inventory</td>
<td>Lower of cost or market using the weighted average cost method.</td>
<td>224</td>
<td>221</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$8,601</td>
<td>$7,281</td>
<td></td>
</tr>
</tbody>
</table>
8. **Capital Assets**

A summary of capital assets at June 30, 2020 and 2019 is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Nondepreciable Capital Assets</th>
<th>Depreciable Capital Assets</th>
<th>Capital Assets, Net</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beginning Balance</td>
<td>Additions</td>
<td>Deductions</td>
</tr>
<tr>
<td>2020</td>
<td>$ 49,045</td>
<td>-</td>
<td>$ 6,867</td>
</tr>
<tr>
<td></td>
<td>240,254</td>
<td>134,387</td>
<td>782</td>
</tr>
<tr>
<td></td>
<td>289,299</td>
<td>134,387</td>
<td>782</td>
</tr>
<tr>
<td></td>
<td>153,096</td>
<td>515</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>260,899</td>
<td>1,065</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2,592,462</td>
<td>16,256</td>
<td>8,231</td>
</tr>
<tr>
<td></td>
<td>399,565</td>
<td>17,273</td>
<td>9,728</td>
</tr>
<tr>
<td></td>
<td>176,998</td>
<td>1,885</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>3,583,020</td>
<td>36,994</td>
<td>17,959</td>
</tr>
<tr>
<td></td>
<td>1,722,597</td>
<td>133,819</td>
<td>14,482</td>
</tr>
<tr>
<td></td>
<td>$ 2,149,722</td>
<td>$ 37,562</td>
<td>$ 4,259</td>
</tr>
<tr>
<td>2019</td>
<td>$ 47,295</td>
<td>-</td>
<td>$ 1,750</td>
</tr>
<tr>
<td></td>
<td>221,920</td>
<td>138,442</td>
<td>164</td>
</tr>
<tr>
<td></td>
<td>269,215</td>
<td>138,442</td>
<td>164</td>
</tr>
<tr>
<td></td>
<td>139,520</td>
<td>1,302</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>253,346</td>
<td>528</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2,488,367</td>
<td>23,692</td>
<td>15,253</td>
</tr>
<tr>
<td></td>
<td>392,943</td>
<td>13,438</td>
<td>10,055</td>
</tr>
<tr>
<td></td>
<td>174,305</td>
<td>2,693</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>3,448,481</td>
<td>41,653</td>
<td>25,308</td>
</tr>
<tr>
<td></td>
<td>1,602,969</td>
<td>139,521</td>
<td>19,893</td>
</tr>
<tr>
<td></td>
<td>$ 2,114,727</td>
<td>$ 40,574</td>
<td>$ 5,579</td>
</tr>
</tbody>
</table>

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.

Depreciation expense amounted to $133,819 and $129,922 during fiscal years 2020 and 2019, respectively.
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, 2020 and 2019 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Due from</td>
<td>Due to</td>
</tr>
<tr>
<td>State appropriations for current operations</td>
<td>$ 1,951</td>
<td>$ 944</td>
</tr>
<tr>
<td>State capital appropriations – noncurrent</td>
<td>484,663</td>
<td>414,016</td>
</tr>
<tr>
<td><strong>Total due from State of Hawai‘i</strong></td>
<td>$ 486,614</td>
<td>$ 414,960</td>
</tr>
<tr>
<td>Imprest/petty cash advances</td>
<td>$ 74</td>
<td>$ 74</td>
</tr>
<tr>
<td>Advance</td>
<td>6,000</td>
<td>6,000</td>
</tr>
<tr>
<td>Employee fringe adjustments</td>
<td>(265)</td>
<td>55</td>
</tr>
<tr>
<td><strong>Total due to State of Hawai‘i</strong></td>
<td>$ 5,809</td>
<td>$ 6,129</td>
</tr>
</tbody>
</table>

10. Long-Term Liabilities

Long-term liability activity for the years ended June 30, 2020 and 2019 is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds payable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue bonds payable</td>
<td>$ 506,655</td>
<td>-</td>
<td>$ 19,165</td>
<td>$ 487,490</td>
<td>$ 19,695</td>
</tr>
<tr>
<td>Other liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers’ compensation</td>
<td>16,182</td>
<td>4,308</td>
<td>3,525</td>
<td>18,965</td>
<td>5,282</td>
</tr>
<tr>
<td>Accrued vacation</td>
<td>78,900</td>
<td>30,156</td>
<td>26,324</td>
<td>82,732</td>
<td>37,922</td>
</tr>
<tr>
<td>Net pension liability (Note 12)</td>
<td>1,695,799</td>
<td>294,900</td>
<td>199,601</td>
<td>1,791,098</td>
<td>-</td>
</tr>
<tr>
<td>Postemployment health care/life insurance benefits (Note 13)</td>
<td>1,800,496</td>
<td>133,754</td>
<td>131,758</td>
<td>1,802,492</td>
<td>-</td>
</tr>
<tr>
<td>Equipment lease obligations</td>
<td>26,428</td>
<td>-</td>
<td>1,386</td>
<td>25,042</td>
<td>1,551</td>
</tr>
<tr>
<td><strong>Total other liabilities</strong></td>
<td>$ 3,619,805</td>
<td>463,118</td>
<td>362,594</td>
<td>3,720,329</td>
<td>44,755</td>
</tr>
<tr>
<td><strong>Total long-term liabilities</strong></td>
<td>$ 4,126,460</td>
<td>463,118</td>
<td>381,759</td>
<td>$ 4,207,819</td>
<td>$ 64,450</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds payable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue bonds payable</td>
<td>$ 525,425</td>
<td>-</td>
<td>$ 18,770</td>
<td>$ 506,655</td>
<td>$ 19,165</td>
</tr>
<tr>
<td>Other liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers’ compensation</td>
<td>15,425</td>
<td>4,713</td>
<td>3,956</td>
<td>16,182</td>
<td>4,515</td>
</tr>
<tr>
<td>Accrued vacation</td>
<td>77,960</td>
<td>30,664</td>
<td>29,724</td>
<td>78,900</td>
<td>36,046</td>
</tr>
<tr>
<td>Net pension liability (Note 12)</td>
<td>1,648,600</td>
<td>267,865</td>
<td>220,666</td>
<td>1,695,799</td>
<td>-</td>
</tr>
<tr>
<td>Postemployment health care/life insurance benefits (Note 13)</td>
<td>1,783,860</td>
<td>167,067</td>
<td>150,431</td>
<td>1,800,496</td>
<td>-</td>
</tr>
<tr>
<td>Equipment lease obligations</td>
<td>30,531</td>
<td>-</td>
<td>2,103</td>
<td>28,428</td>
<td>1,425</td>
</tr>
<tr>
<td><strong>Total other liabilities</strong></td>
<td>$ 3,556,376</td>
<td>470,309</td>
<td>406,880</td>
<td>3,619,805</td>
<td>41,986</td>
</tr>
<tr>
<td><strong>Total long-term liabilities</strong></td>
<td>$ 4,081,801</td>
<td>470,309</td>
<td>425,650</td>
<td>$ 4,126,460</td>
<td>$ 61,151</td>
</tr>
</tbody>
</table>
Revenue Bonds Payable
The University’s revenue bonds payable at June 30, 2020 and 2019 is as follows:

<table>
<thead>
<tr>
<th>Series</th>
<th>Date Issued</th>
<th>Authorized</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various acquisition and construction projects</td>
<td>2009A</td>
<td>April 15, 2009</td>
<td>$100,000</td>
<td>$ -</td>
</tr>
<tr>
<td>University of Hawai‘i Cancer Center (interest rate, 2.5% to 6.0%)</td>
<td>2010A-1, 2010A-2</td>
<td>October 7, 2010</td>
<td>138,640</td>
<td>111,265</td>
</tr>
<tr>
<td>Various construction projects (interest rate, 2.5% to 6.0%)</td>
<td>2010B-1, 2010B-2</td>
<td>October 7, 2010</td>
<td>154,090</td>
<td>127,535</td>
</tr>
<tr>
<td>Hilo College of Pharmacy and Law School Expansion and Modernization (interest rate, 1.0% to 4.7%)</td>
<td>2015A</td>
<td>September 24, 2015</td>
<td>8,575</td>
<td>7,855</td>
</tr>
<tr>
<td>Frear Hall Construction, Student Housing System at Mānoa, Food Service System and Student Housing System at Hilo (interest rate, 3.0% to 5.0%)</td>
<td>2015B(R)</td>
<td>September 24, 2015</td>
<td>47,010</td>
<td>47,010</td>
</tr>
<tr>
<td>Frear Hall Construction, Student Housing System at Mānoa, Food Service System and Student Housing System at Hilo (interest rate, 0.8% to 3.5%)</td>
<td>2015C(R)</td>
<td>September 24, 2015</td>
<td>17,585</td>
<td>7,010</td>
</tr>
<tr>
<td>University Health &amp; Wellness Center (interest rate, 5.0%)</td>
<td>2015D(R)</td>
<td>September 24, 2015</td>
<td>25,715</td>
<td>9,450</td>
</tr>
<tr>
<td>Sinclair Library Basement Renovation (interest rate, 2.0% to 5.0%)</td>
<td>2017A</td>
<td>December 28, 2017</td>
<td>3,990</td>
<td>3,585</td>
</tr>
<tr>
<td>University Health &amp; Wellness Center (interest rate, 3.0%)</td>
<td>2017B</td>
<td>December 28, 2017</td>
<td>12,040</td>
<td>12,040</td>
</tr>
<tr>
<td>University Health &amp; Wellness Center (interest rate, 3.28% to 3.38%)</td>
<td>2017C</td>
<td>December 28, 2017</td>
<td>4,110</td>
<td>4,110</td>
</tr>
<tr>
<td>Frear Hall Construction, Student Housing System at Mānoa, Student Housing System at Hilo (interest rate, 3.0%)</td>
<td>2017D</td>
<td>December 28, 2017</td>
<td>13,185</td>
<td>13,185</td>
</tr>
<tr>
<td>Frear Hall Construction, Student Housing System at Mānoa, Food Service System and Student Housing System at Hilo (interest rate, 3.28% to 3.65%)</td>
<td>2017E</td>
<td>December 28, 2017</td>
<td>4,450</td>
<td>4,450</td>
</tr>
<tr>
<td>Various acquisition and construction projects (interest rate, 5.0%)</td>
<td>2017F</td>
<td>December 28, 2017</td>
<td>52,275</td>
<td>52,275</td>
</tr>
<tr>
<td>Various acquisition and construction projects (interest rate, 2.10% to 3.85%)</td>
<td>2017G</td>
<td>December 28, 2017</td>
<td>20,745</td>
<td>20,320</td>
</tr>
</tbody>
</table>

$ 669,810 $ 487,490 $ 506,655

In December 2017, the University issued $110,795 in Series 2017A ($3,990, tax-exempt new money), 2017B ($12,040, tax-exempt refunding), 2017C ($4,110, taxable refunding), 2017D ($13,185, tax-exempt refunding), 2017E ($4,450, taxable refunding), 2017F ($52,275, tax-exempt refunding), and 2017G ($20,745, taxable refunding) Bonds (collectively, the “Series 2017 Bonds”) for the purpose of financing the costs of a University project, the renovation of the Gregg M. Sinclair Library basement, and refunding previously issued bonds. All Series 2017 Bonds were delivered on December 28, 2017. Total premium for the Series 2017 Bonds approximated $10,607.

The proceeds of the Series 2017B, 2017C, 2017D, 2017E, 2017F and 2017G Bonds were deposited into an irrevocable trust with an escrow agent to provide for the redemption of the outstanding principal of the Series 2006A University Revenue Bonds and Refunding Series 2006A University Bonds, and to provide for the defeasance and redemption of a portion of the Series 2009A University Revenue Bonds. Accordingly, the trust account assets and liabilities relating to the defeased bonds are not recorded in the financial statements of the University. During the year ended June 30, 2018, $33,535 of bonds outstanding from the Series 2006A University Revenue Bonds and Refunding Series 2006A University Bonds were refunded on a current basis, and $76,400 of bonds outstanding from the Series 2009A University Revenue Bonds were considered defeased. The refunding and defeasance resulted in an accounting gain of $17,502 and an economic gain (difference between the present values of the debt service payment on the old and new debt) of $15,550. Deferred loss on refunding for Series 2017 Bonds amounted to $5,499 and $6,125 at June 30, 2020 and 2019, respectively. The coupon interest
rates for the Series 2017 Bonds range from 2.0 percent to 5.0 percent (the first interest payment was paid on April 1, 2018) with the last maturity on October 1, 2038.

In September 2015, the University issued $166,285 in Series 2015A ($8,575, taxable new money), 2015B(R) ($47,010, tax-exempt refunding), 2015C(R) ($17,585, taxable refunding), 2015D(R) ($25,715, taxable refunding), and 2015E(R) ($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 delivered on September 24, 2015 with the exception of the forward delivery Series 2015E(R) Bonds which were delivered on April 20, 2016. Total premium for the Series 2015 Bonds approximated $13,698. Deferred loss on refunding for Series 2015 Bonds amounted to $6,089 and $6,972 at June 30, 2020 and 2019, respectively. The University projects include the UH Mānoa Law School Expansion and Modernization Project and the UH Hilo College of Pharmacy Project.

The proceeds of the Series 2015B(R), 2015C(R), 2015D(R) and 2015E(R) Bonds were deposited into an irrevocable trust with an escrow agent to provide for a portion of the future debt service payments on the Series 2006A University Revenue Bonds and the Refunding Series 2006A University Bonds. Accordingly, the trust account assets and liabilities relating to the defeased bonds are not recorded in the financial statements of the University. During the year ended June 30, 2016, $163,245 of bonds outstanding from the Series 2006A University Revenue Bonds and the Refunding Series 2006A University Bonds were considered defeased. The defeasance resulted in an accounting gain of $15,080 and an economic gain (difference between the present values of the debt service payment on the old and new debt) of $9,573. The coupon interest rates for the Series 2015 Bonds range from 0.811 percent to 5.0 percent (first interest payment due on April 1, 2016) with the last maturity on October 1, 2044.

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 of Hawai‘i 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 Series 2015D(R), 2015E(R), 2017B and 2017C Bonds to finance the cost of construction of the medical school facility. The funds received from the State of Hawai‘i Tobacco Settlement Special Fund for debt service amounted to $9,396 and $9,400 in 2020 and 2019, respectively.
The revenue bonds are paid from certain unrestricted revenues in annual installments, including semi-annual interest payments ranging from $12 to $12,212 with the final payment due in October 2044. Interest on the Series 2009A, 2010, 2015 and 2017 Bonds is payable semi-annually on April 1 and October 1, and the principal is payable on October 1 of each year. The Bond Resolution adopted on November 16, 2001 and supplemented ("Bond Resolution"), stipulates that revenues of the University Bond System, including legislative appropriations and moneys in any special or revolving fund of the University, are pledged to the payment of the Series 2009A, 2010, 2015 and 2017 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.

The Bond Resolution permits the holders of not less than 25.0 percent of the aggregate principal amount of outstanding revenue bonds to declare the principal of all revenue bonds then outstanding, together with all accrued and unpaid interest thereon, to be due and payable immediately upon the occurrence and during the continuation of an Event of Default by the University under the Bond Resolution. Events of Default include, but are not limited to, the failure to pay principal when due or interest within 30 days of the date due, a breach of the terms of the Bond Resolution by the University which goes uncured for the applicable cure period, if any, or the dissolution, bankruptcy or receivership of the University.

At June 30, 2020, future maturities of revenue bonds are as follows:

<table>
<thead>
<tr>
<th>Year ending June 30,</th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$19,695</td>
<td>$24,082</td>
</tr>
<tr>
<td>2022</td>
<td>20,305</td>
<td>23,352</td>
</tr>
<tr>
<td>2023</td>
<td>21,050</td>
<td>22,479</td>
</tr>
<tr>
<td>2024</td>
<td>21,900</td>
<td>21,489</td>
</tr>
<tr>
<td>2025</td>
<td>22,795</td>
<td>20,450</td>
</tr>
<tr>
<td>2026–2030</td>
<td>126,800</td>
<td>84,865</td>
</tr>
<tr>
<td>2031–2035</td>
<td>131,770</td>
<td>51,521</td>
</tr>
<tr>
<td>2036–2040</td>
<td>104,585</td>
<td>19,300</td>
</tr>
<tr>
<td>2041–2045</td>
<td>18,590</td>
<td>774</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$487,490</strong></td>
<td><strong>$268,312</strong></td>
</tr>
</tbody>
</table>

In October 2020, the University issued $217,165 in Series 2020A ($10,045, taxable new money), 2020B ($44,555, tax-exempt refunding), 2020C ($54,300, taxable refunding), 2020D ($77,135, tax-exempt refunding), and 2020E ($31,130, taxable refunding) Bonds (collectively, the “Series 2020 Bonds”) for the purpose of financing the costs of University projects and refunding previously issued bonds. The University projects include renovations and improvements to parking facilities. The Series 2020B and 2020C Bonds refunded the Series 2010A-1 University Revenue Bonds and the Series 2020D and 2020E Bonds refunded the Series 2010B-1 University Revenue Bonds. Total premium for the Series 2020 Bonds approximated $25,710. The coupon interest rates for the Series 2020 Bonds range from 0.539 percent to 5.0 percent (first interest payment due on April 1, 2021) with the last maturity on October 1, 2040.
Bond Premiums
Activity related to the premiums on revenue bonds for the years ended June 30, 2020 and 2019 is as follows:

<table>
<thead>
<tr>
<th>Series</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Reductions</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>University of Hawai'i Cancer Center</td>
<td>2010A</td>
<td>$17</td>
<td>$17</td>
<td>$20272</td>
</tr>
<tr>
<td>Various construction projects</td>
<td>2010B</td>
<td>29</td>
<td>-</td>
<td>85</td>
</tr>
<tr>
<td>Student Housing</td>
<td>2015B(R)</td>
<td>4,588</td>
<td>310</td>
<td>4,278</td>
</tr>
<tr>
<td>John A. Burns School of Medicine</td>
<td>2015E(R)</td>
<td>6,219</td>
<td>635</td>
<td>5,584</td>
</tr>
<tr>
<td>Sinclair Library basement renovation</td>
<td>2017A</td>
<td>460</td>
<td>-</td>
<td>52</td>
</tr>
<tr>
<td>John A. Burns School of Medicine</td>
<td>2017B</td>
<td>241</td>
<td>-</td>
<td>24</td>
</tr>
<tr>
<td>Student Housing</td>
<td>2017D</td>
<td>100</td>
<td>-</td>
<td>9</td>
</tr>
<tr>
<td>Student Housing</td>
<td>2017F</td>
<td>8,618</td>
<td>727</td>
<td>7,891</td>
</tr>
<tr>
<td>Total bond premiums</td>
<td></td>
<td></td>
<td>$1,803</td>
<td>$18,469</td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>University of Hawai'i Cancer Center</td>
<td>2010A</td>
<td>$102</td>
<td>-</td>
<td>17</td>
</tr>
<tr>
<td>Various construction projects</td>
<td>2010B</td>
<td>169</td>
<td>-</td>
<td>140</td>
</tr>
<tr>
<td>Student Housing</td>
<td>2015B(R)</td>
<td>4,885</td>
<td>297</td>
<td>4,588</td>
</tr>
<tr>
<td>John A. Burns School of Medicine</td>
<td>2015E(R)</td>
<td>6,828</td>
<td>609</td>
<td>6,219</td>
</tr>
<tr>
<td>Sinclair Library basement renovation</td>
<td>2017A</td>
<td>511</td>
<td>-</td>
<td>51</td>
</tr>
<tr>
<td>John A. Burns School of Medicine</td>
<td>2017B</td>
<td>264</td>
<td>-</td>
<td>23</td>
</tr>
<tr>
<td>Student Housing</td>
<td>2017D</td>
<td>109</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Student Housing</td>
<td>2017F</td>
<td>9,317</td>
<td>699</td>
<td>8,618</td>
</tr>
<tr>
<td>Total bond premiums</td>
<td></td>
<td></td>
<td>$1,913</td>
<td>$20,272</td>
</tr>
</tbody>
</table>

Equipment Lease Obligations
In November 2017, the University entered into two tax-exempt lease purchase (“TELP”) agreements with a Company to purchase energy conservation equipment for Honolulu, Kapi‘olani, Leeward and Windward Community Colleges (collectively “Oahu Campuses”) and Maui College for $24,183 and $6,302, respectively. For the Oahu Campuses, payments commenced on August 1, 2018 and will continue through August 1, 2031 at a tax-exempt interest rate of 2.55 percent. For Maui College, payments commenced on December 1, 2018 and will continue through December 1, 2031 at a tax-exempt interest rate of 2.55 percent. Upon failure to pay any rental payment within the 15 days following the due date, the lessor may demand full payment and/or retake possession of the equipment.
At June 30, 2020, future minimum lease payments required under the capital lease agreements are as follows:

<table>
<thead>
<tr>
<th>Year ending June 30,</th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>1,551</td>
<td>$688</td>
</tr>
<tr>
<td>2022</td>
<td>1,565</td>
<td>649</td>
</tr>
<tr>
<td>2023</td>
<td>1,709</td>
<td>609</td>
</tr>
<tr>
<td>2024</td>
<td>1,838</td>
<td>566</td>
</tr>
<tr>
<td>2025</td>
<td>1,999</td>
<td>519</td>
</tr>
<tr>
<td>2026–2030</td>
<td>12,569</td>
<td>1,741</td>
</tr>
<tr>
<td>2031–2032</td>
<td>5,811</td>
<td>218</td>
</tr>
<tr>
<td></td>
<td>$27,042</td>
<td>$4,990</td>
</tr>
</tbody>
</table>

11. **Property Leases**

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

<table>
<thead>
<tr>
<th>Year ending June 30,</th>
<th>Lease Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$2,208</td>
</tr>
<tr>
<td>2022</td>
<td>2,164</td>
</tr>
<tr>
<td>2023</td>
<td>1,916</td>
</tr>
<tr>
<td>2024</td>
<td>1,149</td>
</tr>
<tr>
<td>2025</td>
<td>420</td>
</tr>
<tr>
<td>2026–2030</td>
<td>2,102</td>
</tr>
<tr>
<td>2031–2035</td>
<td>829</td>
</tr>
<tr>
<td>Thereafter</td>
<td>1,401</td>
</tr>
<tr>
<td></td>
<td>$12,189</td>
</tr>
</tbody>
</table>

Rent expense for outside space for the years ended June 30, 2020 and 2019 approximated $6,473 and $5,754, respectively.

12. **Employee Benefits**

**Employees’ Retirement System**

**Pension Plan**

**Plan Description**

Generally, all full-time employees of the University are required to be members of the Employees’ Retirement System of the State of Hawai‘i (“ERS”), a cost-sharing multiple-employer defined benefit pension plan that administers the University’s pension benefits program. Benefits, eligibility, and contribution requirements are governed by HRS Chapter 88 and can be amended through legislation. The ERS issues publicly available annual financial reports that can be obtained at ERS’s website: [http://www.ers.ehawaii.gov/resources/financials](http://www.ers.ehawaii.gov/resources/financials).
Benefits Provided
The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability, and death benefits with three membership classes known as the noncontributory, contributory and hybrid retirement plans. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25 percent to 2.25 percent) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members 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 members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

Each retiree’s original retirement allowance is increased on each July 1 beginning the calendar year after retirement. Retirees first hired as members prior to July 1, 2012 receive a 2.5 percent increase each year of their original retirement allowance without a ceiling. Retirees first hired as members after June 30, 2012 receive a 1.5 percent increase each year of their original retirement allowance without a ceiling. The annual increase is not compounded.

Noncontributory Class

- **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 ten 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 35.0 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 30.0 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 surviving dependent children, no benefit is payable.

Ordinary death benefits are available to employees who were active at time of death with at least ten years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/re-entry into a new reciprocal beneficiary relationship) and surviving dependent children (up to age 18) receive a benefit equal to a percentage of the 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 and the surviving dependent children receive a percentage of the member’s accrued maximum allowance unreduced for age.
Contributory Class for Members Hired Prior to July 1, 2012

- **Retirement Benefits** – General employees’ retirement benefits are determined as 2.0 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 one-time payment of the member’s contributions and accrued interest plus a lifetime pension of 50.0 percent of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined as 1.75 percent of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30.0 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 50.0 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 dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving 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 50.0 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 ten 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.

Contributory Class for Members 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 ten years of credited service are eligible to retire at age 60.

- **Disability and Death Benefits** – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50.0 percent of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service is required for ordinary disability.

Death benefits for contributory members hired after June 30, 2012 are generally the same as those for contributory members hired June 30, 2012 and prior.
Hybrid Class for Members Hired Prior to July 1, 2012

- **Retirement Benefits** – General employees’ retirement benefits are determined as 2.0 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 35.0 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 25.0 percent of average final compensation.

- **Death Benefits** – For service-connected deaths, the designated surviving spouse/reciprocal beneficiary receives a lump sum payment of the member’s contributions and accrued interest plus a monthly benefit of 50.0 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 dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no surviving spouse/reciprocal beneficiary or surviving dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Hybrid Class for Members 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 ten 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 ten 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 150.0 percent, or 50.0 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 ten 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.
Contributions

Contributions are governed 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 rate was 22.0 percent and 19.0 percent for fiscal years 2020 and 2019, respectively. Contributions to the pension plan for the University for the years ended June 30, 2020 and 2019 were $142,908 and $117,600, respectively.

Pursuant to Act 17 (SLH 2017), employer contributions from the State and counties are expected to increase over four years beginning July 1, 2017. The rate for general employees increased to 22.0 percent on July 1, 2019, and increased to 24.0 percent on July 1, 2020.

The University is required to make all contributions for noncontributory members. Contributory members hired prior to July 1, 2012 are required to contribute 7.8 percent of their salary. Contributory members hired after June 30, 2012 are required to contribute 9.8 percent of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0 percent of their salary. Hybrid 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, 2020 and 2019, the University reported a liability of $1,791,098 and $1,695,800, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, 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, 2019 and 2018, the University’s proportion was 12.64 percent and 12.73 percent, respectively, which was a decrease of 0.09 percent. There was no change in the University’s proportion at June 30, 2018 and 2017.

The following changes were made to actuarial assumptions as of June 30, 2018 to June 30, 2019.

- The assumed salary increase schedules include an ultimate component for general wage inflation that may add on additional increases for individual merit and then an additional component for step rates based on service.
- Mortality rates generally decreased due to the continued improvements in using a fully generational approach and Scale BB.

There were no changes between the measurement date, June 30, 2019, and the reporting date, June 30, 2020, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the years ended June 30, 2020 and 2019, the University recognized pension expense of $249,809 and $203,974, respectively.
At June 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<table>
<thead>
<tr>
<th>Source</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difference between expected and actual experience</td>
<td>$ 31,338</td>
<td>$ 30,588</td>
</tr>
<tr>
<td>Net difference between projected and actual investment earnings on pension plan investments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Change in assumptions</td>
<td>121,945</td>
<td>182,835</td>
</tr>
<tr>
<td>Changes in proportion and differences between employer contributions and proportionate share of contributions</td>
<td>881</td>
<td>1,212</td>
</tr>
<tr>
<td>Contributions subsequent to the measurement date</td>
<td>142,908</td>
<td>117,600</td>
</tr>
<tr>
<td><strong>Total deferred inflows and outflows of resources</strong></td>
<td><strong>$ 297,072</strong></td>
<td><strong>$ 332,235</strong></td>
</tr>
</tbody>
</table>

At June 30, 2020, the $142,908 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. The $117,600 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date at June 30, 2019 was recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<table>
<thead>
<tr>
<th>Year ending June 30,</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>80,714</td>
</tr>
<tr>
<td>2022</td>
<td>36,455</td>
</tr>
<tr>
<td>2023</td>
<td>9,518</td>
</tr>
<tr>
<td>2024</td>
<td>10,839</td>
</tr>
<tr>
<td>2025</td>
<td>1,373</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 138,899</strong></td>
</tr>
</tbody>
</table>
Actuarial Assumptions
The total pension liability in the June 30, 2019 and 2018 actuarial valuations was determined using the following actuarial assumptions adopted by the ERS’s Board of Trustees on August 12, 2019, based on the 2018 Experience Study for the five-year period from July 1, 2013 through June 30, 2018:

- Inflation: 2.50%
- Payroll growth rate: 3.50%
- Investment rate of return: 7.00% per year, compounded annual including inflation

The assumptions from the 2018 Experience Study did not change from the 2015 Experience Study for the five-year period from July 1, 2010 through June 30, 2015 as adopted by the ERS’s Board of Trustees on December 12, 2016.

The same rates were applied to all periods. There were no changes to ad hoc postemployment benefits including cost-of-living allowances.

For the June 30, 2019 and 2018 actuarial valuation, post-retirement mortality rates are based on the 2016 Public Retirees of Hawai‘i mortality table with adjustments based on generational projections of the BB projection table for 2016 and full generational projections in future years. Pre-retirement mortality rates are based on multiples of RP-2014 mortality table based on the occupation of the member.

The long-term expected rate of return on pension plan investments was determined using a “top down approach” of the Client-Constrained Simulation-based Optimization Model (a statistical technique known as “re-sampling with a replacement” that directly keys in on specific plan-level risk factors as stipulated by the ERS Board of Trustees) 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 nominal rates of return (real returns and inflation) by the target asset allocation percentage. The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<table>
<thead>
<tr>
<th>Strategic Allocation (risk-based classes)</th>
<th>Target Allocation</th>
<th>Long-Term Expected Real Rate of Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broad growth</td>
<td>63.0%</td>
<td>7.1%</td>
</tr>
<tr>
<td>Principal protection</td>
<td>7.0%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Real return</td>
<td>10.0%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Crisis risk offset</td>
<td>20.0%</td>
<td>4.6%</td>
</tr>
<tr>
<td></td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>
**Discount Rate**

The discount rate used to measure the net pension liability was 7.0 percent, consistent with the rate used at the prior measurement date. 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 the University will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**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 7.00 percent, for the measurement dates June 30, 2019 and 2018, 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

<table>
<thead>
<tr>
<th>Year</th>
<th>Discount Rate</th>
<th>1% Decrease (6.00%)</th>
<th>1% Increase (8.00%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td></td>
<td>$2,323,736</td>
<td>$1,407,608</td>
</tr>
<tr>
<td></td>
<td>$2,205,113</td>
<td>$1,275,949</td>
<td></td>
</tr>
</tbody>
</table>

**Pension 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://ers.ehawaii.gov/resources/financials](http://ers.ehawaii.gov/resources/financials).

**Payable to the Pension Plan**

The University's employer contributions payable to the ERS for fiscal years 2020 and 2019 were paid by June 30, 2020 and 2019, respectively. Excess payments of $15,482 are being applied to amounts due in fiscal year 2021. Excess payments of $6,025 were applied to amounts due in fiscal year 2020.
Other Benefits
The State absorbs the fringe benefit cost for the University's general funded employees. Fringe benefit costs included in total revenue and total expenditures amounted to $304,701 and $286,479 for fiscal years 2020 and 2019, 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 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 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, 2020 and 2019, accumulated sick leave approximated $472,061 and $475,761, 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 amounted to $3,182 for fiscal years 2020 and 2019. Temporary wage loss payments for fiscal years 2020 and 2019 amounted to $240 and $417, respectively.

13. Postemployment Healthcare and Life Insurance Benefits

Plan Description
The State provides certain healthcare and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, 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. 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 an annual financial report that is available to the public at https://eutf.hawaii.gov/reports. The report may also be obtained by writing to:

Hawai‘i Employer-Union Health Benefits Trust Fund
P.O. Box 2121
Honolulu, Hawai‘i 96805-2121

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with ten years or more of credited service, and 50.0 percent of the base monthly contribution for employees retiring with fewer than ten years of credited service. A retiree can 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 ten years of service, the State makes no contributions. For those retiring with at least ten years, but fewer than 15 years of service, the State pays 50.0 percent of the base monthly contribution. For employees retiring with at least 15 years, but fewer than 25 years of service, the State pays 75.0 percent of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100 percent of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001 and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years, but fewer than 15 years of service, the State pays 50.0 percent of the base monthly contribution. For those retiring with at least 15 years, but fewer than 25 years of service, the State pays 75.0 percent of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100 percent of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage, but must pay the difference.

Employees Covered by Benefit Terms
At July 1, 2019, the following number of plan members was covered by the benefit terms:

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inactive plan members or beneficiaries currently receiving benefits</td>
<td>36,993</td>
</tr>
<tr>
<td>Inactive plan members entitled to but not yet receiving benefits</td>
<td>7,678</td>
</tr>
<tr>
<td>Active plan members</td>
<td>50,591</td>
</tr>
<tr>
<td><strong>Total plan members</strong></td>
<td><strong>95,262</strong></td>
</tr>
</tbody>
</table>

Contributions
Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan for the University was $139,980 and $119,714 for the fiscal years ended June 30, 2020 and 2019, respectively. The employer is required to make all contributions for members.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2020, and 2019, the University reported a net OPEB liability of $1,802,492 and $1,800,496, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2019 and 2018, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

There were no changes between the measurement date, July 1, 2019, and the reporting date, June 30, 2020, that are expected to have a significant effect on the net OPEB liability.
For the years ended June 30, 2020 and 2019, the University recognized OPEB expense of approximately $125,785 and $148,486, respectively. At June 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<table>
<thead>
<tr>
<th></th>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2020</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in assumptions</td>
<td>$ 23,732</td>
<td>$ 25,443</td>
</tr>
<tr>
<td>Net difference between projected and actual earnings on OPEB plan investments</td>
<td>3,430</td>
<td>-</td>
</tr>
<tr>
<td>Contributions subsequent to the measurement date</td>
<td>138,452</td>
<td>-</td>
</tr>
<tr>
<td>Total deferred inflows and outflows of resources</td>
<td>$ 165,614</td>
<td>$ 25,443</td>
</tr>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in assumptions</td>
<td>$ 18,581</td>
<td>$ 30,701</td>
</tr>
<tr>
<td>Net difference between projected and actual earnings on OPEB plan investments</td>
<td>-</td>
<td>2,351</td>
</tr>
<tr>
<td>Contributions subsequent to the measurement date</td>
<td>139,980</td>
<td>-</td>
</tr>
<tr>
<td>Total deferred inflows and outflows of resources</td>
<td>$ 158,561</td>
<td>$ 33,052</td>
</tr>
</tbody>
</table>

At June 30, 2020, the approximate $138,452 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. At June 30, 2019, the approximate $139,980 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date were recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<table>
<thead>
<tr>
<th>Years ending June 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$ (1,052)</td>
</tr>
<tr>
<td>2022</td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td></td>
</tr>
<tr>
<td>2024</td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td></td>
</tr>
<tr>
<td>Thereafter</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$ 1,719</td>
</tr>
</tbody>
</table>
Actuarial Assumptions
The total OPEB liabilities were determined by the EUTF’s Board of Trustees adoption of the following actuarial assumptions based on the five-year experience study conducted for the ERS:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial valuation date</td>
<td>July 1, 2019</td>
<td>July 1, 2018</td>
</tr>
<tr>
<td>Date of adoption</td>
<td>January 13, 2020</td>
<td>January 8, 2018</td>
</tr>
<tr>
<td>Five-year experience study end date</td>
<td>June 30, 2018</td>
<td>June 30, 2015</td>
</tr>
<tr>
<td>Inflation</td>
<td>2.50%</td>
<td>2.50%</td>
</tr>
<tr>
<td>Payroll growth rate (including inflation)</td>
<td>3.50% to 7.00%</td>
<td>3.50% to 7.00%</td>
</tr>
<tr>
<td>Investment rate of return</td>
<td>7.00%</td>
<td>7.00%</td>
</tr>
<tr>
<td><strong>PPO</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial rates</td>
<td>8.00%</td>
<td>10.00%</td>
</tr>
<tr>
<td>Rate to which the cost trend rate is assumed to decline (ultimate trend rate)</td>
<td>4.86%</td>
<td>4.86%</td>
</tr>
<tr>
<td>Number of years that the rate reaches the ultimate trend rate</td>
<td>12 years</td>
<td>13 years</td>
</tr>
<tr>
<td><strong>HMO</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial rates</td>
<td>8.00%</td>
<td>10.00%</td>
</tr>
<tr>
<td>Ultimate trend rate</td>
<td>4.86%</td>
<td>4.86%</td>
</tr>
<tr>
<td>Number of years that the rate reaches the ultimate trend rate</td>
<td>12 years</td>
<td>13 years</td>
</tr>
<tr>
<td><strong>Medicare Part B Contribution</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial rates</td>
<td>5.00%</td>
<td>4.00% and 5.00%</td>
</tr>
<tr>
<td>Ultimate trend rate</td>
<td>4.70%</td>
<td>4.70%</td>
</tr>
<tr>
<td>Number of years that the rate reaches the ultimate trend rate</td>
<td>11 years</td>
<td>12 years</td>
</tr>
<tr>
<td><strong>Dental</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial rates (for the first two years)</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td>Ultimate trend rate</td>
<td>4.00%</td>
<td>4.00%</td>
</tr>
<tr>
<td><strong>Vision</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial rates (for the first two years)</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Ultimate trend rate</td>
<td>2.50%</td>
<td>2.50%</td>
</tr>
<tr>
<td><strong>Life Insurance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

* Blended rates for medical and prescription drugs.

Mortality rates are based on system-specific mortality tables utilizing scale BB to project generational mortality improvement.
The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 asset class are summarized in the following table:

<table>
<thead>
<tr>
<th>Strategic Allocation</th>
<th>Long-Term Target Allocation</th>
<th>Long-Term Expected Real Rate of Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private equity</td>
<td>10.00 %</td>
<td>8.80%</td>
</tr>
<tr>
<td>U.S. microcap</td>
<td>7.00 %</td>
<td>7.30%</td>
</tr>
<tr>
<td>U.S. equity</td>
<td>15.00 %</td>
<td>5.35%</td>
</tr>
<tr>
<td>Non-U.S. equity</td>
<td>17.00 %</td>
<td>6.90%</td>
</tr>
<tr>
<td>Global options</td>
<td>7.00 %</td>
<td>4.75%</td>
</tr>
<tr>
<td>Core real estate</td>
<td>10.00 %</td>
<td>3.90%</td>
</tr>
<tr>
<td>Private credit</td>
<td>6.00 %</td>
<td>5.60%</td>
</tr>
<tr>
<td>Core bonds</td>
<td>3.00 %</td>
<td>1.50%</td>
</tr>
<tr>
<td>TIPS</td>
<td>5.00 %</td>
<td>1.20%</td>
</tr>
<tr>
<td>Long treasuries</td>
<td>6.00 %</td>
<td>2.00%</td>
</tr>
<tr>
<td>Alternative risk premia</td>
<td>5.00 %</td>
<td>2.75%</td>
</tr>
<tr>
<td>Trend following</td>
<td>9.00 %</td>
<td>3.25%</td>
</tr>
<tr>
<td><strong>100.00 %</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Single Discount Rate**

The discount rate used to measure the net OPEB liability was 7.00 percent, based on the expected rate of return on OPEB plan investments of 7.00 percent and the municipal bond rate of 3.13 percent (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-year Municipal GO AA Index"). Beginning with the fiscal year 2019 contribution, the State’s funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**OPEB Plan Fiduciary Net Position**

The OPEB plan’s fiduciary net position has been determined on the same basis used by the OPEB plan. The EUTF’s financial statements are prepared using the accrual basis of accounting under which revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the cash flows. Employer 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 on a trade-date basis. Administrative expenses are financed exclusively with investment income.
There were no significant changes after the report measurement date. Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued EUTF financial report. The EUTF’s complete financial statements are available at https://eutf.hawaii.gov/reports.

Changes in Net OPEB Liability

The following table represents a schedule of changes in the net OPEB liability. The ending balances are as of the measurement dates, July 1, 2019 and July 1, 2018.

<table>
<thead>
<tr>
<th></th>
<th>Total OPEB Liability</th>
<th>Plan Fiduciary Net Position</th>
<th>Net OPEB Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2020</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning balance</td>
<td>$ 2,022,062</td>
<td>$ 221,566</td>
<td>$ 1,800,496</td>
</tr>
<tr>
<td>Service cost</td>
<td>42,039</td>
<td>-</td>
<td>42,039</td>
</tr>
<tr>
<td>Interest on the total OPEB liability</td>
<td>132,510</td>
<td>-</td>
<td>132,510</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>-</td>
<td>139,980</td>
<td>(139,980)</td>
</tr>
<tr>
<td>Net investment income</td>
<td>-</td>
<td>12,727</td>
<td>(12,727)</td>
</tr>
<tr>
<td>Benefit payments</td>
<td>(63,458)</td>
<td>(63,458)</td>
<td>-</td>
</tr>
<tr>
<td>Change in assumptions</td>
<td>10,650</td>
<td>-</td>
<td>10,650</td>
</tr>
<tr>
<td>Difference between expected and actual experience in the measurement of total OPEB liability</td>
<td>(1,103)</td>
<td>-</td>
<td>(1,103)</td>
</tr>
<tr>
<td>Administrative expense</td>
<td>-</td>
<td>(87)</td>
<td>87</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>29,480</td>
<td>(29,480)</td>
</tr>
<tr>
<td><strong>Net changes</strong></td>
<td>120,638</td>
<td>118,642</td>
<td>1,996</td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td>$ 2,142,700</td>
<td>$ 340,208</td>
<td>$ 1,802,492</td>
</tr>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning balance</td>
<td>$ 1,932,553</td>
<td>$ 148,693</td>
<td>$ 1,783,860</td>
</tr>
<tr>
<td>Service cost</td>
<td>40,189</td>
<td>-</td>
<td>40,189</td>
</tr>
<tr>
<td>Interest on the total OPEB liability</td>
<td>124,435</td>
<td>-</td>
<td>124,435</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>-</td>
<td>119,714</td>
<td>(119,714)</td>
</tr>
<tr>
<td>Net investment income</td>
<td>-</td>
<td>13,793</td>
<td>(13,793)</td>
</tr>
<tr>
<td>Benefit payments</td>
<td>(60,589)</td>
<td>(60,589)</td>
<td>-</td>
</tr>
<tr>
<td>Change in assumptions</td>
<td>22,269</td>
<td>-</td>
<td>22,269</td>
</tr>
<tr>
<td>Difference between expected and actual experience in the measurement of total OPEB liability</td>
<td>(36,795)</td>
<td>-</td>
<td>(36,795)</td>
</tr>
<tr>
<td>Administrative expense</td>
<td>-</td>
<td>(45)</td>
<td>45</td>
</tr>
<tr>
<td><strong>Net changes</strong></td>
<td>89,509</td>
<td>72,873</td>
<td>16,636</td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td>$ 2,022,062</td>
<td>$ 221,566</td>
<td>$ 1,800,496</td>
</tr>
</tbody>
</table>
Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates
The following table presents the University’s net OPEB liability calculated using the discount rate of 7.00 percent, for the measurement dates July 1, 2019 and 2018, as well as what the University’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current discount rate:

<table>
<thead>
<tr>
<th>Year</th>
<th>1% Decrease (6.00%)</th>
<th>Discount Rate (7.00%)</th>
<th>1% Increase (8.00%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$2,147,636</td>
<td>$1,802,492</td>
<td>$1,530,155</td>
</tr>
<tr>
<td>2019</td>
<td>$2,128,619</td>
<td>$1,800,496</td>
<td>$1,542,673</td>
</tr>
</tbody>
</table>

The following table presents the University’s net OPEB liability calculated using the assumed healthcare cost trend rate, as well as what the University’s net OPEB liability would be if it were calculated using the trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

<table>
<thead>
<tr>
<th>Year</th>
<th>1% Decrease</th>
<th>Healthcare Cost Trend Rate</th>
<th>1% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$1,517,749</td>
<td>$1,802,492</td>
<td>$2,170,375</td>
</tr>
<tr>
<td>2019</td>
<td>$1,528,621</td>
<td>$1,800,496</td>
<td>$2,153,331</td>
</tr>
</tbody>
</table>

Payables to the OPEB Plan
The University’s employer contributions payable to the EUTF by fiscal year end was paid by June 30, 2020 and 2019.

Subsequent Supplementary Proclamation
The Fourteenth Supplementary Proclamation, issued on October 13, 2020, suspended specific provisions of law. Included were Sections 87A-42(b) – (f), HRS, other post-employment benefits trust, 87A-43, HRS, payment of public employer contributions to the other post-employment benefits trust, and 237-31(3), HRS, remittances, related to the requirement for public employers to pay the annual required contribution to EUTF in fiscal year 2021.
14. Asset Retirement Obligations

The University accounts for certain costs associated with the future and on-going dismantling and removal of four telescopes on the summit of Mauna Kea in accordance with GASB Statement No. 83. Under Statement No. 83, the execution of the General Lease No. 4191 dated January 1, 1968, between the Board of Land and Natural Resources of the State of Hawai‘i and the University and the University’s acts of acquiring and placing the telescopes into service, serve as external and internal obligating events, respectively, that require the University to recognize a liability and corresponding deferred outflow of resources equal to the estimated current cost of activities to perform upon future retirement of the telescopes. The AROs are associated with three telescopes that currently have estimated remaining useful lives ranging from five to fifteen years and one telescope that is not currently operational but has not yet been decommissioned.

The AROs were determined based on the most likely amount of what it would cost to perform all the dismantling and removal tasks, as determined by an outside company in 2014 and adjusted for inflation. The estimated ARO associated with the nonoperational telescope was updated in fiscal year 2020 based on an updated project budget prepared by management. Actual costs may be higher due to inflation or changes in construction costs or technology.

The ARO liability at June 30, 2020 and 2019 was $9,561 and $10,824, respectively, and is included in other noncurrent liabilities in the University’s Statements of Financial Position. Deferred outflows of resources related to AROs amounted to $2,402, and $2,519 at June 30, 2020 and 2019, respectively.

In fiscal year 2014, the University received the title to two telescopes, as well as a total of $5,000 from the respective sublessees, in exchange for assuming the retirement obligations of the telescopes.

15. 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 Sessions 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 State Legislature specifies the lapse date and any other particular conditions relating to terminating the authorizations for other appropriations.

Act 7, SLH 2020, Supplemental Appropriations Act of 2020, Section 3, provided $126,238 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, 2020.
Act 53, SLH 2018 Section 3, provided $116,311 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, 2019.

Net general and capital appropriations for the year ended June 30, 2020 were as follows:

**General appropriations**
Act 5, SLH 2019, Appropriation Warrant No. 10 $ 517,482
Act 61, SLH 2019, Appropriation Warrant No. 65 700
Act 39, SLH 2019, Appropriation Warrant No. 84 100
Act 156, SLH 2019, Appropriation Warrant No. 111 455
Act 164, SLH 2019, Appropriation Warrant No. 113 38
Act 168, SLH 2019, Appropriation Warrant No. 117 60
Act 228, SLH 2019, Appropriation Warrant No. 126 1,200
Act 264, SLH 2019, Appropriation Warrant No. 129 4,000
Act 265, SLH 2019, Appropriation Warrant No. 130 350
Act 266, SLH 2019, Appropriation Warrant No. 131 195

Total funds lapsed (802)
Executive restriction (11,275)
Collective bargaining adjustment 105

Total general appropriations $ 512,608

**Capital appropriations**
Sections 30 & 56 of Act 49, SLH 2017, Amended by Section 5 of Act 53 SLH 2018 $ 17,000
Sections 4 & 20, Act 40, SLH 2019 56,571
Section 4, Act 40, SLH 2019 131,150
Total funds lapsed (956)

Total capital appropriations $ 203,765
Net general and capital appropriations for the year ended June 30, 2019 were as follows:

**General appropriations**
Act 49, SLH 2017, Appropriation Warrant No. 10 $ 481,508
Act 61, SLH 2017, Appropriation Warrant No. 66 200
Act 14, SLH 2018, Appropriation Warrant No. 74 700
Act 117, SLH 2018, Appropriation Warrant No. 94 150
Act 132, SLH 2018, Appropriation Warrant No. 99 500

Total funds lapsed (665)
Executive restriction (2,138)
Collective bargaining adjustment 26,144

Total general appropriations $ 506,399

**Capital appropriations**
Sections 30 & 56 of Act 49, SLH 2017, $ 21,173
Amended by Section 5 of Act 53 SLH 2018
Section 49, SLH 2017 Sections 30 & 56 9,000
Sections 30 & 56, Act 49, Amended by Act 53 SLH 2018 104,450

Total funds lapsed (627)

Total capital appropriations $ 133,996

Net transfers from the State for the years ended June 30, 2020 and 2019 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fringe benefits</td>
<td>$ 304,701</td>
<td>$ 286,479</td>
</tr>
<tr>
<td>Hawai‘i Barrel Tax</td>
<td>2,575</td>
<td>2,665</td>
</tr>
<tr>
<td>School of Nursing</td>
<td>1,093</td>
<td>238</td>
</tr>
<tr>
<td>University of Hawai‘i Cancer Center</td>
<td>4,834</td>
<td>5,323</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 313,203</strong></td>
<td><strong>$ 294,705</strong></td>
</tr>
</tbody>
</table>

16. **Litigation, Other Contingent Liabilities, and Commitments**

HRS §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 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 Uniform Guidance. 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 re-conveyed 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 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

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 $311,279 and $230,222 as of June 30, 2020 and 2019, respectively.

COVID-19 Pandemic
In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic which remains a rapidly evolving situation. The extent of the impact of COVID-19 on the University’s financial position and results of operations will depend on future developments. While the University continues to design and execute plans to mitigate these risks, the duration of the disruption and its overall financial impact is expected to be substantial but cannot be reasonably estimated. The University has taken steps to mitigate the impact, including reducing operating expenses and implementing executive pay cuts, and continues to explore all options.
Collective Bargaining Agreements
The Hawai‘i 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 the recognized bargaining units for public employees throughout the State. Each bargaining unit is represented by an employee organization otherwise known as the exclusive representative or “union” of all employees in the unit, which negotiates wages, hours, and terms and conditions of employment with the public employers.

As the University is part of the State, most employees working at the University are included in a bargaining unit as provided by HRS §89-6(a), and depending on the nature of their positions. The University is responsible for administering eight collective bargaining agreements (“CBAs”) associated with the aforementioned bargaining units. The number of University employees in each bargaining unit (“Unit”) as of October 12, 2020, are as follows:

- Unit 1 (nonsupervisory employees in blue collar positions): 512
- Unit 2 (supervisory employees in blue collar positions): 13
- Unit 3 (nonsupervisory employees in white collar positions): 556
- Unit 4 (supervisory employees in white collar positions): 39
- Unit 7 (faculty of the University and the community college system): 3,541
- Unit 8 (personnel of the University and the community college system, other than faculty): 2,402
- Unit 9 (registered professional nurses): 8
- Unit 10 (institutional, health, and correctional workers): 2

The civil service employees working at the University are included in Units 1, 2, 3, 4, 9 and 10. The University’s employees exempt from civil service are considered Board of Regents appointees, and include faculty members, who are included in Unit 7, and administrative, professional, and technical (“APT”) employees, who are included in Unit 8.

- Employees in executive or managerial positions, as well as certain other personnel designated as excluded from collective bargaining pursuant to HRS §89-6(f), and whose responsibilities concern confidential matters affecting employee-employer relations, are not represented by any union. Wages, hours, and other terms and conditions of employment for these employees are as provided by law or action of the Board of Regents, as applicable. Some employees (for example, 89-day contractual hires) are not parties to any bargaining unit under HRS chapter 89.

All Units at the University have CBAs that are effective through June 30, 2021. Employer Group and the various unions have commenced preliminary negotiations for the CBAs that will be effective beginning July 1, 2021; however, negotiations are in very early stages.
The current CBA salary increases for Units 1, 7, and 10 have been reported in the University’s previous financial statements. However, Units 2, 3, 4, 8 and 9 did not have finalized CBAs for the period July 1, 2019 through June 30, 2021, as of our last Collective Bargaining update. Since then, tentative agreements between the Union and the employer group for Units 2, 3, 4, 8 and 9 have been funded by the appropriate legislative bodies, thereby becoming final, and the salary adjustments are as follows:

UNIT 2:

**Effective July 1, 2019:**
- Salary schedule in effect on June 30, 2019 starting point.
- Step movement plan is deleted.
- Employees receive $2,000 lump sum bonus; employees less than full time will receive prorated amount.

**Effective July 1, 2020:**
- Employees on Step A1 move to C1. No employees left on Step A1.
- Employees on Steps B1 and C1 received 5.29% pay increases, and are no longer on the salary schedule.
- Delete Steps A1 and B1 from the salary schedule; rename Step C1 to Step A.
- Increase salary schedule by 1.2%.
- Move employees to the same pay range and step of new salary schedule.
- Employees who were on Step L5 on July 1, 2015 and are no longer on a step on the salary schedule receive 5.29% pay increase.
- Employees who were on Step L5 on July 1, 2015, and are no longer on a step receive a 1.2% increase.

**Effective January 1, 2021:**
- 1.2% across-the-board increase to salary schedule, to become new salary schedule.
- Employees move from old salary schedule to same range and step of new salary schedule.
- Employees who were on Steps B1 and C1 on June 30, 2020, and are no longer on a step on the salary schedule get 1.2% increase.
- Employees who were on Step L5 on July 1, 2015, and are no longer on a step receive a 1.2% increase.
- MOA to address employees formerly on steps L5, B1 and C1.
UNIT 3

Effective July 1, 2019:

- $2,800 lump sum payment for all employees; employees less than full time receive prorated amount.
- Replace the step movement plan with negotiated step movements.

Effective July 1, 2020:

- Employees on Steps B to L move one step, and Step B is deleted.
- Increase SR-4 through SR-8 by 2.0% to 10.1%.
- 2% one-time lump sum payment for SR-8 on Step M as of June 30, 2020.
- 4% one-time lump sum payment for SR-9 and above on Step M as of June 30, 2020, and SRNA.

Effective January 1, 2021:

- Increase salary schedule by 3.46%.
- Employees not administratively assigned (SRNA, exempt included employees) receive 3.46% pay increase.

UNIT 4:

Effective July 1, 2019:

- 5.98% lump sum payment based on June 30, 2019 annual base pay.
- Replace the step movement plan with negotiated step movements.

Effective July 1, 2020:

- Employees on Steps B move to Step C; Step B is deleted.
- Delete SR-4.
- Increase SR-5 to SR-8 by 5.6% to 11.8%.
- Increase salary schedule for SR-9 and above by 3.60%.
- Employees not assigned to salary schedule receive 3.60% increase.
Effective January 1, 2021:

- Increase salary schedule by 3.74%.
- Employees not administratively assigned (SRNA, exempt included employees) receive 3.74% pay increase.

UNIT 8:

Effective July 1, 2019:

- Employees assigned to the salary schedule as of June 30, 2019 shall receive a one-time bonus of $1,000 for employees with less than three (3) years of service, or $2,000 for employees with three (3) or more years of service.

Effective July 1, 2020:

- Employees on Step 1 to Step 46 receive a two-step adjustment to the next higher step.
- Employees on Step 47 (or second to last step) receive a one-step adjustment to the next higher step and a 2% lump sum payment.
- Employees on Step 48 (or last step) receive a 4% lump sum payment.
- 1.24% across-the-board increase to salary schedules for 11-month APTs and 9-month APTs.

Effective January 1, 2021:

- A 1.2% across the board increase for 11-month and 9-month APT Employees.

UNIT 9:

Effective July 1, 2019:

- Employees shall receive a 2.5% across-the-board increase to the salary schedule, and the continuation of existing step movements.
- Employees not administratively assigned to the salary schedule shall receive a 2.5% increase.
- A new step L-5 shall be established and implemented for employees who have accrued 25 years or more of service credit in accordance with the current step movement plan.
Employees on salary ranges from SR-16 to SR-30, who are administratively assigned, shall receive a one-time-bonus as follows (with the bonus for employees who work less than full time prorated):

- Step B $1,800
- Step C $1,825
- Step D $1,850
- Step E $1,875
- Step L1 $1,900
- Step L2 $1,925
- Step L3 $1,950
- Step L4 $1,975
- Step L5 $2,000

Employees not administratively assigned to the salary schedule shall receive a one-time bonus of $1,800; employees less than full-time shall receive a prorated amount.

Effective July 1, 2020:
- Employees shall receive a 2.5% across-the-board increase to the salary schedule and the continuation of existing step movements.
- Employees not administratively assigned to the salary schedule shall receive a 2.5% increase.
Required Supplementary Information
Other Than Management’s Discussion and Analysis
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportionate share of the net pension liability</td>
<td>12.64%</td>
<td>12.73%</td>
<td>12.73%</td>
<td>12.75%</td>
<td>13.11%</td>
<td>13.60%</td>
<td>13.75%</td>
</tr>
<tr>
<td>Proportion of the net pension liability</td>
<td>$1,971,098</td>
<td>$1,695,800</td>
<td>$1,648,600</td>
<td>$1,704,470</td>
<td>$1,144,564</td>
<td>$1,089,882</td>
<td>$1,227,787</td>
</tr>
<tr>
<td>Covered payroll</td>
<td>$603,076</td>
<td>$591,759</td>
<td>$587,203</td>
<td>$569,235</td>
<td>$564,736</td>
<td>$550,758</td>
<td>$520,981</td>
</tr>
<tr>
<td>Proportionate share of the net pension liability as a percentage of its covered payroll</td>
<td>326.84%</td>
<td>286.57%</td>
<td>280.75%</td>
<td>299.43%</td>
<td>202.67%</td>
<td>197.89%</td>
<td>235.67%</td>
</tr>
<tr>
<td>Plan fiduciary net position as a percentage of total net pension liability</td>
<td>54.87%</td>
<td>55.48%</td>
<td>54.80%</td>
<td>51.28%</td>
<td>63.42%</td>
<td>63.92%</td>
<td>57.96%</td>
</tr>
</tbody>
</table>

*Information for 2011–2013 is unavailable.
University of Hawai‘i  
State of Hawai‘i  
(A Component Unit of the State of Hawai‘i)  
Schedule of Pension Contributions (Unaudited)  
Last Ten Fiscal Years*  
(All dollars reported in thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutorily required contribution</td>
<td>$133,759</td>
<td>$115,001</td>
<td>$111,436</td>
<td>$98,865</td>
<td>$97,394</td>
<td>$93,949</td>
<td>$88,381</td>
</tr>
<tr>
<td>Contributions in relation to the contractually required contribution</td>
<td>133,759</td>
<td>115,001</td>
<td>111,436</td>
<td>98,865</td>
<td>97,394</td>
<td>93,949</td>
<td>88,381</td>
</tr>
<tr>
<td>Contribution deficiency (excess)</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Covered payroll</td>
<td>$606,426</td>
<td>$603,076</td>
<td>$591,759</td>
<td>$587,203</td>
<td>$569,235</td>
<td>$564,736</td>
<td>$550,758</td>
</tr>
<tr>
<td>Contributions as a percentage of covered payroll</td>
<td>22.06%</td>
<td>19.07%</td>
<td>18.83%</td>
<td>16.84%</td>
<td>17.11%</td>
<td>16.64%</td>
<td>16.05%</td>
</tr>
</tbody>
</table>

* Information for 2011–2013 is unavailable.

1. **Changes of Benefit Terms**

   There were no changes of benefit terms in 2020, 2019, 2018, 2017, 2016 or 2015.

2. **Changes of Assumptions**

   There were no significant changes in actuarial assumptions in 2020, 2019 or 2018.

   In fiscal year 2017, the discount rate for the June 30, 2016 actuarial valuation decreased by 0.65 percent from 7.65 percent to 7.00 percent and the mortality assumption decreased to reflect longer life expectancies and an explicit assumption for continued future mortality improvement (generational approach).

   In fiscal year 2016, the discount rate for the June 30, 2015 actuarial valuation decreased by 0.10 percent from 7.75 percent to 7.65 percent.

   There were no significant changes in actuarial assumptions in 2015.
## Schedule of Changes in the Net OPEB Liability and Related Ratios (Unaudited)

### Last Ten Fiscal Years*

*(All dollars reported in thousands)*

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total OPEB liability</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>$42,039</td>
<td>$40,189</td>
<td>$31,124</td>
</tr>
<tr>
<td>Interest</td>
<td>132,510</td>
<td>124,435</td>
<td>94,505</td>
</tr>
<tr>
<td>Difference between expected and actual experience</td>
<td>(1,103)</td>
<td>(36,795)</td>
<td>-</td>
</tr>
<tr>
<td>Changes of assumptions</td>
<td>10,650</td>
<td>22,269</td>
<td>-</td>
</tr>
<tr>
<td>Benefit payments</td>
<td>(63,458)</td>
<td>(60,589)</td>
<td>(46,725)</td>
</tr>
<tr>
<td><strong>Net change in total OPEB liability</strong></td>
<td>120,638</td>
<td>89,509</td>
<td>78,904</td>
</tr>
<tr>
<td><strong>Total OPEB liability – beginning</strong></td>
<td>2,022,062</td>
<td>1,932,553</td>
<td>1,853,649</td>
</tr>
<tr>
<td><strong>Total OPEB liability – ending</strong></td>
<td>$2,142,700</td>
<td>$2,022,062</td>
<td>$1,932,553</td>
</tr>
</tbody>
</table>

| **Plan fiduciary net position** |          |          |          |
| Employer contributions      | $139,980 | $119,714 | $92,918  |
| Net investment income       | 12,727   | 13,793   | 9,303    |
| Benefit payments            | (63,458) | (60,589) | (46,725) |
| OPEB plan administrative expense | (87)    | (45)     | (23)     |
| Other                       | 29,480   | -        | 747      |
| **Net change in plan fiduciary net position** | 118,642  | 72,873   | 56,220   |
| **Plan fiduciary net position – beginning** | 221,566  | 148,693  | 92,473   |
| **Plan fiduciary net position – ending** | $340,208 | $221,566 | $148,693 |
| **Net OPEB liability – ending** | $1,802,492 | $1,800,496 | $1,783,860 |

| **Plan fiduciary net position as a percentage of OPEB liability** | 15.88%   | 10.96%   | 7.69%    |
| **Covered-employee payroll** | $603,076 | $591,759 | $587,203 |
| **Net OPEB liability as a percentage of covered-employee payroll** | 298.88%  | 304.26%  | 303.79%  |

* Information for 2011-2017 is unavailable.
## University of Hawai‘i

**State of Hawai‘i**

(A Component Unit of the State of Hawai‘i)

### Schedule of OPEB Contributions (Unaudited)

**Last Ten Fiscal Years**

*(All dollars reported in thousands)*

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarially determined contribution</td>
<td>$144,567</td>
<td>$134,898</td>
<td>$135,072</td>
</tr>
<tr>
<td>Contributions in relation to the actuarially required contribution</td>
<td>138,452</td>
<td>139,980</td>
<td>119,714</td>
</tr>
<tr>
<td>Contributions excess</td>
<td>$6,115</td>
<td>$(5,082)</td>
<td>$15,358</td>
</tr>
<tr>
<td>University’s covered-employee payroll</td>
<td>$606,426</td>
<td>$603,076</td>
<td>$591,759</td>
</tr>
<tr>
<td>Contributions as a percentage of covered employee payroll</td>
<td>22.83%</td>
<td>23.21%</td>
<td>20.23%</td>
</tr>
</tbody>
</table>

* Information for 2011-2017 is unavailable.

1. **Changes of Benefit Terms**

   There were no changes of benefit terms in 2020 or 2019.

2. **Changes of Assumptions**

   Actuarial assumption changes during the University’s fiscal years 2020 and 2019 included updating the healthcare trend assumptions to better anticipate short-term premium experience. The actuarial methods and assumptions used to calculate the total OPEB liability are described in Note 13 of the financial statements.
SECTION 5

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

CORRECTIVE ACTION PLAN (UNAUDITED)
### University of Hawai‘i
### State of Hawai‘i
### Summary Schedule of Prior Audit Findings
### Year Ended June 30, 2020

<table>
<thead>
<tr>
<th>Finding No.</th>
<th>Description</th>
<th>Classification</th>
<th>Status</th>
<th>Current Year Finding No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019-001</td>
<td>Enrollment Reporting</td>
<td>Control Deficiency (“CD”)</td>
<td>X</td>
<td>2020-001</td>
</tr>
<tr>
<td>2019-002</td>
<td>Return of Title IV Funds</td>
<td>CD</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>2019-003</td>
<td>Financial Aid Administration</td>
<td>CD</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>2019-004</td>
<td>Financial Aid Administration</td>
<td>CD</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>2019-005</td>
<td>Return of Title IV Funds</td>
<td>CD</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>2019-006</td>
<td>Payroll Expenditures</td>
<td>Significant Deficiency</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>2019-007</td>
<td>Change in Key Personnel</td>
<td>CD</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>2019-008</td>
<td>Unallowable Stipend Expenditure</td>
<td>CD</td>
<td>X</td>
<td>2020-005</td>
</tr>
</tbody>
</table>
INSTITUTIONAL CORRECTIVE ACTION RESPONSES FOR
THE SINGLE AUDIT REPORT FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED JUNE 30, 2020
Finding No. 2020-001: Enrollment Reporting – Control Deficiency

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.268 – Federal Direct Student Loans

Responsible Individual: Pheng Xiong, Registrar

Date Action Taken: December 17, 2020

To ensure compliance with federal reporting guidelines, the Office of the Registrar will review its existing business processes for submitting updated enrollment and degree statuses to the National Student Clearinghouse (NSC), including any updates or corrections to a student’s enrollment. The office will additionally work closely with Financial Aid Services to ensure that the information being transmitted to NSLDS matches information in the student information system and data submitted to NSC.
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, 2020

Finding No. 2020-002: Financial Aid Administration – Control Deficiency

Federal Agency: U.S. Department of Education

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

Questioned Costs: $4,135

Responsible Individual: James Oshiro, Director of Financial Aid

Date Action Taken: July 1, 2020

Return of Title IV Funds

The University of Hawai‘i West O‘ahu affirms the recommendations made in the areas of Return of Title IV Funds as it pertains to the recalculation of the Pell Grant due to non-enrollment and Enrollment Reporting. UH West O‘ahu confirms that the cause was due to new personnel and personnel shifts during the award year reviewed.

As a result of these findings, the following corrective action steps have been implemented going forward for the 2020-2021 academic year.

With the hiring of a new Financial Aid Director, this aspect was originally overlooked due to a unique procedural process of requesting the last date of attendance with instructors prior to completing return of Title IV (R2T4) calculations even though UH West O‘ahu is considered a school that does not take attendance. Although calculations and returns were completed in a timely manner (within the 30- and 45-day timeframes), Pell Grants were not recalculated for students who were reported as not attending some of their class(es) or reported last dates of attendance for unofficial withdrawals that were prior to the term start date prior to completing a R2T4 calculation. This oversight in assuming enrollment for the students was realized shortly after the Spring 2020 term started and was corrected going forward at or about March 1, 2020. The Financial Aid Office’s current procedures were updated to include the recalculation of Pell Grant awards for students who are not enrolled at their intended original enrollment level upon disbursement.

Furthermore, UH West O‘ahu has implemented and started an enrollment confirmation procedure after the first week of the term for the 2020-2021 academic year. This may eventually lead to discarding the procedure of requesting the last date of attendance from instructors for R2T4 purposes. The entire University of Hawai‘i System is projecting to implement this process, with the goal of 100% faculty participation, in the 2021-2022 academic year.
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, 2020

Finding No. 2020-002: Financial Aid Administration – Control Deficiency (continued)

CFDA Number and Title: 84.268 – Federal Direct Student Loans

Responsible Individual: Vicky del Prado, Registrar

Date Action Taken: July 1, 2020

Enrollment Reporting

Upon the sudden departure of the former Registrar in the 2019-2020 academic year, UH West O‘ahu promoted a new Registrar who took over the position with little training from the former. Enrollment reporting was and is being conducted on a regularly scheduled process throughout the term. The student in question was overlooked because the student appealed their enrollment record after the term ended and the appeal was approved. Classes taken in the term were dropped after the last regularly scheduled enrollment report for the term was processed and the updated enrollment reporting for that student was overlooked. The Registrar has updated the student appeal procedure in 2020-2021 to notify financial aid of any enrollment adjustments due to appeals and to manually update the enrollment for NSLDS via National Student Clearinghouse (NSC) for any enrollment changes after the last regularly scheduled enrollment report to NSC for the term. This new process will ensure that after the term enrollment updates are processed correctly and reported accordingly in a timely manner.

UH West O‘ahu will continually assess the processes and procedures mentioned above to ensure compliance with federal regulations. The Director of Enrollment Services will oversee that these updated procedures are meeting our compliance needs. With stable personnel in various key positions, a better understanding of how the school’s processes adhere to the federal regulation and continued compliance will be achieved.
Corrective Action Plan Related to the Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
Honolulu Community College
Year Ended June 30, 2020

Finding No. 2020-003: Financial Aid Administration – Control Deficiency

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.268 - Federal Direct Student Loans

Responsible Individual: Heather Florendo, Financial Aid Manager

Date Action Taken: Immediately

To ensure that loans are exited in a timely manner, staff are working together along with the Central Financial Aid office to obtain lists of students needing Loan Exit Counseling at least twice a month. Staff will also begin the Loan Exit process for graduates 30 days prior to the end of the semester. Currently, one specific staff member is assigned to obtain the loan exit report and post loan exit requirements/notifications to the student’s record. Another staff is responsible for verifying that students on the report are needing to be exited and sends out the secondary notification to all students who are exited. Splitting up the duties related to the loan exit process addresses staffing issues in our office as well as encourages accountability among the staff since each person must do their part before another can do their part. A third staff is being trained in the loan exit process so that they can assist when needed.
Finding No. 2020-004: Payroll Expenditures – Control Deficiency

Federal Agency: NASA Goddard

CFDA Number and Title: 43.00 – NASA IRTF Operation

Questioned Costs: $43,755

Responsible Individuals: Robert McLaren, Interim Director, Institute for Astronomy
John Raynor, NASA IRTF Director

Date Action Taken: September 11, 2020

A memo was prepared to authorize Charles Lockhart and Eric Warmbier to approve timesheets and leave of absence forms for the NASA Contract No. 80HQTR19D0030, for the Operation and Maintenance of the NASA Infrared Telescope Facility, on September 11, 2020.

We are in the process of moving our RCUH employees to the RCUH electronic timesheet system, which will be completed by February 1, 2021. This was not done earlier, due to the non-regular work schedules of some of the IRTF project employees.
Corrective Action Plan Related to the Schedule of Findings and Questioned Costs
Title VII Native Hawaiian Education
Year Ended June 30, 2020

Finding No. 2020-005: Unallowable Stipend Expenditure – Control Deficiency

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.362 – Title VII Native Hawaiian Education

Questioned Costs: $33,915

Responsible Individual: Lisa Uyehara, Project Director, CDS

Date Action Taken: October 8, 2020

A letter was sent out to participants to advise of the revised compensation schedule which reiterated what was verbally conveyed to them earlier. Going forward, criteria for determining stipend amounts will be documented and communicated in writing to all program participants.