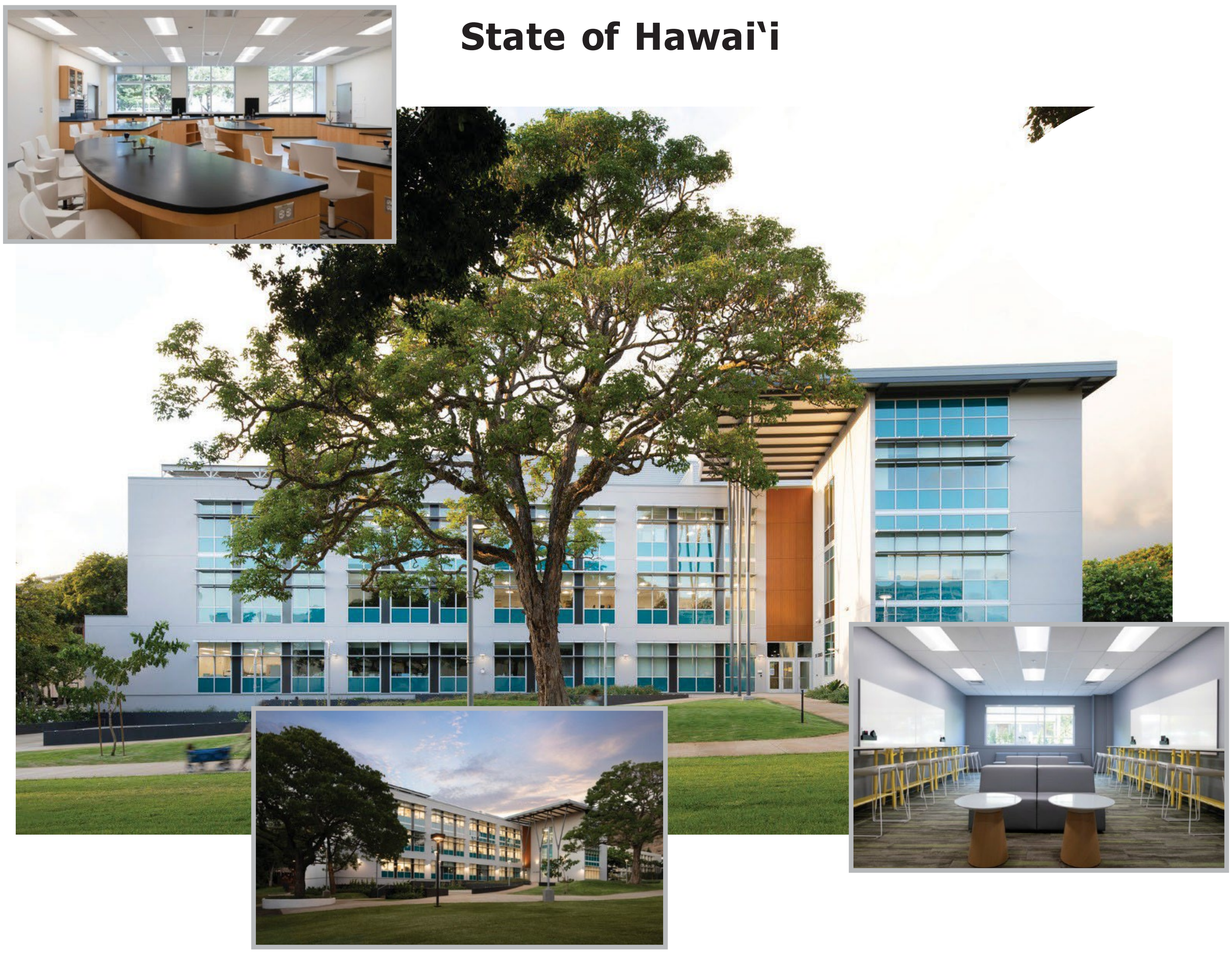
UNIVERSITY *of* HAWAIʻI®

SYSTEM

2022 Annual Financial Report, Required Supplementary Information, and Other Supplementary Information University of Hawai`i State of Hawai`i



updated on February 1, 2023

RESEARCH SUSTAINABILITY HAWAIIAN PLACE OF LEARNING

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ACCUITY

Report of Independent Auditors

To the Board of Regents of the
University of Hawaiʻi

Opinion

We have audited the accompanying financial statements of the University of Hawaiʻi (the "University"), a component unit of the State of Hawaiʻi, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the accompanying index.

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, 2022, 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 ("GAAP").

We did not audit the financial statements of the University of Hawaiʻi Foundation (the "Foundation"), which represent 21.3 percent of the total assets and deferred outflows of resources and 0.8 percent of the total operating revenues of the University as of and for the year ended June 30, 2022. Those financial statements were audited by other auditors whose report thereon has 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 year ended June 30, 2022, are based solely on the report of the other auditors.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the Foundation were not audited under *Government Auditing Standards*. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adoption of New Accounting Principle

As discussed in Note 1, the University adopted Governmental Accounting Standards Board Statement No. 87, *Leases*, in fiscal year 2022. Our opinion is not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAP and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment, made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

GAAP requires 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 GAAS, 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.

Accuity LLP

Honolulu, Hawaiʻi
December 2, 2022

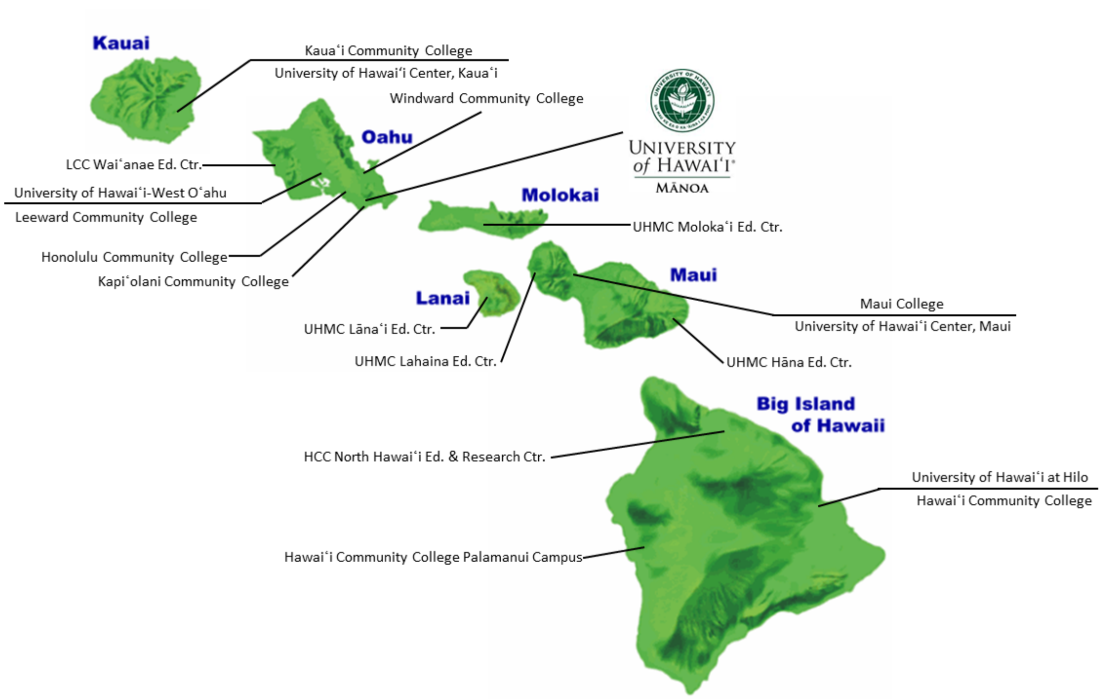
Introduction

The following discussion and analysis provide an overview of the financial position and activities of the University of Hawai'i (the "University") for the year ended June 30, 2022, with selected information for the year ended June 30, 2021. 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.

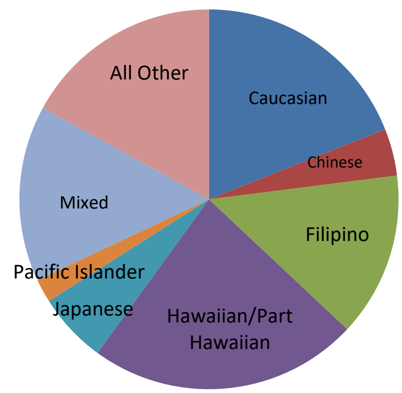


Students	Academic Year 2022	Academic Year 2021
Undergraduate	43,113	44,315
Graduate	5,260	5,458
Total	**48,373**	**49,773**

Type of Degrees Awarded	**724**
Certificates: Community Colleges	170
Certificates: University	136
Associate degrees	127
Bachelor's degrees	145
Master's degrees	93
Doctoral degrees	53
Professional degrees	7

Residency	
Hawai'i	80 %
Mainland	14 %
U.S Affiliated	1 %
Foreign	5 %

Student Diversity (full time Students)	
Caucasian	19 %
Chinese	4 %
Filipino	14 %
Hawaiian/Part Hawaiian	23 %
Japanese	6 %
Pacific Islander	2 %
Mixed	15 %
All Other	17 %



Total Revenues ($ in thousands)	Fiscal Year 2022	% of Total	Fiscal Year 2021
Net tuition and fees	$ 268,126	14 %	$ 267,422
Contracts and grants (including Pell grants)	641,320	34 %	496,798
State appropriations	497,862	26 %	539,623
Transfer from State for fringe benefits	232,603	12 %	250,594
Sales and services	91,894	5 %	61,439
Capital State appropriations	150,650	8 %	99,412
Others	(3,177)	1 %	61,743
Total	**$ 1,879,278**	**100 %**	**$ 1,777,031**

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:

- **Statement of Net Position** – The Statement of Net Position presents 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.

- **Statement of Revenues, Expenses, and Changes in Net Position** – The Statement of Revenues, Expenses, and Changes in Net Position presents the University's revenues and expenses and illustrates 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 Statement of Revenues, Expenses, and Changes in Net Position distinguishes 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.

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

- **Notes to 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 Hawaiʻi Foundation (the "Foundation") and the Research Corporation of the University of Hawaiʻi (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 materiality.

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.

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 Statement 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, 2022 and 2021 are summarized as follows (in thousands of dollars):

	2022	2021	2022 vs 2021 Change
Current assets			
Cash and operating investments	$ 678,513	$ 540,584	$ 137,929
Receivables, net	133,270	120,243	13,027
Other current assets	19,645	15,640	4,005
Total current assets	831,428	676,467	154,961
Noncurrent assets			
Endowment and other investments	105,330	131,992	(26,662)
Capital assets, net	2,147,010	2,180,966	(33,956)
Other noncurrent assets	520,583	467,541	53,042
Total assets	3,604,351	3,456,966	147,385
Deferred outflows of resources			
Deferred outflows on net pension and OPEB liability and other	280,380	405,419	(125,039)
Total deferred outflows of resources	280,380	405,419	(125,039)
Total assets and deferred outflows of resources	$ 3,884,731	$ 3,862,385	$ 22,346
Current liabilities	$ 265,992	$ 256,301	$ 9,691
Noncurrent liabilities			
Revenue bonds payable	416,765	436,965	(20,200)
Net pension liability and other postemployment benefits	3,112,229	3,589,321	(477,092)
Other noncurrent liabilities	128,600	134,726	(6,126)
Total liabilities	3,923,586	4,417,313	(493,727)
Deferred inflows of resources			
Deferred inflows on net pension and OPEB liability	462,658	148,164	314,494
Total deferred inflows of resources	462,658	148,164	314,494
Net position			
Net investment in capital assets	1,667,468	1,691,681	(24,213)
Restricted			
Nonexpendable	10,493	10,493	-
Expendable	464,010	488,720	(24,710)
Unrestricted	(2,643,484)	(2,893,986)	250,502
Total net position	(501,513)	(703,092)	201,579
Total liabilities, deferred inflows of resources, and net position	$ 3,884,731	$ 3,862,385	$ 22,346

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 two 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% unencumbered cash from all tuition and fee funds, special funds, and revolving funds. At June 30, 2022 and 2021 working capital amounted to $565.4 million and $420.2 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 $1.5 billion of operating expenses (excluding depreciation) for the year ended June 30, 2022, the working capital at year-end represents approximately 119 days of operating funds, as compared to 81 days of operating funds in 2021.

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

- Current assets consist primarily of cash and cash equivalents, operating investments, and net receivables. Total current assets were $831.4 million and $676.5 million at June 30, 2022 and 2021, respectively. Total current assets increased by $155.0 million, or 22.9%, at June 30, 2022, primarily due to a $313.7 million increase in operating investments, offset by a $175.7 million decrease in cash. As a result of rising interest rates towards the end of fiscal year 2022, the University opted to trade cash balances for higher yield government securities.

- Current liabilities consist primarily of accounts payable, accrued payroll and fringe benefits, advances from sponsors, and unearned revenue. Current liabilities also include amounts due to the State of Hawaiʻi, the current portion of long-term liabilities, and other current liabilities. Total current liabilities were $266.0 million and $256.3 million at June 30, 2022 and 2021, respectively. Total current liabilities increased by $9.7 million, or 3.8%, for the fiscal year ended June 30, 2022, as a result of a $5.1 million increase in accrued payroll and fringe benefits and a $6.0 million increase in advances from sponsors offset by a $1.7 million decrease in other current liabilities.

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 Hawaiʻi endowment, and unspent bond proceeds. The aggregate investment balance remained relatively consistent in fiscal years 2022 and 2021.

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. Effective April 15, 2021, the spending rate policy provides for an annual distribution of up to 4.25% of a rolling 20-quarter average value of the funds, with the value determined at the end of each calendar quarter and the actual distribution to be determined by the University administration for the legacy endowment and by the ASUH Board for the ASUH Stadium Stock Fund. Prior to April 15, 2021, the annual distribution rate ranged between 3.0% and 5.0% of the five-year moving average of the endowment portfolio's fair value. In fiscal years 2022 and 2021, the University instituted a 4.25% and 4.5% distribution rate, respectively, on restricted and unrestricted endowments. The total restricted and unrestricted distributions available to the University amounted to $2.8 million and $2.9 million in fiscal years 2022 and 2021, respectively.

Total endowment and other investments were $105.3 million and $132.0 million in fiscal years 2022 and 2021, respectively. Total endowment and other investments decreased by $27.3 million, or 20.2%, at June 30, 2022, as a result of the stock market and inflation.

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, 2022 and 2021, total capital assets, net of accumulated depreciation, remained relatively constant at approximately $2 billion, which represented approximately 60% of the University's total assets. Capital asset additions totaled $113.3 million and $145.7 million in fiscal years 2022 and 2021, respectively.

Capital asset additions decreased by $32.3 million in fiscal year 2022 in comparison to fiscal year 2021, due to reduced funding from the State.

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 2022 and 2021 or in progress as of June 30, 2022, and 2021 include:

- **Coconut Island Marine Laboratory 1 & 2** – The $21.6 million Hawaiʻi Institute of Marine Biology ("HIMB") Laboratory on Coconut Island was completed on February 1, 2022. The 23,000 square foot facility has been fully renovated with new energy efficient HVAC, lighting controls, and PV panels. The renovation also helped to contribute to the energy goals for the University of Hawaiʻi at Mānoa as well as enforce structural walls to meet seismic and hurricane standards.

- **University of Hawaiʻi at Mānoa Life Sciences Building** – The $65.5 million University of Hawaiʻi at Mānoa Life Sciences Building was completed on July 20, 2020. The new Life Sciences Building is playing a critical role in expanding interdisciplinary educational and research opportunities for our students and faculty and is providing 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 Science's, biology, microbiology and botany departments along with the Pacific Biosciences Research Center, which operates the state's only transmission electron microscope.

- **University of Hawaiʻi West Oʻahu Creative Media Building** – The $34.5 million Creative Media Building at the University of Hawaiʻi at West Oʻahu was placed in-service on November 18, 2020. This new design-build project houses the existing Academy of Creative Media ("ACM") program in a 33,000 square-foot facility. The building combines teaching facilities, production facilities, faculty offices, creative workspaces, and an incubator for emerging companies. The building expands the current UH-West Oʻahu ACM program from approximately 110 student majors to an anticipated 500 majors.

- **Leeward Community College Product Development Center Renovation** – The $17.2 million renovation is a cooperative project between the University of Hawaiʻi 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. The product development center will take agricultural items that would normally be wasted and turn them into value-added food products that can be marketed and sold. The project is estimated to be completed by August 2023.

- **University of Hawaiʻi at Mānoa Student Success Center** – The $41 million project will transform Sinclair Library into a Student Success Center. The Student Success Center will allow students to study individually or as a group, collaborate, and receive academic advising and tutoring. Sinclair's central location will provide students with a safe place to interact. The project is estimated to be completed in 2024.

- **University of Hawaiʻi at Mānoa Bachman Hall Renovation** – The University of Hawaiʻi at Mānoa Bachman Hall is being renovated. Improvements to the 72-year-old Bachman Hall include a new central HVAC system, a new roof, and a new life safety system. Renovations will be made to the windows, floors, ceilings, restrooms and walls, along with mechanical, electrical, plumbing and telecom. The $20.9 million project is estimated to be completed by August 2023.

- **University of Hawaiʻi at Mānoa Clarence T.C. Ching Complex Improvement Project** – The Clarence T.C. Ching Complex was renovated for the 2021 Football Season. The $10.5 million project includes new field turf, additional seating, new score board, grandstands, press box, and concession stands.

- **The Maui Food Innovation Center at the University of Hawaiʻi Maui College** – The $9 million project renovated the Pilina building, which houses the Maui Food Innovation Center ("MFIC"). The project includes a brand-new manufacturing and packaging facility which students and the community can utilize to market and advance Maui County foods. The MFIC offers educational and technical classes that assist students to create businesses that will create jobs, increase profitability of Maui County products, and reduce the dependence on imports. The project is expected to be completed November 2022.

- **Hoʻola Early Phase Clinical Research Center** – The University of Hawaiʻi and the National Institutes of Health are building a clinical research center in the annex portion of the University of Hawaiʻi Caner Center building. The $13 million renovation will provide the people of Hawaiʻi a place to go for specialized treatments without leaving the state. The 16,500 square foot facility is striving for WELL and LEED certifications and will include an Organoid Generation Facility. The project is estimated to be completed by Summer 2024.

- **Kapiʻolani Community College Culinary Institute of the Pacific, Phase 2** – Phase 2 of the Culinary Institute of the Pacific at Kapiʻolani Community College includes a restaurant, an innovation center, an auditorium, and parking. The $30 million design build project is estimated to be completed in June of 2023.

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 Hawaiʻi 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 2022 and 2021, 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 2022 and 2021, $148.8 million and $125.4 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 $437.0 million and $454.0 million for fiscal years 2022 and 2021, respectively. The University has appropriated funds, by statute, from the State of Hawaiʻi 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 2022 and 2021. The University also receives a portion of the State of Hawaiʻi's cigarette tax revenues, by statute, for the University of Hawaiʻi Cancer Center to be used for research and operating expenses and capital expenditures. Cigarette tax revenues of $6.9 million and $6.8 million were used to cover debt service for the bonds that financed the University of Hawaiʻi Cancer Center for fiscal years 2022 and 2021, respectively. Refer to Note 9 for more information regarding the University revenue bonds.

- **Equipment financing obligations** – In November 2017, the University entered into two tax-exempt financing purchase ("TELP") agreements to fund the acquisition of energy conservation measures at the four Oʻahu community college campuses (Honolulu, Kapiʻolani, 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 9 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, 2022 and 2021 is summarized as follows (in thousands of dollars):

	2022	2021
Net investment in capital assets	$ 1,667,468	$ 1,691,681
Restricted – Nonexpendable	10,493	10,493
Restricted – Expendable	464,010	488,720
Unrestricted	(2,643,484)	(2,893,986)
Total net position	$ (501,513)	$ (703,092)

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 decreased by $24.2 million, or 0.1%, in fiscal year 2022, primarily due to a net decrease in capital assets of $35.4 million, offset by $8.7 million in the net change of debt retirement related to revenue bonds, net of proceeds used in current year. The net investment in capital assets increased by $20.2 million, or 1.2%, in fiscal year 2021, primarily due to $43.3 million in debt retirement offset by $22.4 million in the net change of bond premiums and deferred refunding.

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 decrease in restricted expendable of $24.7 million in fiscal year 2022 was primarily due to a $73.4 million decrease in current restricted expendable net position related to the income/loss for the year offset by a $49.3 million increase in plant funds.

Net position that is not subject to externally imposed restrictions governing their use is classified as unrestricted for financial reporting purposes. At June 30, 2022 and 2021, unrestricted net positions amounted to deficits of $2.64 billion and $2.89 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 $51.1 million and $61.8 million were designated for endowment activities at June 30, 2022 and 2021, respectively.

The reduction in unrestricted net positions for the years ended June 30, 2022 and 2021 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):

	2022	2021
Unrestricted net position	$ (2,643,484)	$ (2,893,986)
Pension	1,605,467	1,618,237
OPEB	1,694,583	1,727,355
Adjusted net unrestricted position	$ 656,566	$ 451,606

Results of Operations

The Statement of Revenues, Expenses, and Changes in Net Position represents 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, 2022 and 2021, summarized to match revenues supporting core activities with expenses associated with core activities, are as follows (in thousands of dollars):

	2022	2021	2022 vs 2021 Change
Revenues			
Operating			
Tuition and fees	$ 400,605	$ 386,774	$ 13,831
Less: Scholarship allowances	(132,479)	(119,352)	(13,127)
Grants and contracts	423,744	399,006	24,738
Sales and services	91,894	61,439	30,455
Other revenue	3	188	(185)
Total operating revenues	783,767	728,055	55,712
Nonoperating			
State appropriations and transfers for fringe benefits	730,465	790,217	(59,752)
Federal Pell grant and federal non-operating revenues	217,576	97,792	119,784
Net investment (loss) gain	(31,407)	22,947	(54,354)
Private gifts	3,186	2,678	508
Total nonoperating revenues	919,820	913,634	6,186
Total revenues supporting core activities	1,703,587	1,641,689	61,898
Expenses			
Operating			
Compensation and benefits	1,091,105	1,349,618	(258,513)
Supplies, services and cost of goods sold	181,567	157,120	24,447
Telecom and utilities	69,095	56,561	12,534
Scholarships and fellowships	86,571	51,444	35,127
Other expense	84,065	68,127	15,938
Total operating expenses	1,512,403	1,682,870	(170,467)
Nonoperating revenues (expenses)			
Transfers from State, net	22,236	23,743	(1,507)
Interest expense	(14,464)	(18,085)	3,621
Total nonoperating revenues, net	7,772	5,658	2,114
Expenses associated with core activities before depreciation	1,504,631	1,677,212	(172,581)
Gain (loss) from core activities before depreciation and amortization	198,956	(35,523)	234,479
Depreciation and amortization	143,957	138,965	4,992
Expenses associated with core activities including depreciation	1,648,588	1,816,177	(167,589)
Gain (loss) from core activities	54,999	(174,488)	229,487
Other nonoperating activity			
Capital appropriations and grants	152,131	111,598	40,533
Other expenses, net	(5,551)	(7,969)	2,418
Other nonoperating income, net	146,580	103,629	42,951
Increase (decrease) in net position	201,579	(70,859)	$ 272,438
Net position			
Beginning of year	(703,092)	(632,233)	
End of year	$ (501,513)	$ (703,092)	

Revenues Supporting Core Activities

The University has a diversified stream of revenues to support its operations. No single source generated more than 25% of the total 2022 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 2022 and 2021. Scholarship allowances amounted to $132.5 million and $119.4 million in fiscal years 2022 and 2021, respectively.

One of the largest sources of revenue continues to be grants and contracts. Total grants and contracts revenue increased by $24.7 million, or 6.2%, in fiscal year 2022. 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. In fiscal year 2022, Federal Pell grant and Federal coronavirus program revenues increased $119.8 million. The fiscal year 2022 increase was due to the University recognizing nonoperating revenue of $171.6 million and $48.9 million associated with the American Rescue Plan Act ("ARPA"), the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") in fiscal years 2022 and 2021, respectively, an overall increase of $122.7 million from fiscal year 2021.

Sales and services revenues are mainly comprised of bookstores, student and faculty housing, food services, parking, and athletics. In fiscal year 2022, sales and services revenues increased by $30.5 million, or 49.6%, which was largely due to a significant increase in other auxiliary enterprises revenue from ticket sales, due to the lifting of various COVID-19 related restrictions.

The State continues to provide strong financial support to the University as the sole public higher education system within the State. In fiscal year 2022, general state appropriations and transfers from the State for fringe benefits decreased by $41.8 million, or 8.0%, and $17.9 million, or 7.2%, respectively, from fiscal year 2021. The decrease in fiscal year 2022 was primarily attributable to the COVID-19 pandemic and its related economic downturn, which caused a significant decline in state revenues. In response, the Legislature reduced the overall state budget by $602.0 million, or 7.5%, in fiscal year 2022.

Net transfers from State amounted to $22.2 million and $23.7 million in fiscal years 2022 and 2021, 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 Hawaiʻi Cancer Center cigarette stamp tax collections.

The University's net investment loss of $31.4 million in fiscal year 2022 represents a decrease of $54.4 million, or 237%, from fiscal year 2021. The fiscal year 2022 decrease was primarily due to $36.7 million of the unrealized losses on endowment and operating investments, as a result of rising interest rates and a sharp downturn in the stock market.

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 72.1% and 80.2% were related to compensation and benefits during fiscal years 2022 and 2021, respectively.

Compensation and benefits decreased by $258.5 million, or 19.2%, in fiscal year 2022, attributable to a $38.9 million decrease in payroll expenses due to a higher number of retirements, a $97.9 million decrease in OPEB adjustments, and a $121.7 million decrease in pension adjustments due to the GASB 75 requirement to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive liabilities.

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. Such expenses increased by $24.5 million, or 15.6%, in fiscal year 2022. The fiscal year 2022 increase was primarily attributable to an increase in other service expenses, due to an increase in student activity relative to previous years, as a result of many on-campus and state restrictions being lifted.

The University is committed to providing quality education that is affordable 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 $219,050 and $170,796 in fiscal years 2022 and 2021, respectively. The increase of $48.3 million, or 28.3%, from fiscal year 2022 is due to direct student aid provided for under the ARPA and the CARES Act.

Other operating expenses increased by $18.1 million, or 26.7%, in fiscal year 2022. The increase in fiscal year 2022 is primarily due to a $7.1 million increase in other operating expense and an $8.8 million increase in travel expenses due to COVID-19 restrictions being lifted with new safety precautions implemented.

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 $4.9 million, or 3.6%, during fiscal year 2022. The increase in fiscal year 2022 was primarily attributable to increases in depreciable assets relating to buildings and infrastructure.

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 2022, capital appropriations increased by $40.5 million, or 37.4%. The increase in fiscal year 2022 was attributable to an increase in capital appropriations allotted to the University. In fiscal year 2022, $160.5 million was allotted, while in fiscal year 2021, $105 million was allotted.

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, 2022 and 2021 is as follows (in thousands of dollars):

	2022	**2021**	**2022 vs 2021 Change**
Cash received from operations	$ 769,059	$ 720,754	$ 48,305
Cash payments for operations	(1,321,338)	(1,252,886)	(68,452)
Net cash used in operating activities	(552,279)	(532,132)	(20,147)
Net cash provided by noncapital financing activities	724,522	644,656	79,866
Net cash used in capital and related financing activities	(29,136)	(23,390)	(5,746)
Net cash provided by (used in) investing activities	(318,854)	120,600	(439,454)
Net increase (decrease) in cash	(175,747)	209,734	(385,481)
Cash			
Beginning of year	296,267	86,533	209,734
End of year	$ 120,520	$ 296,267	$ (175,747)

The net cash received from operating activities increased by $48.3 million, or 6.7%, in fiscal year 2022. The increase in fiscal year 2022 was primarily attributable to a $4.4 million increase in student tuition and fees, a $6.5 million increase in grants and contracts, and a $37.4 million increase in other revenues due to increase in auxiliary revenues.

Net cash provided by noncapital financing activities remained strong as a result of the financial support from the State.

The net cash used in capital and related financing activities increased by $5.7 million, or 24.6%, in fiscal year 2022. The increase in fiscal year 2022 was primarily attributable to a $30.8 million decrease in purchases of capital assets, offset by a $10 million decrease from proceeds from issuance of capital debt, a $20.2 million decrease in capital appropriation, and an $8.7 million decrease in capital gifts and grants.

The net cash used in investing activities decreased by $439.5 million in fiscal year 2022 primarily due to a decrease in proceeds from sales and maturities and investments of $306.4 million, and a decrease in the purchase of investments of $131.4 million.

Looking Forward

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

A steering committee has been established to lead the work for the development of the UH Strategic Plan 2023–2029. The previously completed UH Strategic Directions (2015–2021) notes significant progress made in increasing graduation rates and degree production, increasing research funding, improving facilities, and increasing online capacity, among other areas. These UH Strategic Directions have guided the University at a high level, and the post-pandemic plans have helped the University to focus on what Hawaiʻi needs most from public higher education during these challenging times. The development of the next strategic plan for the 10-campus UH System will acknowledge that Hawaiʻi will never be the same after the COVID-19 pandemic. Many can now envision a more sustainable, resilient and equitable future in which we take better care of one another and our islands through an approach that is both locally and globally aware. The initial drafts of the UH Strategic Plan 2023–2029 reflect those values.

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

- U.S. News and World Report released its 2023 Best Graduate Schools list that includes:
  - The University at Mānoa School of Nursing in the top tier, 80 out of 564 schools, for Best Online Graduate Nursing Programs in 2023.
  - The John A. Burns School of Medicine ranked 74th nationally in medical research and 24th in medical primary care among 192 medical schools in America.
  - The William S. Richardson School of Law's evening part-time program ranks 21st in the annual national rankings.
  - The Myron B. Thompson School of Social Work ranked 51st of 298, placing it in the top 25% of programs nationally for the past eight years.
  - The part-time Master of Business Administration program (Global MBA, 36-month plan) at the Shidler College of Business ranked 114th among 278 part-time MBA programs that qualified for the ranking.
  - The College of Education is ranked 67th of 456 schools.
- The Community College System was ranked 5th in the WalletHub's 2022 list, from a sample of 677 schools. WalletHub ranked community colleges based on cost, education and career outcomes.
- The University of Hawaiʻi at Mānoa ranked 380 on the 2022 Quacquarelli Symonds World University Ranking ("QSWUR"). The QSWUR ranks more than 1,500 universities around the world and is the ranking more commonly used and referenced by international students.

The University of Hawaiʻi's strength is further demonstrated through its credit ratings. The University holds an Aa3 with stable outlook by Moody's Investors Service, last updated in October 2020 and Fitch affirmed at AA with stable outlook September 2022. 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 Hawaiʻi.
- Strong operating support from the State of Hawaiʻi.
- Unique academic programming and research, and well-diversified revenue.
- Low debt burden which reflects strong and growing capital support from the State of Hawaiʻi.
- Growing cash reserves to improved levels and building amounts of endowments and investments as further reserves.

Enrollment and Tuition

The impact of the pandemic on enrollment was not entirely as expected. The University of Hawaiʻi at Mānoa experienced a slight headcount enrollment decrease as compared to Fall 2021 enrollment, while still being above Fall 2020 enrollment. In total, the 10-campus system saw an overall decline as compared to Fall 2021 and Fall 2020. First-time freshman enrollment at UH-Mānoa in Fall 2022 is 3,106, an increase of 5.7% compared to Fall 2021. The enrollments at UH-West Oʻahu and UH-Hilo decreased by 8.2% and 3.2%, respectively, compared to last fall. Enrollment at UH's seven community colleges dropped by 4.2% overall to 23,406 students as compared to Fall 2021. As of August 2022, the State unemployment rate was 4.1%, compared to 8.4% in August 2021, 13.1% in August 2020 and 2.8% in August 2019. Nationally, the seasonally adjusted unemployment rate was 3.7% for August 2022.

Fall census headcount comparisons are as follows:

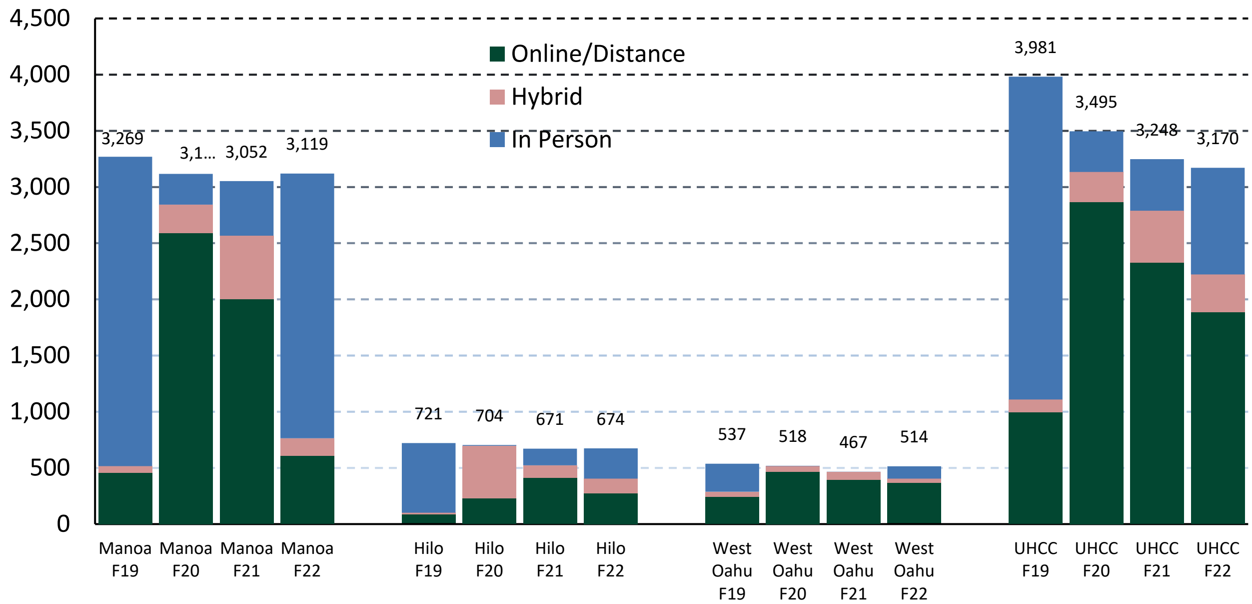
	Fall 2022	Fall 2021	% Change	Fall 2020	% Change
Mānoa	19,074	19,098	-0.1	18,025	6.0
Hilo	2,977	3,243	-8.2	3,165	2.5
West Oʻahu	2,913	3,008	-3.2	3,168	-5.1
Community Colleges	23,409	24,424	-4.2	25,236	-3.2
	48,373	49,773	-2.8	49,594	0.4

The return to in-person campus activities and classes has rebounded since March 2020, when 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. This practice continued for Spring 2021, Summer 2021, Fall 2021 and Spring 2022. University attendance and research are considered essential activities under the Emergency Orders, and in-person attendance was not prohibited. The University continued to encourage students to take as many courses online as possible and focused on maintaining a diverse course schedule in order for students to stay on-track for on-time achievement of degrees and certificates. Even prior to COVID-19, the University had extensive experience with distance learning and offering an online curriculum. 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% of the courses offered systemwide 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 that all campuses within the UH system are known for and have provided resources to faculty to help with the transition towards greater proliferation of online learning. Vaccination requirements for students and staff were lifted for Fall 2022.

Fall Course Offerings by Class Type



Undergraduate tuition rates have been fixed at all ten campuses since the beginning of the 2020–2021 academic year. The tuition schedule in place decreased general graduate student tuition rates at UH-Mānoa and has also been in place since the beginning of the 2020–2021 academic year. 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% 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, was ranked by National Science Foundation ("NSF") as 91st among 655 public and private universities for research and development expenditures in fiscal year 2020.

Extramural awards totaled \$505 million in fiscal year 2022, marking the first time that the University exceeded the \$500 million mark, and the highest level of the past five years. Despite the significant challenges posed by our economy, world affairs and the recent pandemic, the University maintained a steady upward trajectory through the resiliency, hard work and dedication of our research faculty and support staff. Here are some highlights of fiscal year 2022:

- School of Ocean and Earth Science and Technology ("SOEST"), the research powerhouse of the University, received $94.1 million in extramural awards.
- John A. Burns School of Medicine ("JABSOM") received $57.9 million in extramural awards.
- More than $366.1 million in grant awards during FY22 to programs affiliated to the UH-Mānoa campus; more than $43.6 million awarded to the campuses of the Community College system (including Maui College); more than $18.0 million awarded to UH-Hilo campus; and more than $6.7 million awarded to the UH-West Oʻahu campus.

The first quarter of FY23 is off to a strong start, with first quarter awards exceeding Q1 FY 22 by 9.7%.

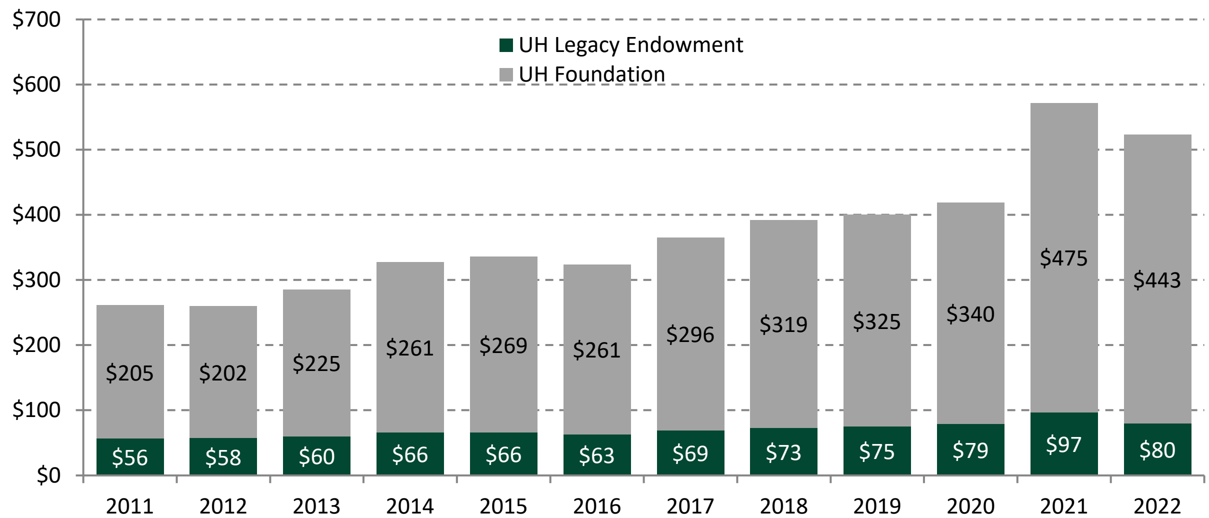
Facilities and Infrastructure

Improvement and modernization of the University's physical assets is key to delivering the University's strategic direction that strives for 21st century facilities for learning, teaching, and research. The University has continued updating its rolling six-year plan for fiscal years 2022–2027 (the "6-Year CIP Plan") that sets forth a vision of a physical environment that supports and enables 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 modernization and improving the learning and research environment; (2) uses data and analytics on how we use our spaces and the condition of our facilities to prioritize those facilities with the highest programmatic utility and poorest conditions through upgrades to the interior/exterior structures, building roofs, mechanical and electrical systems, pedestrian pathways, and roadways; and (3) focuses more on upgrading existing space, rather than expanding, to elevate the overall quality of spaces across the University in a financially responsible way.

The State of Hawaiʻi Legislature continued its financial support of the University's capital improvement program in 2022 and provided an additional $57,760,000 in general obligation bond funds in fiscal year 2023 to supplement the $102,640,000 appropriated in 2021, for a total appropriation of $160,400,000 in general obligation bonds for fiscal year 2023. The University also continues to strive to meet the demand for modern, university housing at a reasonable cost through P3 (Public, Private Partnership) Housing Projects. The Atherton Project, which is being completed in partnership with the Foundation and Hunt Development Group, is expected to house over 350 students in a world-class mixed-use space that will include an innovation and entrepreneurship center. The total construction costs of the project are estimated at $75 million, and completion is expected in 2023. The NOAA project includes mixed-use family-oriented rental housing for graduate students, University faculty and staff, at below market rate. This project is being completed in partnership with Greystar Real Estate Partners and will have approximately 300 individual units. The total construction costs of the project are estimated at $148 million, and completion is expected in 2025.

Fundraising

The Foundation raised almost $140.0 million during FY2022, despite the lingering impacts of COVID-19. The Legacy Endowment decreased in value due to the volatility of the financial markets. The Foundation's decreased value was driven by investment losses of about $47.1 million, offset by the increase in contributions.



State General Fund Appropriations

A return to pre-pandemic activity is still ongoing, although Hawaiʻi's economy has rebounded well. This optimism is tempered by concerns regarding inflation, international conflicts, interest rates, and a looming recession. A report by the University of Hawaii Economic Research Organization ("UHERO"), dated September 23, 2022, predicts a mild recession for the U.S. in the first half of 2023 with anticipated effects on Hawaiʻi's economy to be minimal although there is significant downside risk.

For the fiscal year ending June 30, 2019, State General Fund revenues were $7.14 billion. For the fiscal year ending June 30, 2022, State General Fund revenues were $9.36 billion, significantly outpacing pre-pandemic levels. The Council on Revenues is currently forecasting a 6.5% growth rate for FY23, although those projections decline to 4.0% for FY24 and 3.5% annually for FY25 and beyond.

During the most recent legislative session, the Legislature increased the General Fund operating appropriation to the University by $63.4 million for FY23, resulting in a General Fund appropriation of $562.2 million.

Of the $244.6 million in Higher Education Emergency Relief Fund ("HEERF") moneys provided by the federal government to the University in response to the COVID-19 pandemic, roughly $191.6 million has already been spent or distributed to students. The remaining balance is anticipated to be expended or distributed prior to the June 30, 2023 federal deadline.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Statement of Net Position – University of Hawai'i
June 30, 2022
(All dollars reported in thousands)

Assets and Deferred Outflows of Resources	
Current assets	
Cash and cash equivalents	$ 120,520
Operating investments	557,993
Due from State of Hawai'i	2,847
Accounts receivable, net	108,048
Due from the Research Corporation of the University of Hawai'i, net	21,941
Current portion of notes receivable, net	434
Other current assets	19,645
Total current assets	831,428
Noncurrent assets	
Due from State of Hawai'i	510,709
Endowment and other investments	105,330
Notes receivable, net	3,267
Capital assets, net	2,147,010
Other noncurrent assets	6,607
Total noncurrent assets	2,772,923
Total assets	3,604,351
Deferred outflows of resources	
Deferred outflows on net pension liability, OPEB liability and other	280,380
Total deferred outflows of resources	280,380
Total assets and deferred outflows of resources	$ 3,884,731
Liabilities, Deferred Inflows of Resources, and Net Position	
Current liabilities	
Accounts payable	$ 54,486
Accrued payroll and fringe benefits	62,829
Advances from sponsors	38,882
Unearned revenue	33,980
Due to State of Hawai'i	6,117
Current portion of long-term liabilities	64,288
Other current liabilities	5,410
Total current liabilities	265,992
Noncurrent liabilities	
Accrued vacation	47,268
Accrued workers' compensation	10,255
Revenue bonds payable	416,765
Premium on bonds payable	35,110
Equipment financing obligations	24,472
Net pension liability	1,476,618
Other postemployment benefits	1,635,611
Other noncurrent liabilities	11,495
Total noncurrent liabilities	3,657,594
Total liabilities	3,923,586
Deferred inflows of resources	
Deferred inflows on net pension, OPEB liability and other	462,658
Total deferred inflows of resources	462,658
Commitments and contingencies	
Net position	
Net investment in capital assets	1,667,468
Restricted	
Nonexpendable	10,493
Expendable	464,010
Unrestricted	(2,643,484)
Total net position	(501,513)
Total liabilities, deferred inflows of resources, and net position	$ 3,884,731

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

University of Hawaiʻi
State of Hawaiʻi
(A Component Unit of the State of Hawaiʻi)
Statement of Financial Position – University of Hawaiʻi Foundation
June 30, 2022
(All dollars reported in thousands)

Assets	
Cash and cash equivalents	$ 32,438
Assets whose use is limited or restricted	20,069
Contributions receivable, net	77,288
Prepaid expenses and other receivables	10,374
Property and equipment, at cost, net of accumulated depreciation and amortization of $109	30,279
Other assets, at cost	1,742
Investments	627,395
Beneficial interest in trusts held by others	29,412
Total assets	$ 828,997
Liabilities and Net Assets	
Accounts payable	$ 8,046
Liabilities under split-interest agreements	11,770
Amounts held for others	4,933
Long-term debt	92,876
Other liabilities	1,551
Total liabilities	119,176
Commitments and contingencies	
Net assets	
Without donor restrictions	2,945
With donor restrictions	706,876
Total net assets	709,821
Total liabilities and net assets	$ 828,997

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

University of Hawaiʻi
State of Hawaiʻi
(A Component Unit of the State of Hawaiʻi)
Statement of Revenues, Expenses, and Changes in Net Position – University of Hawaiʻi
Year Ended June 30, 2022
(All dollars reported in thousands)

Operating revenues	
Student tuition and fees	$ 400,605
Less: Scholarship allowances	132,479
Net student tuition and fees	268,126
Federal appropriations, grants and contracts	338,288
State and local grants and contracts	41,407
Nongovernmental sponsored programs	44,049
Sales and services of educational departments, other	30,367
Auxiliary enterprises	
Bookstores	10,224
Student housing, net of scholarship allowances of $26,829	26,829
Other auxiliary enterprises revenues	24,474
Other operating revenues	3
Total operating revenues	783,767
Operating expenses	
Compensation and benefits	1,091,105
Supplies, services, and cost of goods sold	181,567
Depreciation and amortization	143,957
Telephone and utilities	69,095
Scholarships and fellowships	86,571
Travel expenses	13,676
Repairs and maintenance	35,119
Rental expenses	6,468
Other operating expenses	28,802
Total operating expenses	1,656,360
Operating loss	(872,593)
Nonoperating revenues (expenses)	
State appropriations	497,862
Federal Pell grants	45,956
Federal CARES Act program	171,620
Private gifts	3,186
Net investment loss	(31,407)
Interest expense	(14,464)
Net transfers from State of Hawaiʻi	238,526
Loss on disposal of capital assets	(5,758)
Other, net	66
Net nonoperating revenues before capital and endowment additions	905,587
Capital – state appropriations	150,650
Capital – federal grants/subsidies	806
Capital – gifts and grants	1,866
Net transfers to State of Hawaiʻi for capital assets	(1,191)
Transfers from State of Hawaiʻi, Tobacco settlement	9,395
Transfers from State of Hawaiʻi, University of Hawaiʻi Cancer Center	6,918
Net transfers from other State agencies	141
Total other revenues	168,585
Net nonoperating revenues	1,074,172
Change in net position	201,579
Net position	
Beginning of year	(703,092)
End of year	$ (501,513)

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

Statement of Activities – University of Hawaiʻi Foundation

Year Ended June 30, 2022

(All dollars reported in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Contributions	$ 424	$ 139,293	$ 139,717
Fees, honoraria, royalties and other	4,505	1,386	5,891
Investment loss, net	(9,020)	(45,307)	(54,327)
Administrative fees	9,790	(9,790)	-
Fundraising events and projects	-	711	711
Net assets released from restrictions	48,645	(48,645)	-
Total revenue	54,344	37,648	91,992
Expenses			
Program services			
Extension and public services	994	-	994
Academic support	5,648	-	5,648
Research	6,803	-	6,803
Student aid and services	14,430	-	14,430
Faculty and staff support	3,243	-	3,243
Capital projects	2,422	-	2,422
Athletics	3,171	-	3,171
Special programs	10,004	-	10,004
Other	1,930	-	1,930
Total program services	48,645	-	48,645
Supporting services			
Administrative, management, and fiscal services	6,715	-	6,715
Development	8,417	-	8,417
Total supporting services	15,132	-	15,132
Total expenses	63,777	-	63,777
Change in net assets	(9,433)	37,648	28,215
Net assets at beginning of year	12,378	669,228	681,606
Net assets at end of year	$ 2,945	$ 706,876	$ 709,821

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

University of Hawaiʻi
State of Hawaiʻi
(A Component Unit of the State of Hawaiʻi)
Statement of Cash Flows – University of Hawaiʻi
Year Ended June 30, 2022
(All dollars reported in thousands)

Cash flows from operating activities	
Student tuition and fees	$ 268,906
Grants and contracts	414,344
Other revenues	85,809
Payments to employees	(890,643)
Payments to suppliers and other	(344,180)
Payments for scholarships and fellowships	(86,515)
Net cash used in operating activities	(552,279)
Cash flows from noncapital financing activities	
State appropriations	499,192
Gifts and grants for other than capital purposes	219,395
Net transfers from State of Hawaiʻi	5,934
Other disbursements	1
Net cash provided by noncapital financing activities	724,522
Cash flows from capital and related financing activities	
Capital appropriations	101,242
Capital gifts and grants	2,135
Purchases of capital assets	(112,012)
Proceeds from sale of capital assets	309
Principal paid on capital debt and equipment financing arrangements	(16,213)
Interest paid on capital debt and equipment financing arrangements	(20,910)
Transfer from State of Hawaiʻi for	
Tobacco Settlement	9,395
University of Hawaiʻi Cancer Center	6,918
Net cash used in capital and related financing activities	(29,136)
Cash flows from investing activities	
Interest and dividends on investments, net	4,329
Proceeds from sales and maturities of investments	209,770
Purchase of investments	(532,953)
Net cash used in investing activities	(318,854)
Net decrease in cash and cash equivalents	(175,747)
Cash and cash equivalents	
Beginning of year	296,267
End of year	$ 120,520

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

University of Hawaiʻi
State of Hawaiʻi
(A Component Unit of the State of Hawaiʻi)
Statement of Cash Flows – University of Hawaiʻi
Year Ended June 30, 2022
(All dollars reported in thousands)

Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (872,593)
Adjustments to reconcile operating loss to net cash used in operating activities	
On behalf payments by State for fringe benefits	232,603
Depreciation and amortization expense	143,957
Pension and other postretirement healthcare benefit expense	(45,573)
Bad debt expense, net	(2,479)
Changes in operating assets and liabilities	
Accounts receivable	(10,163)
Due from the Research Corporation of the University of Hawaiʻi, net	4,244
Notes receivable	390
Prepaid expenses and other assets	(61)
Accounts payable	(9,018)
Accrued payroll and fringe benefits	3,794
Accrued workers' compensation liability	(3,297)
Advances from sponsors	6,009
Other, net	(92)
Net cash used in operating activities	$ (552,279)
Supplemental information of noncash transactions	
Net transfers to State of Hawaiʻi for capital assets	$ (1,191)
Net transfers from other State agencies	131
Accounts payable for capital assets	19,350
Bond proceeds deposited immediately into escrow	231,950
Defeasance of outstanding revenue bond principal	230,955
Escrow funds used to fund capital asset additions	422

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 Hawaiʻi (the "University") include the activities of the University of Hawaiʻi at Mānoa, University of Hawaiʻi at Hilo ("UH-Hilo"), University of Hawaiʻi at West Oʻahu ("UH-West Oʻahu"), University of Hawaiʻi at Maui College, University of Hawaiʻi 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 Hawaiʻi (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, 2022, the net position of the Research Corporation was $9,572. 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 materiality.

The University of Hawaiʻi 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 relationship 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 16.

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's 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 Hawaiʻi Foundation, 1314 South King Street, Suite B, Honolulu, HI 96814.

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.

Similarly, the University is fiscally dependent upon the State of Hawaiʻi (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 annual comprehensive financial report ("ACFR").

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 Statement 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 the 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 Statement 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 Level 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 Hawaiʻi" in the accompanying Statement 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 of the University of Hawaii, 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.

Leases
The University has a policy to recognize a lease liability and a right-to-use lease asset (lease asset) in its financial statements. The University recognizes lease liabilities with an initial, individual value of $25,000 or more with a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

At the commencement of a lease, the University initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the University has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how the University determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The University uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the University generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the University is reasonably certain to exercise.

The University monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right-to-use along with other capital assets and lease liabilities are reported with long-term liabilities on the Statement of Net Position.

The University is a lessor for leases of special purpose facilities, office and commercial space, and land. The University recognizes leases receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance of the lessee or usage of the underlying asset should not be included in the measurement of the lease receivable.

At the commencement of a lease, the University initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the University determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The University uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The University monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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 and Deferred Inflows of Resources
Deferred outflows (inflows) of resources represent a consumption of (benefit to) net assets 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 and deferred inflow of resources related to pensions resulted from differences between expected and actual experiences on pension plan investments, changes in assumptions and changes in proportion on pension plan investments which will be amortized over the estimated average remaining service life of the plan members. The deferred outflow of resources and deferred inflow of resources related to postemployment benefits other than pension ("OPEB") resulted from differences between expected and actual experiences and changes in assumptions which will be amortized over the estimated remaining service life of the plan members. The net difference between projected and actual earnings on plan investments for both pension and OPEB resulted in a deferred outflow of resources which is amortized over five years. The State's contributions to the pension and OPEB plans subsequent to the measurement date of the actuarial valuations for the pension and OPEB plans which will be recognized as a reduction of the net pension liability 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 of the State of Hawaiʻi ("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 Hawaiʻi 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 financing.

Equipment Financing Obligations
Obligations for equipment acquired under financing arrangements 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 9 for more information regarding the University's equipment financing 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 13 for more information.

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 to 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, 2022 amounted to $474,503, of which $492,460 were restricted by enabling legislation for capital activity.

Operating and Nonoperating Activities

The University's policies for defining operating activities, as reported on the Statement 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 2022, the University received payments from the Higher Education Emergency Relief Fund and the Coronavirus 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, AROs, 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 9).

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 11 and 12.

The University records its estimated liability for certain costs associated with the future retirement of their telescopes. The assumptions used to determine the liabilities are described in Note 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.

Implementation of New Accounting Pronouncements

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases* ("GASB Statement No. 87"), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

The adoption of GASB Statement No. 87 resulted in the recording of lease assets, lease liabilities, lease receivables, and deferred inflows of resources related to leases at July 1, 2021, in accordance with the provisions of this Statement. Lease assets and lease liabilities of approximately $2,469 were reported as of July 1, 2021. Lease receivables and deferred inflows of resources related to leases of approximately $7,252 were reported at July 1, 2021. The adoption of Statement No. 87 did not result in a restatement of beginning net position.

GASB Statement No. 92

During fiscal year 2022, the State implemented GASB 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. This Statement did not have a material effect on University's financial statements.

GASB Statement No. 97
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 IRC Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. This Statement did not have a material effect on University's financial statements, upon implementation in fiscal year 2022.

Recently Issued Accounting Pronouncements

GASB Statement No. 94
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.

GASB Statement No. 96
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.

GASB Statement No. 99
The GASB issued Statement No. 99, *Omnibus*. 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. Certain requirements of this Statement are effective immediately while other requirements are effective for fiscal years beginning after June 15, 2022 and June 15, 2023, respectively. The University has not determined the effect this Statement will have on its financial statements.

GASB Statement No. 100
The GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023. The University has not determined the effect this Statement will have on its financial statements.

GASB Statement No. 101
The GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. The University has not determined the effect this Statement will have on its financial statements.

2. Cash and Investments

The carrying amount of cash and cash equivalents and time certificates of deposit held outside of the State Treasury as of June 30, 2022, classified as cash and cash equivalents and operating investments, was $120,520, with corresponding bank balances of $127,504. The portion of 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 $127,504 at June 30, 2022.

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, 2022.

- **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.

(All dollars reported in thousands)

The Hawaiʻi Uniform Prudent Management of Institutional Funds Act ("HUPMIFA"), established under Hawaiʻi Revised Statutes ("HRS") Section 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 year 2022, the University's spending rate policy provided for annual distributions at 4.05% of the trailing five-year moving average of the endowment fair value.

At June 30, 2022, the University's investments were comprised of the following**:**

	Fair Value	Cost
Cash and money market funds	$ 4,781	$ 4,781
Fixed income securities	595,437	614,186
Equity securities	61,808	53,384
Other investments	1,297	1,297
Total investments	663,323	673,648
Less: Current portion	557,993	575,157
Total noncurrent investments	$ 105,330	$ 98,491

(All dollars reported in thousands)

Changes in the University's investments for the year ended June 30, 2022 were as follows:

	Fair Value	Cost Basis	Net Unrealized Gain (Loss)	Net Realized Gain (Loss)
University Endowment Pool				
End of year	$ 80,244	$ 74,017	$ 6,227	
Beginning of year	96,721	72,235	24,486	
Net change	(16,477)	1,782	(18,259)	$ 2,271
Associated Students of the University of Hawaiʻi				
End of year	9,443	8,819	624	
Beginning of year	11,297	8,908	2,389	
Net change	(1,854)	(89)	(1,765)	(15)
School of Medicine				
End of year	2,446	2,446	-	
Beginning of year	2,447	2,447	-	
Net change	(1)	(1)	-	-
University Bond System				
End of year	11,900	11,912	(12)	
Beginning of year	20,230	20,232	(2)	
Net change	(8,330)	(8,320)	(10)	-
Operating investments				
End of year	557,993	575,157	(17,164)	
Beginning of year	244,317	243,061	1,256	
Net change	313,676	332,096	(18,420)	71
Other				
End of year	1,297	1,297	-	
Beginning of year	1,297	1,297	-	
Net change	-	-	-	-
Total investments				
End of year	663,323	673,648	(10,325)	
Beginning of year	376,309	348,180	28,129	
Net change	$ 287,014	$ 325,468	$ (38,454)	$ 2,327

(All dollars reported in thousands)

Net investment income for the year ended June 30, 2022 was as follows:

Summary of net investment loss	
Change in unrealized net loss	$ (38,454)
Net realized gain	2,327
	(36,127)
Interest and dividend income	5,423
Investment income before management fees	(30,704)
Less: Management fees	703
Net investment loss	$ (31,407)

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, 2022 as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Investments Not Categorized Within the Fair Value Hierarchy
Cash and money market funds	$ 4,781	$ 4,781	$ -	$ -
Fixed income securities	595,437	425,942	169,495	-
Equity securities	61,808	61,808	-	-
Other investments	1,297	-	-	1,297
Total investments	$ 663,323	$ 492,531	$ 169,495	$ 1,297

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 or security prices. Market risk is directly impacted by the volatility and liquidity of the markets in which the related underlying assets are traded. Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. The University's risk of loss in the event of counterparty default is typically limited to the amounts recognized in the Statement of Net Position and is not represented by the contract or notional amounts of the instruments.

(All dollars reported in thousands)

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% of the total fixed income portion of the portfolio. Individual equities are limited to not more than 4.0% of the total market value of the stock portfolio. In addition, investment in any one stock is not to exceed 1.0% 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% of the fixed income investments may be lower than investment grade.

The composition of fixed income securities at June 30, 2022, along with credit quality ratings, is summarized below:

		Credit Quality Rating						
		U.S. Govt-Exempt	AAA	AA	A	BBB	BB or Lower	Unrated
Money market funds	$ 1,165	$ -	$ 1,165	$ -	$ -	$ -	$ -	$ -
U.S. Treasury	425,942	425,942	-	-	-	-	-	-
U.S. government agencies	158,153	2,489	-	155,664	-	-	-	-
Corporate bonds	11,342	-	227	1,199	4,385	5,317	214	-
Total fixed income securities	$ 596,602	$ 428,431	$ 1,392	$ 156,863	$ 4,385	$ 5,317	$ 214	$ -

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.

(All dollars reported in thousands)

At June 30, 2022, the composition of the University's fixed income investments and maturities is summarized below:

		Investment Maturities (in Years)			
	Fair Value	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
Money market funds	$ 1,165	$ 1,165	$ -	$ -	$ -
U.S. Treasury	425,942	218,319	204,685	813	2,125
U.S. government agencies	158,153	6,118	148,896	217	2,922
Corporate bonds	11,342	975	5,433	2,961	1,973
Total fixed income securities	$ 596,602	$ 226,577	$ 359,014	$ 3,991	$ 7,020

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, 2022, the University's exposure to foreign currency risk expressed in U.S. dollars was not significant.

3. Accounts Receivable

The composition of accounts receivable, net of allowance for uncollectible receivables, of $35,508 at June 30, 2022 is summarized as follows:

U.S. government	$ 75,353
State and local government	8,753
Private agencies	11,451
Student tuition and fees	4,621
Other	7,870
	$ 108,048

At June 30, 2022, private agency receivables from the Foundation were $5,567. Private grant revenue from the Foundation approximated $16,010 during fiscal year 2022.

The University has an agreement with the Foundation to receive fundraising and alumni services through June 30, 2022. The annual compensation under this agreement amounted to $3,000 for fiscal year 2022. The service expense was paid in full as of the year ended June 30, 2022, and is reported in supplies, services, and cost of goods sold in the accompanying financial statements.

(All dollars reported in thousands)

4. U.S. Government Funding

The federal government reimburses the University for certain overhead costs (e.g., facilities and administrative costs) incurred in support of federally-sponsored programs based on cost reimbursement rates negotiated with the University's cognizant agency, the U.S. Department of Health and Human Services. The reimbursement amounted to approximately $58,816 in 2022 and is 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.

5. Direct Loan Programs

During the year ended June 30, 2022, the University distributed $114,512 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.

6. Other Current Assets

Other current assets at June 30, 2022 were comprised of:

Accrued interest receivable	$	1,279
Inventories		5,515
Investment trade settlements receivable		4
Short term lease receivable		1,010
Prepaid expenses		11,837
	$	19,645

(All dollars reported in thousands)

The inventories and the methods of valuation at June 30, 2022 are summarized below:

University of Hawaiʻi Bookstore merchandise inventory	Lower of cost or market using the first-in, first-out retail inventory method.	$ 2,594
University of Hawaiʻi Chemistry Stockroom	Cost applied on the first-in, first-out basis.	1,269
University of Hawaiʻi Facilities Management Warehouse	Cost applied on the first-in, first-out basis.	896
University of Hawaiʻi Press merchandise inventory	Job order or specific identification method. Books remaining in the inventory after the first year of publication are written off on the straight-line basis over a five-year period.	642
University of Hawaiʻi other inventory	Lower of cost or market using the weighted average cost method.	114
		$ 5,515

7. Capital Assets

A summary of capital assets, including lease assets at June 30, 2022 is as follows:

	Beginning Balance As Restated	Additions	Deductions	Transfers	Ending Balance
Nondepreciable capital assets					
Land	$ 73,279	$ -	$ -	$ 1,505	$ 74,784
Construction in progress	211,300	80,573	896	(156,563)	134,414
Total capital assets not being depreciated	284,579	80,573	896	(155,058)	209,198
Depreciable capital assets					
Land improvements	165,448	1,480	-	12,467	179,395
Infrastructure	282,371	1,709	-	17,872	301,952
Buildings	2,819,243	11,919	19,735	123,211	2,934,638
Equipment	403,994	16,427	12,179	1,508	409,750
Library materials	180,455	1,211	-	-	181,666
Total capital assets being depreciated	3,851,511	32,746	31,914	155,058	4,007,401
Less: Accumulated depreciation	1,955,124	142,688	26,743	-	2,071,069
Leased assets					
Buildings	2,469	-	-	-	2,469
Total leased assets	2,469	-	-	-	2,469
Less: Accumulated amortization					
Buildings	-	989	-	-	989
Capital assets, net	$ 2,183,435	$ (30,358)	$ 6,067	$ -	$ 2,147,010

(All dollars reported in thousands)

Capital assets consist of land, land improvements, infrastructure, buildings, equipment, library materials, and construction in progress ("CIP"). 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 $143,677 during fiscal year 2022.

8. Due from and Due to the State of Hawaiʻi

Amounts due from and due to the State of Hawaiʻi at June 30, 2022 were as follows:

	Due from	Due to
State appropriations for current operations	$ 2,847	
State capital appropriations – noncurrent	510,709	
Total due from State of Hawaiʻi	$ 513,556	
Imprest/petty cash advances		$ 65
Advance		6,000
Employee fringe adjustments		52
Total due to State of Hawaiʻi		$ 6,117

9. Long-Term Liabilities

Long-term liability activities for the years ended June 30, 2022 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable					
Revenue bonds payable	$ 454,005	$ -	$ 17,040	$ 436,965	$ 20,200
Other liabilities					
Workers' compensation	15,457	3,199	4,471	14,185	3,930
Accrued vacation	90,751	28,494	33,666	85,579	38,311
Net pension liability (Note 11)	1,889,437	128,182	541,001	1,476,618	-
Postemployment health care/life insurance benefits (Note 12)	1,699,884	23,217	87,490	1,635,611	-
Equipment financing obligations	25,492	2,432	1,605	26,319	1,847
Total other liabilities	3,721,021	185,524	668,233	3,238,312	44,088
Total long-term liabilities	$ 4,175,026	$ 185,524	$ 685,273	$ 3,675,277	$ 64,288

(All dollars reported in thousands)

Revenue Bonds Payable

The University's revenue bonds payable at June 30, 2022 is as follows:

	Series	Date Issued	Authorized	2022
Hilo College of Pharmacy and Law School Expansion and Modernization (interest rate, 1.0% to 4.7%)	2015A	September 24, 2015	$ 8,575	$ 7,470
Frear Hall Construction, Student Housing System at Mānoa, Food Service System and Student Housing System at Hilo (interest rate, 3.0% to 5.0%)	2015B(R)	September 24, 2015	47,010	47,010
Frear Hall Construction, Student Housing System at Mānoa, Food Service System and Student Housing System at Hilo (interest rate, 0.8% to 3.0%)	2015C(R)	September 24, 2015	17,585	1,020
University Health & Wellness Center (interest rate, 0.8% to 2.8%)	2015D(R)	September 24, 2015	25,715	-
University Health & Wellness Center (interest rate, 5.0%)	2015E(R)	April 20, 2016	67,400	66,000
Sinclair Library Basement Renovation (interest rate, 2.0% to 5.0%)	2017A	December 28, 2017	3,990	3,155
University Health & Wellness Center (interest rate, 3.0%)	2017B	December 28, 2017	12,040	12,040
University Health & Wellness Center (interest rate, 3.28% to 3.38%)	2017C	December 28, 2017	4,110	4,110
Frear Hall Construction, Student Housing System at Mānoa, Student Housing System at Hilo (interest rate, 3.0%)	2017D	December 28, 2017	13,185	13,185
Frear Hall Construction, Student Housing System at Mānoa, Food Service System and Student Housing System at Hilo (interest rate, 3.28% to 3.65%)	2017E	December 28, 2017	4,450	4,450
Various acquisition and construction projects (interest rate, 5.0%)	2017F	December 28, 2017	52,275	47,800
Various acquisition and construction projects (interest rate, 2.10% to 3.85%)	2017G	December 28, 2017	20,745	18,355
Parking facilities at Mānoa (interest rate, 0.539% to 3.203%)	2020A	October 28, 2020	10,045	9,620
University of Hawaiʻi Cancer Center (interest rate, 3.0% to 5.0%)	2020B	October 28, 2020	44,555	42,200
University of Hawaiʻi Cancer Center (interest rate, 2.272% to 3.203%)	2020C	October 28, 2020	54,300	54,300
Various acquisition and construction projects (interest rate, 3.0% to 5.0%)	2020D	October 28, 2020	77,135	75,120
Various acquisition and construction projects (interest rate, 3.203%)	2020E	October 28, 2020	31,130	31,130
			$ 494,245	$ 436,965

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), 2020E ($31,130, taxable refunding) for the purpose of financing the costs of a University project and refunding previously issued bonds. All Series 2020 bonds were delivered on October 28, 2020. Total premium for the Series 2020 Bonds approximated $25,710. The proceeds of the Series 2020A Bonds will be used to renovate and repair parking facilities at the University's Mānoa campus.

The proceeds of the Series 2020B, 2020C, 2020D and 2020E bonds were used to prepay and redeem the Series 2010A-1 and 2010B-1 University Revenue Bonds. During the year ended June 30, 2021, $230,955 of bonds outstanding from the Series 2010A-1 and 2010B-1 University Revenue Bonds were considered defeased. The defeasance resulted in an accounting gain of $44,017 and an economic gain (difference between the present values of the debt service payment on the old and new debt) of $35,207. Deferred loss on refunding for Series 2020 Bonds amounted to $612 at June 30, 2022. The coupon interest rates of the Series 2020 Bonds range from 0.539% to 5.0% (the first interest payment was paid on April 1, 2021) with the last maturity on October 1, 2040.

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 $4,310 at June 30, 2022. The coupon interest rates for the Series 2017 Bonds range from 2.0% to 5.0% (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 $4,690 at June 30,

2022. 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% to 5.0% (first interest payment due on April 1, 2016) with the last maturity on October 1, 2044.

The University receives funds from the State of Hawaiʻi 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 Hawaiʻi Tobacco Settlement Special Fund for debt service amounted to $9,395 in 2022.

The revenue bonds are paid from certain unrestricted revenues in annual installments, including semi-annual interest payments ranging from $12 to $9,106 with the final payment due in October 2044. Interest on the Series 2015, 2017 and 2020 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 2015, 2017 and 2020 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% 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.

(All dollars reported in thousands)

At June 30, 2022, future maturities of revenue bonds are as follows:

Years ending June 30,	**Principal**	**Interest**
2023	$ 20,200	$ 17,741
2024	21,155	16,778
2025	22,150	15,772
2026	23,210	14,701
2027	23,320	13,584
2028–2032	135,315	51,361
2033–2037	120,865	23,497
2038–2042	69,285	4,801
2043–2045	1,465	105
	$ 436,965	$ 158,340

Bond Premiums

Activity related to the premiums on revenue bonds for the year ended June 30, 2022 is as follows:

	Series	**Beginning Balance**	**Additions**	**Reductions**	**Ending Balance**
Student Housing	2015B(R)	$ 3,956	$ -	$ 336	$ 3,620
John A. Burns School of Medicine	2015E(R)	4,919	-	680	4,239
Sinclair Library basement renovation	2017A	358	-	47	311
John A. Burns School of Medicine	2017B	192	-	26	166
Student Housing	2017D	82	-	10	72
Student Housing	2017F	7,175	-	689	6,486
University of Hawaiʻi Cancer Center	2020B	8,621	-	1,470	7,151
Various construction projects	2020D	14,860	-	1,795	13,065
Total bond premiums		$ 40,163	$ -	$ 5,053	$ 35,110

Equipment Financing Obligations

In November 2017, the University entered into two tax-exempt purchase agreements with a Company to purchase energy conservation equipment for Honolulu, Kapiʻolani, 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%. 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%. Upon failure to pay any rental payment within the 15 days following the due date, the vendor may demand full payment and/or retake possession of the equipment.

(All dollars reported in thousands)

At June 30, 2022, future minimum finance payments required under the equipment financing agreements are as follows:

	Principal	Interest
Years ending June 30,		
2023	$ 1,847	$ 609
2024	1,838	566
2025	1,999	519
2026	2,170	468
2027	2,350	412
2028–2032	16,115	1,079
	$ 26,319	$ 3,653

10. Leases

The University leases certain properties to other users. Such property includes special purpose facilities, office space, and commercial space. The lease receivable consists of agreements with others for the right to use the underlying assets at various locations owned by the University. The terms of the arrangements range from 2 to 20 years. The calculated interest rates used vary depending on the length of the lease. For the year ended June 30, 2022, the University recognized $1,191 in lease revenue and $227 in interest revenue.

A summary of changes in lease receivable for the year ended June 30, 2022 is as follows:

Beginning Balance	Additions	Deletion	Ending Balance	Due within One Year	Due in More Than One Year
$ 7,235	$ -	$ -	$ 7,235	$ 1,010	$ 6,225

Lease receivable is due in the upcoming years as follows:

	Principal
Years ending June 30,	
2023	$ 1,010
2024	960
2025	614
2026	537
2027	516
2028–2032	2,704
2033–2034	894
	$ 7,235

11. 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 Hawaiʻi ("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.

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% to 2.25%) 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% increase each year of their original retirement allowance without a ceiling. Retirees first hired as members after June 30, 2012 receive a 1.5% 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% 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% of their average final compensation. Ten years of credited service are 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% of average final compensation.

- Death Benefits – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30.0% 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 100.0% 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% 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% of their average final compensation. Ten years of credited service are required for ordinary disability. Ordinary disability benefits are determined as 1.75% 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% 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% 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% 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 100.0% 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% 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% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service are 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% 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% of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service are 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% 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% 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 five years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 150.0%, or 50.0% 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 100.0% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Hybrid Class for Members Hired After June 30, 2012

- Retirement Benefits – General employees' retirement benefits are determined as 1.75% 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, or 50.0% 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 100.0% 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 24.1% for fiscal year 2022. Contributions to the pension plan for the University for the year ended June 30, 2022 were $150,000.

(All dollars reported in thousands)

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 24.0% on July 1, 2020, and remained unchanged on July 1, 2022.

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% of their salary. Contributory members hired after June 30, 2012 are required to contribute 9.8% of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

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

At June 30, 2022, the University reported a liability of $1,476,618 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 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, 2021, the University's proportion was 12.10%, which was a decrease of 0.24% from its proportion at June 30, 2020.

There was no change in actuarial assumptions as of June 30, 2021.

There were no changes between the measurement date, June 30, 2021, and the reporting date, June 30, 2022, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the year ended June 30, 2022, the University recognized pension expense of $128,182.

At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 41,274	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	250,771
Change in assumptions	4,071	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	220	73,643
Contributions subsequent to the measurement date	150,000	-
Total deferred inflows and outflows of resources	$ 195,565	$ 324,414

(All dollars reported in thousands)

At June 30, 2022, the $150,000 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, 2023.

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

Years ending June 30,	
2023	$ (61,867)
2024	(60,632)
2025	(69,559)
2026	(85,882)
2027	(909)
	$ (278,849)

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation 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 covering 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

There were no changes to ad hoc postemployment benefits including cost of living allowances.

Post-retirement mortality rates are based on the 2019 Public Retirees of Hawaii mortality table with adjustments based on generational projections of the BB projection table for 2019 and full generational projections in future years. Pre-retirement mortality rates are based on multiples of the Pub-2010 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.

(All dollars reported in thousands)

The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
Strategic Allocation (risk-based classes)		
Broad growth	63.0 %	7.10 %
Principal protection	37.0 %	3.70 %
	100.0 %	

Discount Rate

The discount rate used to measure the net pension liability was 7.0%, 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%, for the measurement date, June 30, 2021, 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%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
The University's proportionate share of the net pension liability	$ 2,014,046	$ 1,476,618	$ 1,033,540

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.

Payable to the Pension Plan
The University's employer contributions payable to the ERS for fiscal year 2022 were paid by June 30, 2022. Excess payments of $36,920 are being applied to amounts due in fiscal year 2022.

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 $232,603 for fiscal year 2022.

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, 2022, accumulated sick leave approximated $481,205.

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 $3,233 for fiscal year 2022.

(All dollars reported in thousands)

12. 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 Hawaiʻi Employer-Union Health Benefits Trust Fund ("EUTF"), an agent, multiple-employer defined benefit plan that replaced the Hawaiʻi 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:

Hawaii Employer-Union Health Benefits Trust Fund
P.O. Box 2121
Honolulu, Hawaii 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% 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 10 years of service, the State makes no contributions. For those retiring with at least 10 years, but fewer than 15 years of service, the State pays 50.0% 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% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100.0% 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 10 years of service, the State makes no contributions. For those retiring with at least 10 years, but fewer than 15 years of service, the State pays 50.0% 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% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100.0% 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, 2021, the following number of plan members was covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	38,534
Inactive plan members entitled to but not yet receiving benefits	7,539
Active plan members	49,700
Total plan members	95,773

(All dollars reported in thousands)

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan for the University were $66,555 the year ended June 30, 2022. 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, 2022, the University reported a net OPEB liability of $1,635,611 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2021 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, 2021, and the reporting date, June 30, 2022, that are expected to have a significant effect on the net OPEB liability.

For the year ended June 30, 2022, the University recognized OPEB expense of approximately $30,389. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 8,924	$ 128,707
Net difference between projected and actual earnings on OPEB plan investments		2,381
Contributions subsequent to the measurement date	63,192	-
Total deferred inflows and outflows of resources	$ 72,116	$ 131,088

At June 30, 2022, the approximate $63,192 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, 2023.

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

Years ending June 30,	
2023	$ (28,546)
2024	(28,426)
2025	(27,705)
2026	(31,077)
2027	(6,391)
Thereafter	(19)
	$ (122,164)

(All dollars reported in thousands)

Actuarial Assumptions

The total OPEB liabilities were determined by the EUTF Board of Trustees' adoption of the following actuarial assumptions based on the five-year experience study conducted for the ERS:

Actuarial valuation date	July 1, 2021
Date of adoption	January 13, 2020
Five-year experience study end date	June 30, 2018
Inflation	2.50%
Payroll growth rate (including inflation)	3.50% to 7.00%
Investment rate of return	7.00%
PPO*	
Initial rates	7.25%
Rate to which the cost trend rate is	
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	4.70%
Number of years that the rate reaches the ultimate trend rate	12
HMO*	
Initial rates	7.25%
Ultimate trend rate	4.70%
Number of years that the rate reaches the ultimate trend rate	12
Medicare Part B Contribution	
Initial rates	5.00%
Ultimate trend rate	4.70%
Number of years that the rate reaches the ultimate trend rate	9
Dental	
Ultimate trend rate	4.00%
Vision	
Ultimate trend rate	2.50%
Life Insurance	
Rate	0.00%

* Blended rates for medical and prescription drugs.

Mortality rates are based on system-specific mortality tables utilizing scale BB to project generational mortality improvement.

(All dollars reported in thousands)

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:

	Long-Term Target Allocation	Long-Term Expected Real Rate of Return
Strategic Allocation (risk-based classes)		
Private equity	12.50 %	10.19 %
U.S. microcap	6.00 %	7.62 %
U.S. equity	16.00 %	6.09 %
Non-U.S. equity	11.50 %	7.12 %
Global options	5.00 %	4.33 %
Real assets	10.00 %	6.16 %
Private credit	8.00 %	5.83 %
TIPS	6.00 %	(.07)%
Long treasuries	5.00 %	1.06 %
Alternative risk premia	5.00 %	1.46 %
Trend following	10.00 %	2.01 %
Reinsurance	5.00 %	4.44 %
	100.00 %	

Single Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%, based on the expected rate of return on OPEB plan investments of 7.00%. 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. In July 2020, the Governor's office issued the Tenth Proclamation related to the COVID-19 Emergency, allowing employers of the EUTF to suspend ACT 268 contributions for the year ending June 30, 2021 and instead limit their contribution amounts to the OPEB benefits due. This relief provision related to OPEB funding was extended to fiscal years 2022 and 2023 by ACT 229, SLH 2021. The OPEB plan's fiduciary net position is expected to be available to make all projected future benefit payments of current 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.

(All dollars reported in thousands)

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 date, July 1, 2021.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance	$ 2,123,973	$ 424,089	$ 1,699,884
Service cost	12,767	-	12,767
Interest on the total OPEB liability	42,381	-	42,381
Employer contributions	-	66,555	(66,555)
Net investment income	-	34,889	(34,889)
Benefit payments	(19,368)	(19,368)	-
Difference between expected and actual experience in the measurement of total OPEB liability	(17,988)	-	(17,988)
Administrative expense	-	(18)	18
Other	-	7	(7)
Net changes	17,792	82,065	(64,273)
Ending balance	$ 2,141,765	$ 506,154	$ 1,635,611

(All dollars reported in thousands)

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%, for the measurement date, July 1, 2021, 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%) or one percentage point higher (8.00%) than the current discount rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
The University's proportionate share of the net OPEB liability	$ 2,023,164	$ 1,635,611	$ 1,329,827

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:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
The University's proportionate share of the net OPEB liability	$ 1,313,320	$ 1,635,611	$ 2,051,915

Payables to the OPEB Plan

The University's employer contributions payable to the EUTF by fiscal year-end was paid by June 30, 2022.

13. 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 Hawaiʻi 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.

(All dollars reported in thousands)

The ARO liability at June 30, 2022 was $10,734 and is included in other noncurrent liabilities in the University's Statement of Financial Position. Deferred outflows of resources related to AROs amounted to $3,087 at June 30, 2022.

14. 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 Hawaiʻi ("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.

Net general and capital appropriations for the year ended June 30, 2022 were as follows:

General appropriations	
Act 88, SLH 2021, Appropriation Warrant No. 10	$ 498,155
	498,155
Total funds lapsed	(418)
Total general appropriations	$ 497,737
Capital appropriations	
Section 26, Act 88, SLH 2021	$ 160,350
Sections 26 & 39, Act 88, SLH 2021	125
Total funds lapsed	(9,825)
Total capital appropriations	$ 150,650

Net transfers from the State for the year ended June 30, 2022 were as follows:

Fringe benefits	$ 232,603
Hawaiʻi Barrel Tax	2,054
School of Nursing	79
University of Hawaiʻi Cancer Center	3,790
	$ 238,526

15. Litigation, Other Contingent Liabilities, and Commitments

HRS Section 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 Hawaiʻi to the United States which were re-conveyed to the State upon Hawaiʻi'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 ACFR that includes financial statements and required supplementary information which may be obtained from the following address:

State of Hawaii Department of Accounting and General Services
1151 Punchbowl Street
Honolulu, Hawaii 96813

Although the ultimate outcome and financial impact to the University of these OHA matters are not presently known, the University has had an understanding 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 activity in connection with this understanding. 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 $370,696 as of June 30, 2022.

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 continues to explore all options.

Collective Bargaining Agreements
The Hawaiʻi State Constitution, under Article XIII, Section 2, grants certain public employees in the State the right to organize for the purpose of collective bargaining as provided by law. HRS Chapter 89 provides 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 Section 89-6(a), 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 November 2, 2022 is as follows:

- Unit 1 (nonsupervisory employees in blue collar positions) – 468
- Unit 2 (supervisory employees in blue collar positions) – 12
- Unit 3 (nonsupervisory employees in white collar positions) – 446
- Unit 4 (supervisory employees in white collar positions) – 35
- Unit 7 (faculty of the University and community colleges) – 3,308
- Unit 8 (personnel of the University and community colleges other than faculty) – 2,282
- Unit 9 (registered professional nurses) – 7
- Unit 10 (institutional, health, and correctional workers) – 1

(All dollars reported in thousands)

The civil service employees working at the University are included in Units 1, 2, 3, 4, 9 and 10. The University's employees who are exempt from civil service are considered Board appointees, and include faculty members, who are included in Unit 7, and administrative, professional and technical 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 Section 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, as applicable. Some employees (for example, 89-day contractual hires or those working less than half-time) are not parties to any bargaining unit under HRS Chapter 89.

All Units at the University have four-year CBAs that are effective from July 1, 2021 through June 30, 2025. All CBAs have a reopener for the final two years of the contract solely on the issue of the employer's contribution to health insurance premiums (EUTF); the deadline to reopen EUTF negotiations for all Units is January 31, 2023. A summary of salary and other adjustments, and their effective dates, over the course of the CBAs for each unit is below:

BU	7/1/2021	7/1/2022	9/1/2022	10/1/2022	7/1/2023	7/1/2024
1	$1,000 (lump sum)	—	—	3.72%	5%	5%
2	1% (lump sum)	3.72%	—	—	5%	5%
3	$1,000 (lump sum)	—	—	3.72%	5%	5%
4	1% (lump sum)	3.72%	—	—	4.96%	5%
7	1% (lump sum for Faculty Members)	3.72%	—	—	5%	5%
8	1% (lump sum)	3.72%	—	—	5%	5%
9	1% (lump sum)	3%	—	—	4.1%	3.4%
10	$1,000 (lump sum)	—	2.94%	—	5%	5%

(All dollars reported in thousands)

16. Foundation Disclosures

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, 2022 were as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Not Categorized Within the Fair Value Hierarchy
Domestic equities	$ 38,959	$ 35,092	$ -	$ -	$ 3,867
Fixed income securities	166,366	113,057	53,309	-	-
Foreign equities	87,384	40,763	-	-	46,621
Money market funds	60,340	60,340	-	-	-
Natural resources/real estate	31,280	-	-	9,978	21,302
Hedge funds	175,909	2,917	-	-	172,992
Private equity securities	67,157	-	-	105	67,052
Total investments	$ 627,395	$ 252,169	$ 53,309	$ 10,083	$ 311,834

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 $38,910 at June 30, 2022.

- **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.

Long-term Debt

On April 20, 2017, the Foundation entered into a 10-year $13.2 million acquisition and construction credit facility (the “Loan”) for the purchase and renovation of the Charles Atherton House and the Mary Atherton Richards House (the “Atherton property”). The Loan was secured by the fee simple interest and improvements on the Atherton property, along with an assignment of a long-term lease and rents due thereunder from the University. Under terms of the credit facility, interest-only payments were required for the first 36 months at a fixed rate of 3.00% and, thereafter, monthly installments of principal and interest, based on a 25-year amortization schedule, at a fixed rate of 4.00% through the remaining term of the Loan. On May 1, 2020, the terms of the credit facility were modified to interest-only payments for 36 months at a fixed rate of 3.65%.

On July 21, 2021, the Foundation repaid the Loan.

In November 2021, the Public Finance Authority issued revenue bonds totaling $91,915 comprising Series 2021A-1 ($62,205 tax-exempt), Series 2021A-2 ($14,210 taxable) and Series 2021B ($15,500 tax-exempt). The Authority then loaned the proceeds of the bonds to the Foundation for the construction of a new student housing facility. Total premium for the Series 2021 bonds was $3,390.

The revenue bonds are paid from project revenues and restricted cash in annual installments, including semiannual interest payments ranging from $373 to $1,244 with the final payment due in July 2061.

(All dollars reported in thousands)

The Foundation entered a continuing disclosure agreement for the benefit of revenue bondholders, it agreed to provide certain financial information and operating data relating to the Foundation with respect to its revenue bonds to the Municipal Securities Rulemaking Board. The Foundation, based on consultation with its bond counsel and bond underwriter, has complied in all material respects with the continuing disclosure requirements. As of June 30, 2022, the Foundation is in compliance with the covenants in its debt agreements, including financial ratios and other restrictions.

The Foundation’s revenue bonds payable on June 30, 2022 is as follows:

Series	Interest Rate	Date Issued	Amount
2021A-1	4.00 %	11/1/2021	$ 62,205
2021A-2	4.85 %	11/1/2021	2,730
2021A-2	5.35 %	11/1/2021	11,480
2021B	5.25 %	11/1/2021	15,500
			91,915
Unamortized premium on bonds			3,328
Less: Unamortized debt issuance costs			(2,367)
Long-term debt, net unamortized debt issuance costs			$ 92,876

At June 30, 2022, future maturities of revenue bonds are as follows:

Years ending June 30,	
2023	$ -
2024	-
2025	-
2026	-
2027	155
Thereafter	91,760
	$ 91,915

For the year ended June 30, 2022, the Foundation paid and capitalized interest cost of $2,373 to CIP recorded in property and equipment, net.

Required Supplementary Information Other Than Management's Discussion and Analysis

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Schedule of the Proportionate Share of the Net Pension Liability (Unaudited)
Last Ten Fiscal Years*
(All dollars reported in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportionate share of the net pension liability	12.10 %	12.34 %	12.64 %	12.73 %	12.73 %	12.75 %	13.11 %	13.60 %	13.75 %
Proportion of the net pension liability	$ 1,476,618	$ 1,889,437	$ 1,791,098	$ 1,695,800	$ 1,648,600	$ 1,704,470	$ 1,144,564	$ 1,089,882	$ 1,227,787
Covered payroll	$ 575,216	$ 606,426	$ 603,076	$ 591,759	$ 587,203	$ 569,235	$ 564,736	$ 550,758	$ 520,981
Proportionate share of the net pension liability as a percentage of its covered payroll	256.71 %	311.57 %	296.99 %	286.57 %	280.75 %	299.43 %	202.67 %	197.89 %	235.67 %
Plan fiduciary net position as a percentage of total net pension liability	64.25 %	53.18 %	54.87 %	55.48 %	54.80 %	51.28 %	63.42 %	63.92 %	57.96 %

* Information for 2013 is unavailable.

University of Hawaiʻi
State of Hawaiʻi
(A Component Unit of the State of Hawaiʻi)
Schedule of Pension Contributions (Unaudited)
Last Ten Fiscal Years*
(All dollars reported in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	$ 138,619	$ 147,213	$ 133,759	$ 115,001	$ 111,436	$ 98,865	$ 97,394	$ 93,949	$ 88,381
Contributions in relation to the contractually required contribution	138,619	147,213	133,759	115,001	111,436	$ 98,865	97,394	93,949	88,381
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 575,216	$ 609,194	$ 606,426	$ 603,076	$ 591,759	$ 587,203	$ 569,235	$ 564,736	$ 550,758
Contributions as a percentage of covered payroll	24.10 %	24.17 %	22.06 %	19.07 %	18.83 %	16.84 %	17.11 %	16.64 %	16.05 %

* Information for 2013 is unavailable.

1. Changes of Benefit Terms

There were no changes of benefit terms in 2022 through 2014.

2. Changes of Assumptions

There were no significant changes in actuarial assumptions in 2022, 2021, 2020, 2019 or 2018.

In fiscal year 2017, the discount rate for the June 30, 2016 actuarial valuation decreased by 0.65% from 7.65% to 7.00% 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% from 7.75% to 7.65%.

There were no significant changes in actuarial assumptions in 2015 and 2014.

University of Hawai‘i
State of Hawai‘i
(A Component Unit of the State of Hawai‘i)
Schedule of Changes in the Net OPEB Liability and Related Ratios (Unaudited)
Last Ten Fiscal Years*
(All dollars reported in thousands)

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	$ 12,767	$ 41,952	$ 42,039	$ 40,189	$ 31,124
Interest	42,381	134,717	132,510	124,435	94,505
Difference between expected and actual experience	(17,988)	(123,339)	(1,103)	(36,795)	-
Changes of assumptions	-	(10,099)	10,650	22,269	-
Benefit payments	(19,368)	(61,958)	(63,458)	(60,589)	(46,725)
Net change in total OPEB liability	17,792	(18,727)	120,638	89,509	78,904
Total OPEB liability – beginning	2,123,973	2,142,700	2,022,062	1,932,553	1,853,649
Total OPEB liability – ending	$ 2,141,765	$ 2,123,973	$ 2,142,700	$ 2,022,062	$ 1,932,553
Plan fiduciary net position					
Employer contributions	$ 66,555	$ 138,452	$ 139,980	$ 119,714	$ 92,918
Net investment income	34,889	7,393	12,727	13,793	9,303
Benefit payments	(19,368)	(61,958)	(63,458)	(60,589)	(46,725)
OPEB plan administrative expense	(18)	(52)	(87)	(45)	(23)
Other	7	46	29,480	-	747
Net change in plan fiduciary net position	82,065	83,881	118,642	72,873	56,220
Plan fiduciary net position – beginning	424,089	340,208	221,566	148,693	92,473
Plan fiduciary net position – ending	506,154	424,089	340,208	221,566	148,693
Net OPEB liability – ending	$ 1,635,611	$ 1,699,884	$ 1,802,492	$ 1,800,496	$ 1,783,860
Plan fiduciary net position as a percentage of OPEB liability	23.63 %	19.97 %	15.88 %	10.96 %	7.69 %
Covered-employee payroll	$ 575,216	$ 609,194	$ 606,426	$ 603,076	$ 591,759
Net OPEB liability as a percentage of covered-employee payroll	284.35 %	279.04 %	297.23 %	298.55 %	301.45 %

* Information for 2013–2017 is unavailable.

University of Hawaiʻi
State of Hawaiʻi
(A Component Unit of the State of Hawaiʻi)
Schedule of OPEB Contributions (Unaudited)
Last Ten Fiscal Years*
(All dollars reported in thousands)

	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 103,889	$ 45,460	$ 144,567	$ 134,898	$ 135,072
Contributions in relation to the actuarially required contribution	63,192	66,555	138,452	139,980	119,714
Contributions excess	$ 40,697	$ (21,095)	$ 6,115	$ (5,082)	$ 15,358
University's covered-employee payroll	$ 575,216	$ 609,194	$ 606,426	$ 603,076	$ 591,759
Contributions as a percentage of covered employee payroll	10.99 %	10.93 %	22.83 %	23.21 %	20.23 %

* Information for 2013–2017 is unavailable.

1. Changes of Benefit Terms

There were no changes of benefit terms in 2022 through 2018.

2. Changes of Assumptions

Actuarial assumption changes during the University's fiscal year 2022 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 12 of the financial statements.

Other Supplementary Information

Report of Independent Auditors on Supplemental Information

To the Board of Regents of the
University of Hawaiʻi

We have audited the financial statements of the University of Hawaiʻi as of and for the year ended June 30, 2022, and our report thereon dated December 2, 2022, which expressed an unmodified opinion, appears on pages 1 to 3. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information (Schedules I, II, III, IV, V, VI, VII, VIII, IX, X and XI) included hereinafter is presented for purposes of additional analysis and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Accuity LLP

Honolulu, Hawaiʻi
December 2, 2022

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University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Condensed Statement of Net Position
Condensed Statement of Revenues, Expenses, and Changes in Net Position
Current Unrestricted Funds Excluding General Fund
As of and for the Year Ended June 30, 2022
(All dollars reported in thousands) **Schedule I**

	2022
Condensed statement of net position	
Assets	
Current assets	$ 607,012
Noncurrent assets	1,428
Total assets	608,440
Deferred outflows of resources	
Deferred outflows on asset retirement obligation	980
Total deferred outflows of resources	980
Total assets and deferred outflows of resources	$ 609,420
Liabilities	
Current liabilities	$ 45,132
Noncurrent liabilities	13,038
Total liabilities	58,170
Net position	
Unrestricted	551,250
Total net position	551,250
Total liabilities and net position	$ 609,420
Condensed statement of revenues, expenses, and changes in net position	
Operating revenues	$ 423,665
Operating expenses	300,462
Operating income	123,203
Nonoperating revenues and transfers	43,822
Nonoperating expenses and transfers	88
Change in net position	166,937
Net position	
Beginning of year	384,313
End of year	$ 551,250

1. Basis of Presentation

The accompanying condensed statement of net position and related condensed statement of revenues, expenses, and changes in net position present the financial position and results of operations of certain of the University's Special and Revolving Funds, which are pledged as collateral on the University's Series 2015A, 2015B(R), 2015C(R), 2015D(R), 2015E(R), 2017A, 2017B, 2017C, 2017D, 2017E, 2017F, 2017G, 2020A, 2020B, 2020C, 2020D and 2020E revenue bonds, and are presented on the accrual basis of accounting. The financial information of the University of Hawaiʻi Foundation is not reflected in this schedule.

2. Employee Benefits

In accordance with University policy, the University's liability for other postemployment benefits ("OPEB") and deferred outflows and deferred inflows of resources related to OPEB ("OPEB benefits") are not allocated internally to individual departments and funds. Accordingly, OPEB benefits are not reflected in this schedule.

In accordance with University policy, the University's liability for pension benefits and deferred outflows and deferred inflows of resources related to pensions ("pension benefits") are not allocated internally to individual departments and funds. Accordingly, pension benefits are not reflected in this schedule.

University of Hawaiʻi
State of Hawaiʻi
(A Component Unit of the State of Hawaiʻi)
Schedule of Series 2002A University Bond Proceeds Activity
Year Ended June 30, 2022
(All dollars reported in thousands) **Schedule II**

	2022
Beginning balance	$ 2,447
Additions	
Interest and investment income	1
Total additions	1
Deductions	
Payments – building, construction in progress, other	-
Management fees	2
Total deductions	2
Ending balance	$ 2,446

1. Basis of Presentation

The accompanying schedule of Series 2002A University Bond proceeds activity presents the sources and uses of bond proceeds associated with the construction of the John A. Burns School of Medicine facility at Kakaʻako. The financial information of the University of Hawaiʻi Foundation is not reflected in this schedule.

2. Refinancing

In October 2006, the University refinanced a majority of the outstanding Series 2002A University Bonds through the issuance of Refunding Series 2006A University Bonds.

In September 2015, the University refinanced a portion of the outstanding Refunding Series 2006A University Bonds through the issuance of Series 2015D(R) and 2015E(R) revenue bonds. The Series 2015D(R) revenue bonds were delivered on September 24, 2015 and the forward delivery Series 2015E(R) revenue bonds were delivered on April 20, 2016.

In December 2017, the University refinanced the remainder of the outstanding Refunding Series 2006A University Bonds through the issuance of Series 2017B and 2017C revenue bonds.

Proceeds from the State's settlement agreement with tobacco companies are expected to be utilized to service the debt.

University of Hawaiʻi
State of Hawaiʻi
(A Component Unit of the State of Hawaiʻi)
Schedule of Series 2006A Revenue Bond Proceeds Activity
Year Ended June 30, 2022
(All dollars reported in thousands) **Schedule III**

	2022
Beginning balance	$ 4,217
Additions	
Interest and investment income	(11)
Total additions	(11)
Deductions	
Management fees	4
Total deductions	4
Ending balance	$ 4,202

1. Basis of Presentation

The accompanying schedule of Series 2006A revenue bond proceeds activity presents the sources and uses of bond proceeds associated with the construction of the Frear Hall dormitory at the Mānoa campus and repair and maintenance of various housing projects on the Mānoa and Hilo campuses. The financial information of the University of Hawaiʻi Foundation is not reflected in this schedule.

2. Refinancing

In September 2015, the University refinanced a portion of the outstanding Series 2006A revenue bonds through the issuance of Series 2015B(R) and 2015C(R) revenue bonds.

In December 2017, the University refinanced the remainder of the outstanding Series 2006A revenue bonds through the issuance of Series 2017D and 2017E revenue bonds.

University of Hawaiʻi
State of Hawaiʻi
(A Component Unit of the State of Hawaiʻi)
Schedule of Series 2009A Revenue Bond Proceeds Activity
Year Ended June 30, 2022
(All dollars reported in thousands) **Schedule IV**

	2022
Beginning balance	$ 1,628
Additions	
Interest and investment income	1
Total additions	1
Deductions	
Management fees	1
Total deductions	1
Ending balance	$ 1,628

1. Basis of Presentation

The accompanying schedule of Series 2009A revenue bond proceeds activity presents the sources and uses of bond proceeds associated with the financing of costs of certain University projects. The financial information of the University of Hawaiʻi Foundation is not reflected in this schedule.

2. Refinancing

In December 2017, the University refinanced a portion of the outstanding Series 2009A revenue bonds through the issuance of Series 2017F and 2017G revenue bonds.

Schedule of Series 2010A Revenue Bond Proceeds Activity
Year Ended June 30, 2022

(All dollars reported in thousands) **Schedule V**

	2010A-1	2010A-2
Balance at June 30, 2021	$ 117	$ 324
Additions		
Interest and investment income	-	-
Total additions	-	-
Deductions		
Payments − building, construction in progress, other	-	-
Total deductions	-	-
Balance at June 30, 2022	$ 117	$ 324

1. Basis of Presentation

The accompanying schedule of Series 2010A-1 and Series 2010A-2 revenue bond proceeds activity presents the sources and uses of the bond proceeds associated with construction and maintenance of the University of Hawaiʻi Cancer Center. The financial information of the University of Hawaiʻi Foundation is not reflected in this schedule.

2. Refinancing

In October 2020, the University refinanced the outstanding Series 2010A-1 revenue bonds through the issuance of Series 2020B and 2020C revenue bonds.

University of Hawaiʻi
State of Hawaiʻi
(A Component Unit of the State of Hawaiʻi)
Schedule of Series 2010B Revenue Bond Proceeds Activity
Year Ended June 30, 2022
(All dollars reported in thousands) **Schedule VI**

	2010B-1	2010B-2
Balance at June 30, 2021	$ 575	$ 886
Additions		
Interest and investment income	-	1
Total additions	-	1
Deductions		
Management fees	-	1
Total deductions	-	1
Balance at June 30, 2022	$ 575	$ 886

1. Basis of Presentation

The accompanying schedule of Series 2010B-1 and Series 2010B-2 revenue bond proceeds activity presents the sources and uses of the bond proceeds associated with 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 West Oʻahu campus, various energy conservation/efficiency projects on the community college campuses on Oʻahu and Maui, and the financing of costs of renovation and construction of other University projects. The financial information of the University of Hawaiʻi Foundation is not reflected in this schedule.

2. Refinancing

In October 2020, the University refinanced the outstanding Series 2010B-1 revenue bonds through the issuance of Series 2020D and 2020E revenue bonds.

University of Hawaiʻi
State of Hawaiʻi
(A Component Unit of the State of Hawaiʻi)
Schedule of Series 2015A Revenue Bond Proceeds Activity
Year Ended June 30, 2022
(All dollars reported in thousands) **Schedule VII**

		2022
Beginning balance	$	479
Additions		
Interest and investment income		-
Total additions		-
Deductions		
Payments – building, construction in progress, other		-
Management fees		-
Total deductions		-
Ending balance	$	479

1. Basis of Presentation

The accompanying schedule of Series 2015A revenue bond proceeds activity presents the sources and uses of bond proceeds associated with the UH-Mānoa Law School Expansion and Modernization Project and the UH-Hilo College of Pharmacy Project. The financial information of the University of Hawaiʻi Foundation is not reflected in this schedule.

University of Hawaiʻi
State of Hawaiʻi
(A Component Unit of the State of Hawaiʻi)
Schedule of Series 2017A Revenue Bond Proceeds Activity
Year Ended June 30, 2022
(All dollars reported in thousands) **Schedule VIII**

	2022
Beginning balance	$ 2,004
Additions	
Interest and investment income	-
Total additions	-
Deductions	
Payments – building, construction in progress, other	94
Management fees	2
Total deductions	96
Ending balance	$ 1,908

1. Basis of Presentation

The accompanying schedule of Series 2017A revenue bond proceeds activity presents the sources and uses of bond proceeds associated with renovations to the Sinclair Library basement on the Mānoa campus. The financial information of the University of Hawaiʻi Foundation is not reflected in this schedule.

University of Hawaiʻi
State of Hawaiʻi
(A Component Unit of the State of Hawaiʻi)
Schedule of Series 2020A Revenue Bond Proceeds Activity
Year Ended June 30, 2022
(All dollars reported in thousands) **Schedule IX**

		2022
Beginning balance	$	10,001
Additions		
Bond proceeds		-
Interest and investment income		7
Total additions		7
Deductions		
Payments – building, construction in progress, other		8,222
Management fees		5
Total deductions		8,227
Ending balance	$	1,781

1. Basis of Presentation

The accompanying schedule of Series 2020A revenue bond proceeds activity presents the sources and uses of bond proceeds associated with the renovation and repair to the parking facilities on the Mānoa campus. The financial information of the University of Hawaiʻi Foundation is not reflected in this schedule.

University of Hawai‘i
State of Hawai‘i
(A Component Unit of the State of Hawai‘i)
Condensed Statement of Net Position
Condensed Statement of Revenues, Expenses, and Changes in Net Position
University Bond System
As of and for the Year Ended June 30, 2022
(All dollars reported in thousands) **Schedule X**

	2022
Condensed statement of net position	
Assets and deferred outflows of resources	
Current assets	$ 122,586
Capital assets, net	409,606
Other assets	11,900
Total assets	544,092
Deferred outflows of resources	9,612
Total deferred outflows of resources	9,612
Total assets and deferred outflows of resources	$ 553,704
Liabilities	
Current liabilities	$ 30,508
Noncurrent liabilities	451,875
Total liabilities	482,383
Net position	
Net investment in capital assets	(41,958)
Restricted expendable	1,039
Unrestricted	112,240
Total net position	71,321
Total liabilities and net position	$ 553,704
Condensed statement of revenues, expenses, and changes in net position	
Operating revenues	
Bookstores	$ 12,027
Room and other rentals	27,279
Parking	5,048
Telecommunications	2,619
Other operating revenues	7,531
Total operating revenues	54,504
Operating expenses (including $27,603 in depreciation expense in 2022)	(68,901)
Operating loss	(14,397)
Nonoperating revenues	51,748
Nonoperating expenses	(14,631)
Change in net position	22,720
Net position	
Beginning of year	48,601
End of year	$ 71,321

University of Hawaiʻi
State of Hawaiʻi
(A Component Unit of the State of Hawaiʻi)
Condensed Statement of Cash Flows
University Bond System
As of and for the Year Ended June 30, 2022
(All dollars reported in thousands) **Schedule XI**

	2022
Condensed statement of cash flows	
Net cash flows provided by operating activities	$ 12,581
Net cash flows provided by non-capital financing activities	25,125
Net cash flows used in capital and related financing activities	(17,533)
Net cash flows used in investing activities	(51,621)
Net decrease in cash and cash equivalents	(31,448)
Cash and cash equivalents	
Beginning of year	48,452
End of year	17,004

1. Reporting Entity

The University Bond System consists of several University projects funded by bond proceeds. The University projects, operated and maintained jointly as a system, include: (1) all existing University housing units located on the Mānoa campus and connecting food service facilities; (2) the University's student center known as the Campus Center and food service activities on the Mānoa campus; (3) all existing University housing units located on the Hilo campus and connecting food service facilities; (4) the telecommunication system located on the Mānoa campus; (5) all existing bookstores located on any campus of the University; (6) the parking operations for the Mānoa Campus which were financed in whole or in part from certain revenue or general obligation bonds; and (7) certain other University projects.

The University Bond System's outstanding debt was issued pursuant to the bond resolution adopted in November 2001 and as amended and supplemented by supplemental resolutions adopted in November 2006, February 2009, August 2010, January 2012, August 2015, and November 2017. The bond resolutions established a network of the University consisting of the University Bond System and any University purpose which, at the election of the Board, is included in the network pursuant to a supplemental resolution. The bond resolutions provide that all revenues collected or received from the Network be used to support the Network (which includes the University projects of the University Bond System) and bond related expenses.

On September 17, 2020, the University of Hawaiʻi Board of Regents adopted a supplemental resolution authorizing the issuance of University revenue bonds. In October 2020, the University sold $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 for the purpose of financing the cost of a University project and refunding previously issued bonds. The Series 2020B and 2020C Bonds were issued to refund the Series 2010A-1 University revenue bonds and the Series 2020D and 2020E Bonds were issued to refund the Series 2010B-1 University revenue bonds.

2. Basis of Presentation

The accompanying condensed statement of net position and related condensed statement of revenues, expenses, and changes in net position, and condensed statement of cash flows present the financial position and results of operations of the University Bond System, and are presented on the accrual basis of accounting.

3. Employee Benefits

In accordance with University policy, the University's liability for other postemployment benefits ("OPEB") and deferred outflows and deferred inflows of resources related to OPEB ("OPEB benefits") are not allocated internally to individual departments and funds. Accordingly, OPEB benefits are not reflected in this schedule.

In accordance with University policy, the University's liability for pension benefits and deferred outflows and deferred inflows of resources related to pensions ("pension benefits") are not allocated internally to individual departments and funds. Accordingly, pension benefits are not reflected in these schedules.