



University of Hawai'i State of Hawai'i

Financial and Compliance Audit

June 30, 2020



University of Hawai'i
State of Hawai'i
Index
Year Ended June 30, 2020

	Page(s)
1. COMPLIANCE REPORTS	
Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	
Report of Independent Auditors on Compliance for Each Major Program, Internal Control Over Compliance and the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	
2. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6–17
3. SCHEDULE OF FINDINGS AND QUESTIONED COSTS	
Summary of Auditors' Results.....	18
Financial Statement Findings	19
Federal Award Findings and Questioned Costs	20–30
4. FINANCIAL STATEMENTS	
5. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN (UNAUDITED)	

SECTION 1

COMPLIANCE REPORTS



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

To the Board of Regents
University of Hawai'i

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of Hawai'i (the "University") as of and for the year ended June 30, 2020, and have issued our report thereon dated December 3, 2020. Our report includes a reference to other auditors who audited the financial statements of the University of Hawai'i Foundation, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

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

999 Bishop Street
Suite 1900
Honolulu, HI 96813

OFFICE 808.531.3400
FAX 808.531.3433
accuityllp.com



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

Compliance and Other Matters

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

Purpose of this Report

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

Accuity LLP

Honolulu, Hawai'i
December 3, 2020



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

To the Board of Regents
University of Hawai'i

Report on Compliance for Each Major Federal Program

We have audited the University of Hawai'i's (the "University") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2020. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

999 Bishop Street
Suite 1900
Honolulu, HI 96813

OFFICE 808.531.3400
FAX 808.531.3433
accuityllp.com



Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2020.

Other Matters

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

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

Report on Internal Control over Compliance

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

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

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



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

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

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

We have audited the financial statements of the University, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated December 3, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. As described in Note 1 to the schedule of expenditures of federal awards, the accompanying schedule of expenditures of federal awards was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Accuity LLP

Honolulu, Hawai'i
June 2, 2021

SECTION 2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

	CFDA No.	Pass-Through Identifier	Passed Through to Subrecipients	Expenditures
MAJOR PROGRAM – RESEARCH AND DEVELOPMENT				
U.S Department of Agriculture				
Agricultural Research Service				
Agricultural Research Basic and Applied Research	10.001			\$ 1,487,724
Animal and Plant Health Inspection Service				
Plant and Animal Disease, Pest Control, and Animal Care	10.025			2,779,817
National Institute of Food and Agriculture				
Grants for Agricultural Research, Special Research Grants	10.200		\$ 38,500	\$ 173,772
Cooperative Forestry Research	10.202			552,729
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203			2,979,012
Animal Health and Disease Research	10.207			2,572
Agriculture and Food Research Initiative ("AFRI")	10.310		164,727	751,412
Crop Protection and Pest Management Competitive Grants Program	10.329			14,441
Foreign Agricultural Service				4,473,938
Technical Assistance for Specialty Crops Program	10.604			30,129
Forest Service				
Forest Health Protection	10.680			45,748
Other	10.			585,547
Natural Resources Conservation Service				
Environmental Quality Incentives Program	10.912		52,221	423,717
Passed Through From				
State of Hawaii Dept. of Agriculture	10.170	various		120,549
State of Hawaii Dept. of Land and Natural Resources	10.025	C92750		89,707
State of Hawaii Dept. of Land and Natural Resources	10.664	various		329,633
State of Hawaii Dept. of Land and Natural Resources	10.675	various		14,687
State of Hawaii Dept. of Land and Natural Resources	10.678	C92678		10,454
State of Hawaii Dept. of Land and Natural Resources	10.680	various		285,172
University of California – Davis	10.200	various		54,181
University of California – Davis	10.304	201603794-01, AMDT 3		43,512
University of California – Davis	10.604	A19-3112-S002		805
University of California – Merced	10.310	F100GVA499		25,171
University of California – Riverside	10.309	S-000718		1,745
Colorado State University	10.500	G-06252-01		192,251
University of Guam	10.215	RCUOG-2019-002		5,548
Hawaii Pacific University	10.200	various	25,752	387,716
IntelinAir Inc	10.212	2019-33610-29755		6,399
International Alliance for Phytobiomes Research Inc	10.025	AP19PPQS&T00C83UH		14,650
Jun Innovations Inc	10.212	2017-33610-27013-1		5,790
Malama Kahalawai Inc	10.931	various		28,652
Malama Kahalawai Inc	10.	various		12,584
Montana State University	10.215	various		25,149
University of Nebraska – Lincoln	10.310	25-1107-0037-003		72,406
Ohio State University	10.310	60064284		14,576
Oregon State University	10.320	U0994G-C		53,084
Utah State University	10.215	various	27,788	241,699
				2,036,120
				11,862,740
U.S. Department of Commerce				
National Oceanic and Atmospheric Administration ("NOAA")				
NOAA Mission-Related Education Awards	11.008			83,168
Ocean Exploration	11.011		262,079	455,488
Sea Grant Support	11.417		26	2,042,602
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program				
Marine Sanctuary Program	11.427		73,955	195,809
Climate and Atmospheric Research	11.429			46,818
NOAA Cooperative Institutes	11.431		22,524	778,145
Marine Mammal Data Program	11.432		19,787	12,593,063
Unallied Industry Projects	11.439			136,891
Unallied Management Projects	11.452			78,140
Applied Meteorological Research	11.454			102,508
Unallied Science Program	11.468			2,620
Office for Coastal Management	11.472			287,566
Coral Reef Conservation Program	11.473			62,632
Other	11.482			48,518
	11.			117,930
Passed Through From				
State of Hawaii Dept. of Business, Economic Development and Tourism	11.419	CONTRACT #66684		32,046
State of Hawaii Dept. of Land and Natural Resources	11.472	various		264,156
State of Hawaii Dept. of Land and Natural Resources	11.482	various		217,397
American University	11.482	31552-01		1,050
Bishop Museum	11.482	various		103,847
University of California – Santa Cruz	11.012	A18-0318-S003-P0642584		34,411
Conservation International FDT	11.008	6004674		23,015
Desert Research Institute	11.	663.7070.02		2,606
East West Center	11.431	various	18,612	257,455
University of Maryland	11.012	SA7525796C PO35820		229,714
National Fish and Wildlife Foundation	11.454	0303.18.061400		53,636
National Fish and Wildlife Foundation	11.482	various		17,842
North Pacific Research Board	11.472	1709		241
Oregon State University	11.472	J2391A-A		37,418
University Corp for Atmospheric Research	11.431	SUBAWD 001460		10,905
University Corp for Atmospheric Research	11.467	various		26,230
Western Pacific Regional Fisheries Mgt Council	11.441	various		113,386
Woods Hole Oceanographic Institute	11.431	various		1,124
World Turtle Trust	11.454	-----		54,879
				1,481,358
				18,513,256

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

	CFDA No.	Pass-Through Identifier	Passed Through to Subrecipients	Expenditures
U.S. Department of Defense				
Air Force				
Basic and Applied Scientific Research	12.300			78,346
Air Force Defense Research Sciences Program	12.800		335,013	701,731
Other	12.			8,099,846
				<u>8,879,923</u>
Army				
Basic and Applied Scientific Research	12.300		479,578	5,409,026
Military Medical Research and Development	12.420			97,994
Basic Scientific Research	12.431			136,010
Basic, Applied, and Advanced Research in Science and Engineering	12.630			205,568
Other	12.			26,454
				<u>5,875,052</u>
Navy				
Basic and Applied Scientific Research	12.300		1,880,469	14,279,785
Navy Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance	12.335			41,373
Other	12.		2,053,153	8,250,520
				<u>22,571,678</u>
Washington Headquarters Services				
Basic, Applied, and Advanced Research in Science and Engineering	12.630			11,673,309
Legacy Resource Management Program	12.632			126,104
				<u>11,799,413</u>
Passed Through From				
University of Alaska – Fairbanks	12.	UAF 17-0093 PO# P0513933		215,897
Arizona State University	12.300	ASUB00000084		335,355
Georgia Institute of Technology	12.630	D8679-56		15,223
Goodman Technologies LLC	12.	various		352,598
Henry M. Jackson Foundation	12.420	various		25,570
Icahn School of Medicine at Mount Sinai	12.	0258-A061-4609		166,984
Johns Hopkins University	12.	160113		129,606
Leidos Inc	12.910	PO10235050		81,052
Makai Ocean Engineering Inc	12.	-----		74,960
Northrop Grumman	12.	PO 3045590		78,642
Oceanit Laboratories, Inc	12.	-----		5,804
Praxis, Inc	12.	PO20180397		4,583
Spectrum Photonics Inc	12.	SPI-SK2016-002		52,911
University of Texas – San Antonio	12.800	1000002885		63,365
Ursus Medical Designs LLC	12.	-----		16,638
Vanderbilt University	12.300	UNIV60029		5,966
				<u>1,625,154</u>
				50,751,220
U.S. Department of the Interior				
Bureau of Land Management				
Wildland Fire Research and Studies	15.232		18,858	88,413
Bureau of Reclamation				
Water Desalination Research and Development	15.506			6,344
U.S. Fish and Wildlife Service				
Coastal	15.630			39,870
Endangered Species Conservation – Recovery Implementation Funds	15.657			422,558
Endangered Species – Candidate Conservation Action Funds	15.660			9,987
Cooperative Ecosystem Studies Units	15.678			71,054
				<u>543,469</u>
U.S. Geological Survey				
Assistance to State Water Resources Research Institutes	15.805			211,373
U.S. Geological Survey Research and Data Collection	15.808		91,500	1,264,988
Cooperative Research Units	15.812			8,209
Volcano Hazards Program Research and Monitoring	15.818			379,593
National and Regional Climate Adaptation Science Centers	15.820		146,935	977,894
				<u>2,842,057</u>
National Park Service				
Cooperative Research and Training Programs – Resources of the National Park System	15.945			801,882
Passed Through From				
State of Hawaii Dept. of Defense	15.608	PO 20217248		45,520
State of Hawaii Dept. of Land and Natural Resources	15.605	various		294,475
State of Hawaii Dept. of Land and Natural Resources	15.608	C01760		13,741
State of Hawaii Dept. of Land and Natural Resources	15.611	various		207,375
State of Hawaii Dept. of Land and Natural Resources	15.615	various		658,182
State of Hawaii Dept. of Land and Natural Resources	15.630	C71806		9,764
State of Hawaii Dept. of Land and Natural Resources	15.634	various		658,526
State of Hawaii Dept. of Land and Natural Resources	15.657	various		145,069
State of Hawaii Dept. of Land and Natural Resources	15.944	various		27,228
State of Hawaii Dept. of Land and Natural Resources	15.	C93063		122,296
America View	15.815	various		13,853
American Bird Conservancy	15.663	various		62,773
Association of Fish & Wildlife	15.628	-----		1,004
University of California – Davis	15.512	A18-1132-S001		1,739
Dudek	15.	8848		2,260
Island Conservation	15.	PB012518 Midway		44,612
Malama Learning Center	15.631	-----		7,000
National Fish and Wildlife Foundation	15.663	1701.17.058401		80,609
University of Southern California	15.807	118063112		15,000
Ulupalakua Ranch Inc	15.631	prime: F18AC00513		429
				<u>2,411,455</u>
				6,693,620

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

	CFDA No.	Pass-Through Identifier	Passed Through to Subrecipients	Expenditures
U.S. Department of Transportation				
Federal Aviation Administration				
Air Transportation Centers of Excellence	20.109			45,271
Passed Through From				
State of Hawaii Dept. of Transportation	20.200	TA 2017-3R, PO 40057644		75,264
State of Hawaii Dept. of Transportation	20.205	various		197,267
State of Hawaii Dept. of Transportation	20.	various		3,396,640
University of Alaska – Fairbanks	20.701	UAF 18-0036		153,337
Michigan State University	20.701	RC103194UHM		(1,859)
SWCA Incorporated	20.205	various		23
University of Texas – Austin	20.701	UTA17-001405		(1,527)
				<u>3,819,145</u>
				3,864,416
National Aeronautics and Space Administration				
Goddard				
Science	43.001		681,753	14,937,645
Education	43.008		45,859	286,124
Ames				
Science	43.001			294,908
Aeronautics	43.002			32,690
Johnson Space Center				
Exploration	43.003		80,000	152,643
Kennedy				
Education	43.008			48,158
Langley Research Center				
Science	43.001			94,301
Education	43.008			152,559
Stennis Space Center				
Education	43.008			57,960
Passed Through From				
Advanced Silicon Carbide Materials	43.	000-01		133,812
University of Arizona	43.001	various		14,029
Arizona State University	43.001	09-192		5,719
Arizona State University	43.	various		22,207
BAER Institute	43.001	-----		93,642
Baylor College of Medicine	43.003	7000000972		181,906
Bermuda Institute of Ocean Sciences Inc	43.001	154444 UH		34,037
University of California – Berkeley	43.001	00009739 (PO#BB01009416)		99,326
University of California – Davis	43.001	A17-0427-S001-A01		24,882
University of California – Los Angeles	43.001	0995-S-NB083, AMDT 27		60,483
University of California – San Diego	43.001	various		188,459
California Institute of Technology	43.001	S447534 AMDT02		29,800
California Institute of Technology	43.	2-1094682 change to S391314		25,148
Goodman Technologies LLC	43.	various		83,326
Jet Propulsion Lab	43.001	various		327,937
Jet Propulsion Lab	43.	various		268,320
Johns Hopkins University	43.001	132804		4,434
Malin Space Science Systems, Inc	43.001	12-0178		100
University of Michigan	43.001	SUBK00008133/3005181853		48,151
Nalu Scientific LLC	43.	-----		10,000
University of New Mexico	43.001	133711-873Z		32,184
Old Dominion University Research Foundation	43.001	18-192-100687-010		31,968
Predictive Science Inc	43.001	NATT04-UH19		4,258
Princeton University	43.001	SUB0000357		49,918
Rensselaer Polytechnic Inst	43.001	A18-0010-S002		36,606
SETI Institute	43.001	various		125,356
Smithsonian Astrophysical Observatory	43.001	GO9-20120X		141,963
University of South Carolina	43.001	20-3947 PO#2000049650		48,160
Space Telescope Science Institute	43.	various		285,570
Transastra Corporation	43.	80HQTR20C0037-UH		8,296
Universities Space Research Association	43.001	various		16,719
Washington University	43.001	various		33,869
Wyle Laboratories, Inc	43.	various		451,820
				<u>2,922,405</u>
				18,979,393
National Endowment for the Arts and Humanities				
National Endowment for the Humanities				
Promotion of the Humanities Fellowships and Stipends	45.160			60,000
Passed Through From				
Hawaii Council for the Humanities	45.129	various		8,515
				<u>68,515</u>
Institute of Museum and Library Services				
Passed Through From				
State University of Rutgers	45.312	Subaward 5902; PO# 873128		32,133
University of Texas at Austin	45.313	UTA17-000634		49,951
World Indigenous Nations UHP	45.311	-----		85,624
				<u>167,708</u>

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

	CFDA No.	Pass-Through Identifier	Passed Through to Subrecipients	Expenditures
National Science Foundation				
Engineering Grants	47.041		18,527	1,332,083
Mathematical and Physical Sciences	47.049			4,986,492
Geosciences	47.050		171,386	18,803,132
Computer and Information Science and Engineering	47.070		686,867	2,671,285
Biological Sciences	47.074		267,596	2,030,772
Social, Behavioral and Economic Sciences	47.075		7,729	612,447
Education and Human Resources	47.076		443,708	6,815,821
Office of Integrative Activities	47.083			4,044,445
Passed Through From				
Adnoviv, LLC	47.041	various		85,867
Association of Universities for Research in Astronomy, Inc.	47.049	various		700,760
Bishop Museum	47.075	320705-UH01		7,519
Boston University	47.075	4500002458		43,899
Brown University	47.050	00001410		15,504
University of California – Berkeley	47.075	00009689 (PO#BB01014646)		35,912
University of California – San Diego	47.050	various		162,435
California Association for Research in Astronomy	47.049	13678 AMDT 1 & 2		565
California State University – Fullerton Aux Svcs Corp	47.074	S-6543-UOH		14,163
California State University – Northridge	47.074	F-13-3287-UH		34,944
College of Charleston	47.070	521156-Hawaii/ACI-1443037		8,427
Columbia University	47.050	various		60,965
University of Delaware	47.083	47810		300,843
Harvard University	47.050	130826-5111411		38,446
Indiana University	47.070	UA-4812506-UH / PO 0093728		218,895
IntelinAir Inc	47.041	1913969		41,980
University of Iowa	47.075	S01090-01		2,600
Koa Technologies LLC	47.041	-----		686
University of Massachusetts	47.075	20-011028A		2,463
University of Michigan	47.076	3004367166		38,781
University of New Mexico	47.050	various		301,079
State University of New York	47.050	R985036		35,989
Research Foundation for the State University of New York	47.050	72862-1128064-2(PO 1012944)		9,696
University of Notre Dame	47.049	PHY-1806631		622
Purdue University	47.070	10000686-057 (4101-71503)		75,670
University of Southern California	47.050	104916396/PO#10696898		7,024
University of Southern California	47.074	80981056		168,509
University Corp for Atmospheric Research	47.050	SUBAWD000857		11,618
University of Washington	47.050	UWSC8197 (BPO6548)		17,287
				<u>2,443,148</u>
				43,739,625
U.S. Department of Veteran Affairs				
	64.			4,020
Environmental Protection Agency				
Passed Through From				
State of Hawaii Dept. of Health	66.419	various	78,000	276,369
State of Hawaii Dept. of Health	66.468	various		596
State of Hawaii Dept. of Health	66.472	CWBBEACH2020-1		3,538
State of Hawaii Dept. of Land and Natural Resources	66.441	C00397		61,661
State of Hawaii Dept. of Land and Natural Resources	66.461	C01920		20,960
				<u>363,124</u>
U.S. Department of Energy				
Office of Science Financial Assistance Program	81.049			1,994,419
Renewable Energy Research and Development	81.087		350,698	1,494,627
Passed Through From				
Battelle Energy Alliance LLC	81.	197568		88,917
Battelle Memorial Institute	81.	271451		52,989
Brookhaven National Lab	81.	various		168,038
University of California – Berkeley	81.049	00010209(PO#BB01314888)		27,691
University of Central Florida	81.087	16226125-01		60,190
University of Chicago	81.049	FP068316-A		3,470
Duke University Medical Center	81.087	various		164,353
Fermi National Accelerator Lab	81.	661340		36,698
Georgia Institute of Technology	81.113	AWD-000372-G3		49,351
Kampachi Farms LLC	81.135	1037-001		69,899
Krell Institute	81.	-----		656
Lawrence Livermore National Lab	81.	various		117,766
University of Michigan	81.113	various		275,347
Nalu Scientific LLC	81.049	various		159,493
Nalu Scientific LLC	81.	-----		41,927
Oceanit Laboratories Inc	81.	-----		5,124
University of Oklahoma	81.049	2020-35		24,172
Pajarito Powder LLC	81.087	Prime: DE-EE0008419		76,792
Sandia National Lab	81.	various		468,549
Stanford University	81.	190770		50,334
University of Texas – Arlington	81.049	various		68,768
Washington State University	81.087	130616-G003843		49,890
				<u>2,060,414</u>
				5,549,460

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

	CFDA No.	Pass-Through Identifier	Passed Through to Subrecipients	Expenditures
U.S. Department of Education				
Office of Elementary and Secondary Education				
Javits Gifted and Talented Students Education	84.206		86,722	780,356
Passed Through From				
University of California – Riverside	84.324	S-001168		68,057
Hui No Ke Ola Pono Inc	84.259	-----		6,029
University of Kansas Center for Research Inc	84.324	FY2019-102		28,194
Native Hawaiian Education Assn	84.259	-----		25,238
				<u>127,518</u>
				907,874
U.S. Department of Health and Human Services				
National Institutes of Health				
Family Smoking Prevention and Tobacco Control Act Regulatory Research	93.077		78,479	429,091
Environmental Health	93.113		34,014	243,486
Mental Health Research Grants	93.242		218,613	837,510
Drug Abuse and Addiction Research Programs	93.279		197,988	933,993
Minority Health and Health Disparities Research	93.307		395,208	6,818,938
Research Infrastructure Programs	93.351			519,060
Construction Support	93.352			770,164
21st Century Cures Act – Beau Biden Cancer Moonshot	93.353		11,163	140,858
Cancer Cause and Prevention Research	93.393		1,633,986	5,417,756
Cancer Detection and Diagnosis Research	93.394		79,248	825,314
Cancer Treatment Research	93.395		343,172	1,246,929
Cancer Biology Research	93.396			64,536
Cancer Centers Support Grants	93.397		4,008	3,162,655
Cancer Research Manpower	93.398		80,586	177,334
Cancer Control	93.399			910,196
Cardiovascular Diseases Research	93.837		59,330	1,528,455
Lung Diseases Research	93.838			141,704
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		589,399	2,668,376
Allergy and Infectious Diseases Research	93.855		887,287	3,006,014
Microbiology and Infectious Diseases Research	93.856			26,272
Biomedical Research and Research Training	93.859		487,786	10,080,152
Child Health and Human Development Extramural Research	93.865		86,529	1,446,028
Medical Library Assistance	93.879			28,864
International Research and Research Training	93.989			16,139
Others	93.			<u>1,674,531</u>
				43,114,355
Centers for Disease Control and Prevention				
Strengthening Public Health Through Surveillance, Epidemiologic Research, Disease Detection, and Prevention	93.326			132,472
Other	93.		44,775	<u>362,235</u>
				494,707
Administration for Community Living ("ACL")				
Special Programs for the Aging, Title IV, and Title II Discretionary Projects	93.048			182,163
Passed Through From				
State of Hawaii Dept. of Health	93.043	-----		14,798
State of Hawaii Dept. of Health	93.136	various		567,603
State of Hawaii Dept. of Health	93.243	various		173,966
State of Hawaii Dept. of Health	93.870	various		69,532
State of Hawaii Dept. of Health	93.959	various		436,091
State of Hawaii Dept. of Health	93.	various		34,027
American Samoa Community Cancer Coalition	93.307	-----		25,847
University of Arkansas	93.865	various	40,000	157,703
Baylor College of Medicine	93.393	7000000926		240,730
Blood Systems Research Institute	93.242	11552UH130		113,653
Brigham and Women's Hospital	93.837	2017D008368; BWH No. 119749		133,118
Brigham and Women's Hospital	93.	-----		28,171
University at Buffalo	93.837	R11186465		85,669
University of California – Los Angeles	93.113	1935 G VA797		6,960
Cedars-Sinai Medical Center	93.393	-----		(3,125)
Cedars-Sinai Medical Center	93.395	1632520		264,440
Cedars-Sinai Medical Center	93.	1644026		169,621
University of Colorado – Denver	93.865	various		157,314
Drexel University	93.853	870072/PO#U0168258		14,630
Duke University Medical Center	93.865	PTN Opportunity #1	24,180	30,467
ECOG-ACRIN Cancer Research Group	93.	-----		(3,875)
Emory University	93.866	A119334		25,721
Florida State University	93.307	various		189,681
George Washington University	93.394	18-M62, 19-M65, 19-M105		140,260
Georgia State University	93.853	various		8,795
University of Guam	93.397	5U54CA143728-09		3,699
Harvard University	93.393	114226-5092328		48,317
University of Hawaii Foundation	93.375	124-2520-2		338,813
Hawaii Pacific University	93.279	various		13,284
Hutchinson Cancer Research Center	93.393	various		73,036
Icahn School of Medicine at Mount Sinai	93.859	0255-B821-4609		101,667
Johns Hopkins University	93.242	2004018010		27,200
Johns Hopkins University	93.855	IMPAACT TO LDR 01		237,856
Kaiser Permanente – CHRH	93.847	various		50,889
Kuakini Medical Center	93.859	1918-6420-UH		23,029
Kuakini Medical Center	93.866	various		123,635
Leidos Biomedical Research Inc	93.	19X028Q		46,812
Ann & Robert H. Lurie Children's Hospital of Chicago	93.847	901539-UH		79,195
Maine Medical	93.865	111367-Nadeau		75,592
MD Anderson Cancer Center	93.395	3001235204		15,868
University of Melbourne	93.393	GL058179-HW-Y2		104,431
University of Michigan	93.865	HD084633-03, R01		35,432

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

	CFDA No.	Pass-Through Identifier	Passed Through to Subrecipients	Expenditures
University of Minnesota	93.393	various		359,795
University of Missouri – St Louis	93.242	various		134,118
Morehouse School of Medicine	93.307	002UofH-10		143,507
National Asian Pacific Center on Aging	93.	-----		45,469
National Network of Libraries of Medicine	93.879	5415PWA24800		1,199
University of Nevada – Las Vegas	93.307	GR09256		9,708
University of Nevada – Las Vegas	93.859	various		135,247
University of New Mexico	93.859	3REV9		9,624
New York University	93.394	16-00-A0-006712-01		53,128
Northeastern University	93.279	500392-78054 (PO P1503296)		15,119
Northwestern University	93.307	60044662 HAW		2,168
NRG Oncology Foundation Inc	93.	-----		(183)
Oregon Health & Science University	93.	various		40,116
University of Pittsburgh	93.226	0039806 (130248-3)		2,231
University of Pittsburgh	93.855	CNVA00062748 (132477-2)		184,308
University of Pittsburgh	93.859	various		8,835
Portland State University	93.310	various		154,730
Research Foundation for SUNY	93.838	1138934-77861, Amdt 1, Yr 2		39,997
Riverside Research Institute	93.394	various		39,842
University of Rochester	93.242	417722G / UR FAO GR511042		1,718
Rutgers, State University	93.172	1204 (PO #1248299)		59,410
The Salvation Army	93.243	-----		157,983
Seattle Institute for Biomedical and Clinical Research	93.847	various		157,762
University of Southern California	93.393	various		67,632
Southwest Oncology Group	93.	-----		255
Tulane University of Louisiana	93.865	various		24,924
Vanderbilt University Medical Center	93.393	VUMC57205 AMDT 6		36,592
University of Washington	93.242	UWSC11355 (BPO42704)		8,766
University of Washington	93.307	UWSC7784 (BPO6546)		18,206
University of Washington	93.855	UWSC10543 (BPO32185)		32,437
University of Washington	93.989	UWSC9911		19,952
Washington State University	93.866	various		28,069
University of Wisconsin – Madison	93.239	877K870	1,353	24,952
The Wistar Institute	93.853	25471-02-381 AMDT 1		18,352
				<u>6,516,520</u>
				50,307,745
U.S. Agency for International Development				
USAID Foreign Assistance for Programs Overseas	98.001		517,012	<u>1,693,411</u>
Total Research and Development				<u>213,466,127</u>
MAJOR PROGRAM – STUDENT FINANCIAL ASSISTANCE				
U.S. Department of Education				
Office of Federal Student Aid				
Federal Supplemental Educational Opportunity Grants	84.007			1,684,417
Federal Work-Study Program	84.033			1,541,913
Federal Pell Grant Program	84.063			52,103,380
Federal Direct Student Loans	84.268			<u>129,435,877</u>
Teacher Education Assistance for College and Higher Education ("TEACH") Grants	84.379			94,195
Total Student Financial Assistance				<u>184,859,782</u>
MAJOR PROGRAM – TITLE III HIGHER EDUCATION – INSTITUTIONAL AID				
U.S. Department of Education				
Office of Postsecondary Education				
Higher Education Institutional Aid	84.031			<u>18,930,083</u>
Total Title III Higher Education – Institutional Aid				<u>18,930,083</u>
MAJOR PROGRAM – TRIO CLUSTER				
U.S. Department of Education				
Office of Postsecondary Education				
TRIO Student Support Services	84.042			2,092,265
TRIO Talent Search	84.044			1,150,069
TRIO Upward Bound	84.047			2,693,869
TRIO Educational Opportunity Centers	84.066			<u>475,627</u>
Total TRIO Cluster				<u>6,411,830</u>
MAJOR PROGRAM – TITLE VII NATIVE HAWAIIAN EDUCATION				
U.S. Department of Education				
Office of Elementary and Secondary Education				
Native Hawaiian Education	84.362		808,945	7,474,244
Passed Through From				
Native Hawaiian Education Council	84.362	CO-2018-002		<u>4,969</u>
Total Title VII Native Hawaiian Education				<u>7,479,213</u>
MAJOR PROGRAM – HOMELAND SECURITY TRAINING				
U.S. Department of Homeland Security				
Federal Emergency Management Agency				
State and Local Homeland Security National Training Program	97.005		1,932,764	<u>4,510,017</u>
Total State and Local Homeland Security National Training Program				<u>4,510,017</u>

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

	CFDA No.	Pass-Through Identifier	Passed Through to Subrecipients	Expenditures
MAJOR PROGRAM – GEAR UP PROGRAM				
U.S. Department of Education				
Office of Postsecondary Education				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		398,587	5,447,298
Total Gear Up Program				5,447,298
MAJOR PROGRAM – IRTF OPERATION				
National Aeronautics and Space Administration				
Goddard				
NNH14CK55B	43.			5,070,833
Total IRTF Program				5,070,833
MAJOR PROGRAM – CAREER AND TECHNICAL EDUCATION				
U.S. Department of Education				
Office of Career, Technical, and Adult Education				
Career and Technical Education – Basic Grants to States	84.048			3,166,034
Total Career and Technical Education				3,166,034
MAJOR PROGRAM – HIGHER EDUCATION EMERGENCY RELIEF FUND				
U.S. Department of Education				
COVID-19 – Education Stabilization Fund				
	84.425			4,609,364
Total Higher Education Emergency Relief Fund				4,609,364
OTHER FEDERAL ASSISTANCE				
U.S. Department of Agriculture				
Agricultural Research Service				
Agricultural Research Basic and Applied Research	10.001			160,418
Animal and Plant Health Inspection Service				
Plant and Animal Disease, Pest Control, and Animal Care	10.025		47,839	
Other	10.		8,993	56,832
Agricultural Marketing Service				
Federal-State Marketing Improvement Program	10.156			70,609
National Institute of Food and Agriculture				
Higher Education – Multicultural Scholars Grant Program	10.220		44,172	
Alaska Native Serving and Native Hawaiian Serving Institutions Education Grants	10.228		1,515,501	
Agriculture and Food Research Initiative ("AFRI")	10.310		100,543	
Beginning Farmer and Rancher Development Program	10.311		83,843	
Veterinary Services Grant Program	10.336		41,346	
Cooperative Extension Service	10.500	4,590	569,095	
Smith-Lever Funding (Various Programs)	10.511		2,187,620	
Expanded food and Nutrition Education Program	10.514		332,694	
Renewable Resources Extension Act and National Focus Frun Projects	10.515		54,326	4,929,140
Foreign Agricultural Service				
Norman E. Borlaug International Agricultural Science and Technology Fellowship	10.777			55,715
Forest Service				
Cooperative Forestry Assistance	10.664		8,577	
Other	10.		16,522	25,099
Passed Through From				
State of Hawaii Dept. of Agriculture	10.170	various	19,189	
State of Hawaii Dept. of Education	10.534	MOA D19-079, CO-10968	17,172	
State of Hawaii Dept. of Education	10.558	various	62,115	
State of Hawaii Dept. of Education	10.559	1746-9 PY19	10,379	
State of Hawaii Dept. of Human Services	10.561	various	807,637	
State of Hawaii Dept. of Land and Natural Resources	10.674	C91808	35,371	
State of Hawaii Dept. of Land and Natural Resources	10.680	C92160	42,909	
Cornell University	10.253	87701-11324	2,523	
Ho'ola Farms	10.	-----	9,362	
Kansas State University	10.500	S19060 (2019)	20,604	
Montana State University	10.328	G203-19-W7506	5,782	
Utah State University	10.215	various	75,620	1,108,663
				6,406,476
U.S. Department of Commerce				
Economic Development Administration				
Economic Development Technical Assistance	11.303			124,296
National Oceanic and Atmospheric Administration ("NOAA")				
Integrated Ocean Observing System ("IOOS")	11.012		7,789	2,318,615
Sea Grant Support	11.417			486,873
Coastal Zone Management Estuarine Research Reserves	11.420		148,155	782,641
Marine Sanctuary Program	11.429			18,679
NOAA Cooperative Institutes	11.432			2,026
Unallied Industry Projects	11.452			172,081
Meteorologic and Hydrologic Modernization Development	11.467			380,380
Office for Coastal Management	11.473			374,154
Other	11.			220,805
Minority Business Development Agency				
MBDA Business Center	11.805			211,060

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

	CFDA No.	Pass-Through Identifier	Passed Through to Subrecipients	Expenditures	
Passed Through From					
State of Hawaii Dept. of Defense	11.467	various		286,864	
State of Hawaii Dept. of Land and Natural Resources	11.429	various		88,359	
State of Hawaii Dept. of Land and Natural Resources	11.472	C81001		44,603	
State of Hawaii Dept. of Land and Natural Resources	11.482	various		407,042	
Government of Guam	11.	-----		84,926	
National Fish and Wildlife Foundation	11.482	0302.18.060958		39,080	
National Marine Sanctuary Foundation	11.011	18-08-B-193		56,318	
National Marine Sanctuary Foundation	11.429	19-05-B-213		3,040	
University Corp for Atmospheric Research	11.467	SUBAWD001490		44,296	
University of Washington	11.417	UWSC11358 (BP042722)		103,053	1,157,581
					6,249,191
U.S. Department of Defense					
Army					
Basic and Applied Scientific Research	12.300			502,640	
Legacy Resource Management Program	12.632			17,593	
Other	12.			44,540	564,773
Navy					
Basic and Applied Scientific Research	12.300			1,372,129	
Other	12.			2,648,043	4,020,172
Defense Logistics Agency					
Procurement Technical Assistance for Business firms	12.002				7,388
National Security Agency					
GenCyber Grants Program	12.903				91,933
Passed Through From					
Institute of International Education	12.550	various	125,000	1,871,220	
Johns Hopkins University	12.910	146641		72,860	1,944,080
					6,628,346
U.S. Department of the Interior					
U.S. Fish and Wildlife Service					
Endangered Species Conservation – Recovery Implementation Funds	15.657			26,265	
Cooperative Ecosystem Studies Units	15.678			171,964	198,229
U.S. Geological Survey					
Other	15.				8,996
Insular Affairs					
Economic, Social, and Political Development of the Territories	15.875				127,627
National Park Service					
American Battlefield Protection	15.926			29,709	
Cooperative Research and Training Programs – Resources of the National Park System	15.945			607,095	636,804
Passed Through From					
State of Hawaii Dept. of Land and Natural Resources	15.608	C90983		7,040	
State of Hawaii Dept. of Land and Natural Resources	15.611	various		271,876	
State of Hawaii Dept. of Land and Natural Resources	15.615	various		649,792	
State of Hawaii Dept. of Land and Natural Resources	15.634	C01026		27,857	
Commonwealth of the Northern Mariana Islands	15.875	CNMI-CHC-Energy 2015-001		5,273	961,838
					1,933,494
U.S. Department of Justice					
Office of Justice Programs					
Postconviction Testing of DNA Evidence	16.820				187,726
Office of the Circuit Executive					
Other	16.				4,122
Passed Through From					
State of Hawaii Dept. of Attorney General	16.575	16-VA-27		7,079	
State of Hawaii – Judiciary	16.812	J19391		11,568	
National 4-H Council	16.726	-----		57,824	76,471
					268,319
U.S. Department of Labor					
Passed Through From					
State of Hawaii Dept. of Labor and Industrial Relations	17.268	AAI-15-UH		13,266	
State of Hawaii Dept. of Labor and Industrial Relations	17.285	Appr SEG-16-UH		654,206	
County of Maui	17.259	C6705		70,585	
Alu Like, Inc	17.265	VE-BOOST1718-HON		29,284	767,341
U.S. Department of State					
Passed Through From					
East West Center	19.	various			505,424

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

	CFDA No.	Pass-Through Identifier	Passed Through to Subrecipients	Expenditures
U.S. Department of Transportation				
Passed Through From				
State of Hawaii Dept. of Land and Natural Resources	20.219	various		(32,088)
State of Hawaii Dept. of Transportation	20.205	P040058495		44,273
State of Hawaii Dept. of Transportation	20.600	various		123,582
State of Hawaii Dept. of Transportation	20.608	AL19-02 (13-S-01)		155,516
State of Hawaii Dept. of Transportation	20.	various		45,859
Hawaii Alliance for Community Based Economic Development ("HACBED")	20.	-----		9,218
University of Southern California	20.701	84376201		<u>126,433</u>
				472,793
National Aeronautics and Space Administration				
Goddard				
Science	43.001			86,871
Education	43.008			626,738
Other	43.			<u>868,322</u>
				1,581,931
Ames				
Education	43.008			31,553
Johnson Space Center				
Education	43.008			67,805
Passed Through From				
University of Arizona	43.	Y403053		115,394
Space Telescope Science Institute	43.001	50854		40
Space Telescope Science Institute	43.	HST-HF2-51424.001-A		<u>106,662</u>
				222,096
				<u>1,903,385</u>
National Endowment for the Arts and Humanities				
National Endowment for the Arts				
Promotion of the Arts Grants to Organizations and Individuals	45.024			14,999
National Endowment for the Humanities				
Promotion of the Humanities Teaching and Learning Resources and Curriculum Development	45.162			47,109
Passed Through From				
Hawaii State Foundation on Culture & Arts	45.025	various		42,757
Hawaii State Foundation on Culture & Arts	45.	-----		7,000
Hawaii Council for the Humanities	45.129	REG-20A-01		10,000
WESTAF	45.025	various		<u>6,875</u>
				66,632
				<u>128,740</u>
Institute of Museum and Library Services				
Laura Bush 21st Century Librarian Program	45.313			107,722
Passed Through From				
Washington State University	45.312	116432 G003717		<u>47,319</u>
				155,041
Small Business Administration				
Small Business Development Centers	59.037			825,261
Veterans Outreach Program	59.044			<u>286,591</u>
				1,111,852
U.S. Department of Veterans Affairs				
	64.			79,671
Environmental Protection Agency				
Science to Achieve Results ("STAR") Fellowship Program	66.514			2,959
Other	66.			11,827
Passed Through From				
State of Hawaii Dept. of Health	66.419	ASO LOG 19-215		15,676
State of Hawaii Dept. of Health	66.460	various		105,160
Extension Foundation	66.716	SA-2019-47		<u>2,292</u>
				123,128
				<u>137,914</u>
U.S. Department of Energy				
Passed Through From				
State of Hawaii Dept. of Business, Economic Development and Tourism	81.119	65616		51,984
Battelle Memorial Institute	81.	446471		35,292
University of Central Florida	81.087	16226104-04		29,331
Uchicago Argonne LLC	81.	9F-60268		<u>21,701</u>
				138,308
U.S. Department of Education				
Office of Postsecondary Education				
National Resource Centers Program for Foreign Language and Area Studies or Foreign Language and International Studies Program and Foreign Language and Area Studies Fellowship Program				
	84.015			1,123,732
Overseas Program – Group Projects Abroad	84.021			21,158
Language Resource Centers	84.229			154,804
Child Care Access Means Parents in School	84.335			155,922
Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407			<u>287,992</u>
				1,743,608

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

	CFDA No.	Pass-Through Identifier	Passed Through to Subrecipients	Expenditures
Office of Special Education and Rehabilitative Services				
Rehabilitation Long-Term Training	84.129			212,622
Special Education – Personnel Development to Improve Services and Results for Children with Disabilities	84.325			356,412
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326			<u>142,449</u>
Office of Elementary and Secondary Education				711,483
Statewide Family Engagement Centers	84.310			<u>798,788</u>
Passed Through From				
State of Hawaii Dept. of Education	84.084	-----		9,000
State of Hawaii Dept. of Education	84.184	MOA D15-083 CO-10584		6,969
State of Hawaii Dept. of Education	84.287	MOA D17-076 CO 10758		74,347
State of Hawaii Dept. of Education	84.365	MOA D18-032 CO-10852		21,836
State of Hawaii Dept. of Education	84.371	MOA D20-102 CO-20080		38,202
State of Hawaii Dept. of Education	84.372	MOA D16-097 CO-10651		737,985
State of Hawaii Dept. of Education	84.126	various		529,418
State Public Charter School Commission	84.419	MOA PDG-01, SPCSC-18-33-SW		21,205
Alu Like, Inc	84.259	various		654,544
Government of American Samoa	84.403	C00967		225,813
Government of American Samoa	84.	various		849,282
Hui No Ke Ola Pono, Inc	84.259	KE1018		354,170
College of the Marshall Islands	84.325	H325K160037		<u>153,602</u>
				<u>3,676,373</u>
				6,930,252
Japan U.S. Friendship Commission				
Japan U.S. Friendship Commission Grants	90.300			36,477
U.S. Department of Health and Human Services				
Health Resources and Services Administration				
Training in General, Pediatric, and Public Health Dentistry	93.059			274,124
Area Health Education Centers	93.107		874,257	1,098,028
Maternal and Child Health Federal Consolidated Programs	93.110			573,870
Centers of Excellence	93.157			764,390
Grants to States for Loan Repayment Program	93.165			290,412
Telehealth Programs	93.211			322,805
Advanced Nursing Education Workforce Grant Program	93.247			4,206
Geriatric Academic Career Awards Department of Health and Human Services	93.250			36,027
Universal Newborn Hearing Screening	93.251			357,616
Nurse Education, Practice Quality, and Retention Grants	93.359			7,842
Mental and Behavioral Health Education and Training Grants	93.732		15,000	187,733
Health Careers Opportunity Program	93.822		43,677	626,774
PPHF Geriatric Education Centers	93.969		167,045	<u>882,468</u>
Centers for Disease Control and Prevention				5,426,295
Early Hearing Detection and Intervention Information System ("EHDI-IS") Surveillance Program	93.314			190,918
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898		120,190	445,222
Other	93.			<u>42,918</u>
Administration for Community Living ("ACL")				679,058
Alzheimer's Disease Program Initiative ("ADPI")	93.470			146,132
Developmental Disabilities Projects of National Significance	93.631			258,054
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632		338,398	1,021,599
Alzheimer's Disease Initiative: Specialized Supportive Services Project ("ADI-SSS") thru Prevention and Public Health Funds ("PPHF")	93.763			<u>38,863</u>
Office of Minority Health				1,464,648
Community Programs to Improve Minority Health Grant Program	93.137			408,086
Substance Abuse and Mental Health Services Administration				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243			120,335
Passed Through From				
State of Hawaii Dept. of Education	93.079	MOA D16-113 CO-10692		51,595
State of Hawaii Dept. of Education	93.243	various		154,416
State of Hawaii Dept. of Health	93.051	ASO LOG 18-195		98,905
State of Hawaii Dept. of Health	93.110	various		32,081
State of Hawaii Dept. of Health	93.136	various		81,867
State of Hawaii Dept. of Health	93.197	PO 00 249068		39,549
State of Hawaii Dept. of Health	93.243	ASO LOG 19-245		185,698
State of Hawaii Dept. of Health	93.251	ASO LOG 20-117		13,820
State of Hawaii Dept. of Health	93.323	-----		18,511
State of Hawaii Dept. of Health	93.426	various		75,163
State of Hawaii Dept. of Health	93.590	19-02-MCHB FSVPS		44,577
State of Hawaii Dept. of Health	93.788	20-001A		239,704
State of Hawaii Dept. of Health	93.940	Barile MOA		23,980
State of Hawaii Dept. of Health	93.958	various		381,051
State of Hawaii Dept. of Health	93.959	various		911,777
State of Hawaii Dept. of Health	93.991	IBIS Infrastructure		37,520
State of Hawaii Dept. of Health	93.	various		381,275
State of Hawaii Dept. of Human Services	93.369	DHS-20-VR-0068		12,622
State of Hawaii Dept. of Human Services	93.558	DHS-17-ETPO-4024		87,857
State of Hawaii Dept. of Human Services	93.596	various		753,710
State of Hawaii Dept. of Human Services	93.667	various		214,687
State of Hawaii Dept. of Human Services	93.747	DHS-17-APCSB-4093, SUPP 2		11,986
State of Hawaii Dept. of Human Services	93.778	various		265,030
State of Hawaii Dept. of Human Services	93.779	-----		207,159

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

	CFDA No.	Pass-Through Identifier	Passed Through to Subrecipients	Expenditures
State of Hawaii Office of Enterprise Technology Services	93.511	various		503,655
Government of American Samoa	93.283	-----		35,538
Government of American Samoa	93.	C01155		(197)
University of Arizona	93.516	461875		17,421
University of California – San Francisco	93.145	various		171,040
Catholic Charities Hawaii	93.	various		83,361
Coalition for a Drug-Free Hawaii	93.243	-----		1,993
Government of Guam	93.778	GDPHSS-Medicaid-CA-002WTL#2		152,282
Government of Guam	93.898	17-0791		7,992
Republic of the Marshall Islands	93.898	-----		(434)
Federated States of Micronesia	93.898	C#180261		165
Commonwealth of the Northern Mariana Islands	93.778	various		128,411
Commonwealth of the Northern Mariana Islands	93.898	-----		27,240
Pacific Youth & Community Development	93.612	various		30,746
Republic of Palau	93.898	18-026		11,029
University Health Partners	93.917	7120-ACR-RW		109,617
				<u>5,604,399</u>
				13,702,821
Corporation for National and Community Service				
State Commissions	94.003			202,913
AmeriCorps	94.006		2,541,632	2,541,632
Training and Technical Assistance	94.009		84,228	277,695
AmeriCorps VISTA Recruitment Support	94.027			6,213
				<u>3,028,453</u>
Social Security Administration				
Social Security – Work Incentives Planning and Assistance Program	96.008			108,143
Agency for International Development				
Passed Through From				
University of California – Davis	98.001	09-002945-108	52,340	118,827
University of California – Merced	98.001	720FDA19CA00032		135,329
Michigan State University	98.	RC102095BHEARD-Bangladesh		5,356
				<u>259,512</u>
Other				
Peace Corps	99.			15,335
Total other federal assistance				<u>50,967,288</u>
Total expenditures of federal awards			\$ 22,107,035	\$ 504,917,869

University of Hawai'i
State of Hawai'i
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the University and is presented on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The University has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

2. Loans Outstanding

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

	CFDA No.	Loans Outstanding
Major Program – Student Financial Assistance		
Federal Perkins Loan	84.038	\$ 77,462
		<u>\$ 77,462</u>

During the year ended June 30, 2020, the University distributed \$129,435,877 in student loans through the U.S. Department of Education Direct Loan program. These distributions and related funding sources are presented in the schedule of expenditures of federal awards, however, are not included as expenses and revenues in the University's financial statements.

SECTION 3

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

University of Hawai‘i²
State of Hawai‘i
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors’ report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. CFR Part 200, Section 200.516?	Yes

Identification of Major Programs¹

CFDA Number	Federal Program or Cluster	
Various	Research and Development Cluster	
Various	Student Financial Assistance Cluster – Grants, Scholarships and Loans	
Various	TRIO Cluster	
43.000	NASA IRTF Operation	
84.031	Title III Higher Education – Institutional Aid	
84.048	Career and Technical Education – Basic Grants to States	
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs (“GEAR UP”)	
84.362	Title VII Native Hawaiian Education	
84.425	COVID-19 – Higher Education Emergency Relief Fund (“HEERF”)	
97.005	State and Local Homeland Security National Training Program	
Dollar threshold used to distinguish between Type A and Type B programs		\$3,000,000
Auditee qualified as low-risk auditee?		No

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

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

University of Hawai'i
State of Hawai'i
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section II – Financial Statement Findings

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

**University of Hawai‘i
State of Hawai‘i
Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
University of Hawai‘i at Mānoa
Year Ended June 30, 2020**

Section III – Federal Award Findings and Questioned Costs

**Questioned
Costs**

\$ –

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

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.268 – Federal Direct Student Loans

Condition

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

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

Criteria

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

Cause

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

Effect

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

**University of Hawai‘i
State of Hawai‘i
Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
University of Hawai‘i at Mānoa
Year Ended June 30, 2020**

Context

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

Repeat Finding

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

**University of Hawai‘i
State of Hawai‘i
Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
University of Hawai‘i at West O‘ahu
Year Ended June 30, 2020**

**Questioned
Costs**

\$4,135

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

Federal Agency: U.S. Department of Education

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

Condition

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

Return of Title IV Funds

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

Enrollment Reporting

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

Criteria

Return of Title IV Funds

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

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

University of Hawai'i
State of Hawai'i
Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
University of Hawai'i at West O'ahu
Year Ended June 30, 2020

Enrollment Reporting

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

Cause

Return of Title IV Funds

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

Enrollment Reporting

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

Effect

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

Context

Return of Title IV Funds

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

Enrollment Reporting

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

**University of Hawai'i
State of Hawai'i
Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
University of Hawai'i at West O'ahu
Year Ended June 30, 2020**

Repeat Finding

This is not a repeat finding.

Recommendation

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

Return of Title IV Funds

- Ensure that the correct information is used to prepare the return of Title IV calculation.
- Remit the institutional portion of unearned aid to the appropriate Title IV program within the required 30-day time period in accordance with federal regulations.

Enrollment Reporting

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

Views of Responsible Officials and Planned Corrective Actions

Return of Title IV Funds

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

Enrollment Reporting

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

University of Hawai‘i
State of Hawai‘i
Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
Honolulu Community College
Year Ended June 30, 2020

**Questioned
Costs**

\$ –

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

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.268 – Federal Direct Student Loans

Condition

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

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

Criteria

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

Cause

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

Effect

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

**University of Hawai'i
State of Hawai'i
Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
Honolulu Community College
Year Ended June 30, 2020**

Context

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

Repeat Finding

This is not a repeat finding.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

To ensure that exit counseling is provided to borrowers in a timely manner, at least twice a month, campus personnel are working with the Central Financial Aid office to obtain lists of students requiring exit counseling. Personnel will also begin the exit counseling process for graduates 30 days prior to the end of the semester.

University of Hawai‘i
State of Hawai‘i
Schedule of Findings and Questioned Costs
NASA IRTF Operation
Year Ended June 30, 2020

**Questioned
Costs**

\$43,755

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

Federal Agency: NASA Goddard

CFDA Number and Title: 43.000 – NASA IRTF Operation

Condition

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

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

Criteria

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

Cause

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

University of Hawai'i
State of Hawai'i
Schedule of Findings and Questioned Costs
NASA IRTF Operation
Year Ended June 30, 2020

Effect

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

Context

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

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

Repeat Finding

This is not a repeat finding.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

During fiscal 2021, the RCUH "Human Resources Portal Access & PI Delegation of Authority" form evidencing the delegation of approval authority from the Principal Investigator to the individual who ultimately certified the employee's electronic timesheet was completed. The Institute for Astronomy is also in the process of moving RCUH employees who are working on grants within the NASA program to RCUH's electronic timesheet system.

University of Hawai‘i
State of Hawai‘i
Schedule of Findings and Questioned Costs
Title VII Native Hawaiian Education
Year Ended June 30, 2020

**Questioned
Costs**

\$33,915

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

Federal Agency: U.S. Department of Education

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

Condition

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

Criteria

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

Cause

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

Effect

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

Context

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

University of Hawai'i
State of Hawai'i
Schedule of Findings and Questioned Costs
Title VII Native Hawaiian Education
Year Ended June 30, 2020

Repeat Finding

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

SECTION 4

FINANCIAL STATEMENTS

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Index
June 30, 2020 and 2019

	Page(s)
Report of Independent Auditors	
Management's Discussion and Analysis (Unaudited)	4–25
Financial Statements	
Statements of Net Position..... University of Hawai'i	26
Statements of Financial Position..... University of Hawai'i Foundation	27
Statements of Revenues, Expenses, and Changes in Net Position..... University of Hawai'i	28
Statements of Activities..... University of Hawai'i Foundation	29
Statements of Cash Flows	30–31
University of Hawai'i	
Notes to Financial Statements	32–80
Required Supplementary Information Other Than Management's Discussion and Analysis	
Schedule of the Proportionate Share of the Net Pension Liability (Unaudited)	81
Schedule of Pension Contributions (Unaudited).....	82
Schedule of Changes in the Net OPEB Liability and Related Ratios (Unaudited)	83
Schedule of OPEB Contributions (Unaudited).....	84



Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Hawai'i (the "University"), a component unit of the State of Hawai'i, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the accompanying index.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the University of Hawai'i Foundation (the "Foundation"), which represent 14.3 percent and 14.5 percent, respectively, of the total assets and deferred outflows of resources and 0.7 percent of the total operating revenues of the University as of and for the years ended June 30, 2020 and 2019. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Foundation as of and for the years ended June 30, 2020 and 2019, are based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited under *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors



consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University and its discretely presented component unit as of June 30, 2020 and 2019, and the changes in financial position and, where applicable, cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2020, the University elected to change the presentation of its financial statements. The change was applied retrospectively to 2019. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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



Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards, prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, as prepared on the cash basis of accounting, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Accuity LLP

Honolulu, Hawai'i
December 3, 2020

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

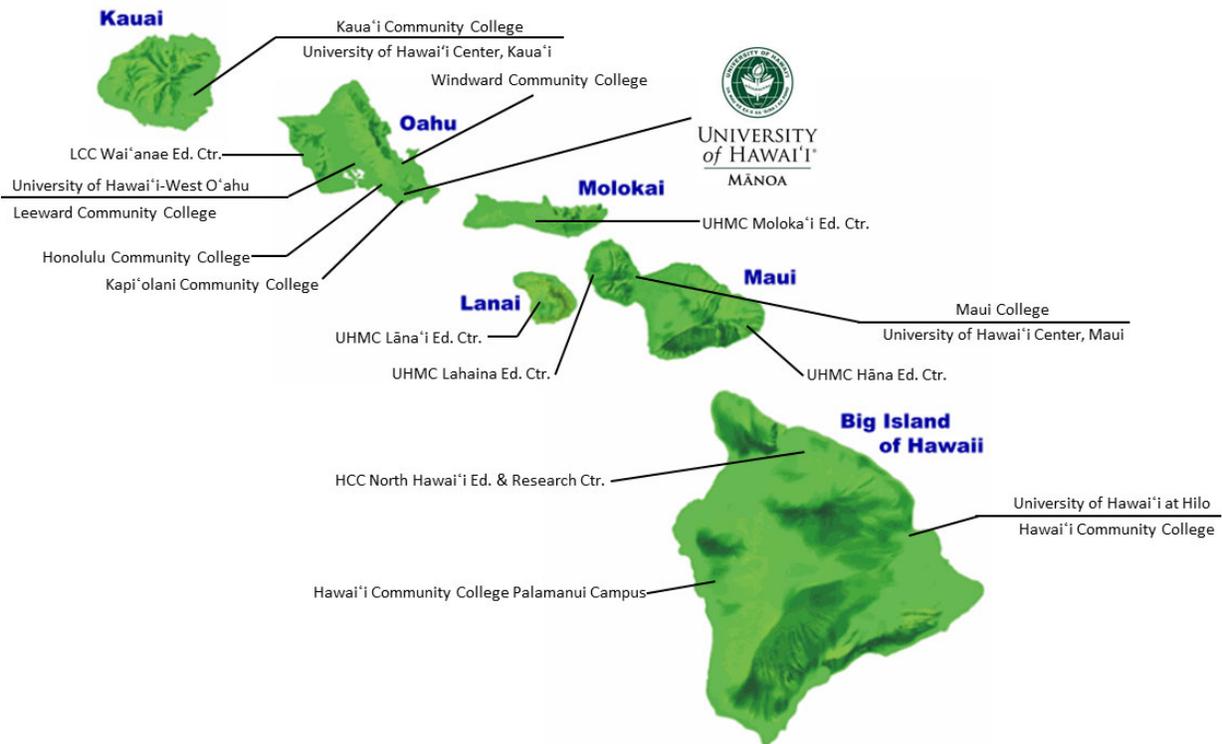
Introduction

The following discussion and analysis provides an overview of the financial position and activities of the University of Hawai'i (the "University") for the years ended June 30, 2020 and 2019, with selected information for the year ended June 30, 2018. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Founded in 1907 under the auspices of the Morrill Act, the University is a land-grant, sea-grant and space-grant institution and a 10-campus system comprised of a major research university (UH-Mānoa), two baccalaureate campuses (UH-Hilo and UH-West O'ahu), seven community colleges (Hawai'i, Honolulu, Kapi'olani, Kaua'i, Leeward, Maui and Windward), and nine educational centers distributed across the State.

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

In addition to being an integrated higher education system, the University distinguishes itself through its Hawai'i, Asian and Pacific orientation and its position as one of the world's foremost multicultural centers for global and indigenous studies. Students are members of a population in which no one ethnic group constitutes a majority, and the educational experience is enriched by the diversity of cultures represented.



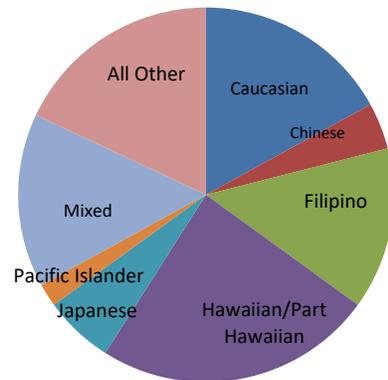
University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Management's Discussion and Analysis (Unaudited)
June 30, 2020 and 2019

Students	Academic Year 2020	Academic Year 2019	Academic Year 2018
Undergraduate	44,278	44,564	46,375
Graduate	5,316	5,413	5,299
Total	49,594	49,977	51,674

Type of Degrees Awarded	724
Certificates: Community Colleges	171
Certificates: University	127
Associate degrees	127
Bachelor's degrees	146
Master's degrees	92
Doctoral degrees	57
Professional degrees	4

Residency	
Hawai'i	84%
Mainland	11%
U.S Affiliated	1%
Foreign	4%

Student Diversity (full time Students)	
Caucasian	17%
Chinese	4%
Filipino	14%
Hawaiian/Part Hawaiian	24%
Japanese	6%
Pacific Islander	2%
Mixed	15%
All Other	18%



Total Revenues (\$ in thousands)	Fiscal Year 2020	% of Total	Fiscal Year 2019	Fiscal Year 2018
Net tuition and fees	\$ 263,459	14%	\$ 262,063	\$ 259,205
Contracts and grants (including Pell grants)	457,682	24%	457,902	453,164
State appropriations	512,608	27%	506,399	485,153
Transfer from State for fringe benefits	304,701	16%	286,479	255,311
Sales and services	113,511	6%	130,346	128,241
Capital State appropriations	203,765	10%	133,996	184,103
Others	62,208	3%	56,152	45,093
Total	\$ 1,917,934	100%	\$ 1,833,337	\$ 1,810,270

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

Using the Financial Statements

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

- **Statements of Net Position** – The Statements of Net Position 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.
- **Statements of Revenues, Expenses, and Changes in Net Position** – The Statements of Revenues, Expenses, and Changes in Net Position present the University's revenues and expenses and illustrate how current year activities improve or weaken the University's financial condition. Changes in net position are reported when the underlying event occurs (accrual basis of accounting), which may be different from actual cash flows. In accordance with GASB requirements, certain significant revenues budgeted for fundamental operational support of the core instructional mission of the University must be recorded as nonoperating revenue, including state educational appropriations, private gifts, and investment income. Consequently, the Statements of Revenues, Expenses, and Changes in Net Position distinguish operating from nonoperating revenues and expenses. It is anticipated that the University will consistently report an operating loss since certain significant revenue sources relied upon for core operational needs are considered nonoperating revenue.
- **Statements of Cash Flows** – The Statements of Cash Flows distinguish between cash inflows and outflows from operating activities, non-capital financing activities, capital and related financing activities, and investing activities.
- **Notes to Financial Statements** – The notes provide additional information that is essential to a full understanding of the information presented in the financial statements.

Related Entities

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

Management's interpretation of the presentation of the University's component units under GASB Statement No. 61 was updated in fiscal year 2020. Prior to fiscal year 2020, both the Foundation and the Research Corporation were blended into the University's financial statements. Presenting the Foundation as a discretely presented component unit is a common method among similar public colleges

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

and universities with a legally separate foundation. This change has been applied retrospectively to the 2019 and selected 2018 information in this discussion and analysis.

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

Financial Position

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

	2020	2019	2020 vs 2019 Change	2018	2019 vs 2018 Change
Current assets					
Cash and operating investments	\$ 457,777	\$ 435,411	\$ 22,366	\$ 397,333	\$ 38,078
Receivables, net	102,021	113,892	(11,871)	107,184	6,708
Other current assets	19,422	19,173	249	21,190	(2,017)
Total current assets	579,220	568,476	10,744	525,707	42,769
Noncurrent assets					
Endowment and other investments	101,647	102,807	(1,160)	102,163	644
Capital assets, net	2,183,025	2,149,722	33,303	2,114,726	34,996
Other noncurrent assets	490,020	423,910	66,110	439,326	(15,416)
Total assets	3,353,912	3,244,915	108,997	3,181,922	62,993
Deferred outflows of resources					
Deferred outflows on net pension and OPEB liability and other	476,676	506,412	(29,736)	528,105	(21,693)
Total deferred outflows of resources	476,676	506,412	(29,736)	528,105	(21,693)
Total assets and deferred outflows of resources	\$ 3,830,588	\$ 3,751,327	\$ 79,261	\$ 3,710,027	\$ 41,300
Current liabilities	\$ 250,030	\$ 261,343	\$ (11,313)	\$ 254,996	\$ 6,347
Noncurrent liabilities					
Revenue bonds payable	467,795	487,490	(19,695)	506,655	(19,165)
Net pension liability and other postemployment benefits	3,593,590	3,496,296	97,294	3,432,462	63,834
Other noncurrent liabilities	110,698	119,689	(8,991)	127,700	(8,011)
Total liabilities	4,422,113	4,364,818	57,295	4,321,813	43,005
Deferred inflows of resources					
Deferred inflows on net pension and OPEB liability	40,708	69,279	(28,571)	53,497	15,782
Total deferred inflows of resources	40,708	69,279	(28,571)	53,497	15,782
Net position					
Net investment in capital assets	1,671,445	1,620,054	51,391	1,593,172	26,882
Restricted					
Nonexpendable	10,493	10,493	-	10,493	-
Expendable	498,211	427,654	70,557	404,093	23,561
Unrestricted	(2,812,382)	(2,740,971)	(71,411)	(2,673,041)	(67,930)
Total net position	(632,233)	(682,770)	50,537	(665,283)	(17,487)
Total liabilities, deferred inflows of resources and net position	\$ 3,830,588	\$ 3,751,327	\$ 79,261	\$ 3,710,027	\$ 41,300

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

Current Assets and Liabilities

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

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

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

- Current assets consist primarily of cash and cash equivalents, operating investments, and net receivables. Total current assets were \$579.2 million, \$568.5 million and \$525.7 million at June 30, 2020, 2019 and 2018, respectively. Total current assets increased by \$10.7 million, or 1.9 percent, at June 30, 2020, primarily due to a \$9.0 million increase in cash and cash equivalents and \$46.3 million increase in operating investments. The cash increase was attributable to the University implementing various cost control initiatives, including personnel cost reductions, which started in 2018. The operating investments increase was due to the University investing excess cash into government obligations. Total current assets increased by \$42.8 million, or 8.1 percent, at June 30, 2019, primarily due to an increase in operating investments. The University implemented various cost control initiatives which started in 2018, that provided for excess funds available for investment in the University's operating investment pool.
- Current liabilities consist primarily of accounts payable, accrued payroll and fringe benefits, advances from sponsor, and unearned revenue. Current liabilities also include amounts due to the State of Hawai'i, the current portion of long-term liabilities, and other current liabilities. Total current liabilities were \$250.0 million, \$261.3 million and \$255.0 million at June 30, 2020, 2019 and 2018, respectively. Total current liabilities decreased by \$11.3 million, or 4.3 percent, at June 30, 2020, as a result of the timing of payments to vendors, as well as a decrease in unearned tuition revenue. Unearned tuition revenue decreased due to the deadline extension for fall 2020 enrollment. In fiscal year 2019, total current liabilities increased by \$6.3 million, or 2.5 percent, at June 30, 2019, primarily due to the increase in accounts payable and accrued payroll. Accounts payable increased as a result of the timing of cash disbursements and the increase in accrued payroll was due to the year-over-year increases in compensation and benefits expense.

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

Endowment and Other Investments

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

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

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

The spending rate policy for the University's self-managed endowment is to limit the immediate impact that significant changes in the fair value of the endowment portfolio have on annual distributions. The spending rate policy provides for an annual distribution, ranging between 3.0 percent and 5.0 percent of the five-year moving average of the endowment portfolio's fair value. In fiscal years 2020, 2019 and 2018, the University instituted a 4.5 percent distribution rate on restricted and unrestricted endowments. The total restricted and unrestricted distributions available to the University amounted to \$2.8 million, \$2.8 million and \$2.7 million in fiscal years 2020, 2019 and 2018, respectively.

Capital and Debt Activities

The University's capital assets are separated into seven categories: land, buildings, infrastructure, land improvements, equipment, library materials, and construction in progress. At June 30, 2020, 2019 and 2018, total capital assets, net of accumulated depreciation, remained relatively constant at approximately \$2 billion, which represented approximately 65 percent of the University's total assets. Capital asset additions totaled \$171.4 million, \$180.1 million and \$177.8 million in fiscal years 2020, 2019 and 2018, respectively.

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

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

Capital Projects

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

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

- **Coconut Island Marine Laboratory 1 & 2** – The new estimated completion date for the \$21.5 million Coconut Island Marine Laboratory Buildings 1 & 2 renovation project is December 2020. The Hawai'i Institute of Marine Biology at the University of Hawai'i at Mānoa is a world-renowned research institute situated on Coconut Island in the Kāne'ōhe Bay. Coconut Island provides excellent opportunities for research as it covers approximately twenty-nine acres with six acres enclosed in lagoons that are used for keeping organisms in captivity for study. The ongoing research projects on the island cover many disciplines of tropical marine science conducted by researchers from all over the world.
- **Coconut Island Utility Rehabilitation/Replacement** – The \$10 million new sewer and telecommunications infrastructure lines were completed in December 2019. The new infrastructure lines were built roughly forty feet below Kāne'ōhe Bay. Additions to the project scope included upsizing the waterline between Coconut Island and O'ahu and to replacing the existing sewer pump station.
- **Daniel K. Inouye College of Pharmacy** – The \$33.7 million Daniel K. Inouye College of Pharmacy building was completed in December 2019. This project provides a two-story 45,000 square-foot building that consolidates student laboratories, faculty offices, and Student Affairs under a single roof. It also provides faculty and student lounges, private study rooms, and a lecture hall. In addition, the new building includes a simulated mannequin lab which features two highly realistic mannequins that, with the aid of computers, can physically respond to stimuli and upon which students can learn and practice medical procedures before treating real-life patients.
- **William S. Richardson School of Law Clinical Building** – The \$9 million Law School Clinical Building at the William S. Richardson School of Law on the University of Hawai'i at Mānoa campus was completed in November 2019. The new building provides much needed space for the growing clinical services offered by law school students and faculty. Students provide thousands of hours of free legal help to some of Hawai'i's most vulnerable people, including the elderly, troubled and incarcerated youth, veterans and families living at or near poverty levels.
- **University of Hawai'i at Mānoa Life Sciences Building** – The \$65.5 million University of Hawai'i at Mānoa Life Sciences Building was completed in July 2020. This new Life Sciences Building will play a critical role in expanding inter-disciplinary educational and research opportunities for our students and faculty and will provide multi-disciplinary shared spaces that inspire learning and advancement. The building includes teaching and research laboratories, laboratory support spaces, and office spaces for the College of Natural Sciences, biology, microbiology and botany departments along with the Pacific Biosciences Research Center, which operates the state's only transmission electron microscope.

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

- **University of Hawai'i West O'ahu Creative Media Building** – The \$34.5 million Creative Media Building at the University of Hawai'i at West O'ahu is estimated to be completed in November 2020. This new design-build project will house the existing Academy of Creative Media ("ACM") program in a 33,000 square foot facility. The building will combine teaching facilities, production facilities, faculty offices, creative workspaces, and an incubator for emerging companies. The building expands the current UH-West O'ahu ACM program from approximately 110 student majors to an anticipated 500 majors.
- **University of Hawai'i at Mānoa Athletic Gymnasiums 1 & 2** – The \$10 million renovation of Athletic Gymnasiums 1 & 2 was completed in July 2019. The project consisted of net zero photovoltaic and roof system and additional thermal insulation for occupants' comfort and to reduce the noise level. The floors, fixed equipment, and electrical equipment were also upgraded.
- **University of Hawai'i West O'ahu Allied Health and Administration Building** – The grand opening for the University of Hawai'i West O'ahu Allied Health and Administration building took place on December 12, 2018. The \$33 million two-story 43,000 square foot building houses the allied health, community health, health information management, long-term care, and biology programs and contains administrative offices, faculty offices, classrooms, and lab spaces. The structure is expected to receive at least a Silver LEED certification because of the motion sensor lighting, solar hot water, and water conservation systems. A one hundred-kilowatt rooftop photovoltaic system design was developed for the building.
- **Leeward Community College Product Development Center Renovation** – The \$14.3 million renovation is a cooperative project between the University and the Department of Agriculture's Agribusiness Development Corporation ("ADC"). The 16,000 square foot facility will include a commercial grade kitchen, flexible classroom space, processing and manufacturing rooms, laboratories, and a public loft space with completion anticipated in May 2022. The product development center will take agricultural items that would normally be wasted and turn it into value-added food products that can be marketed and sold.
- **Leeward Community College "DA Native Hawaiian Center for Excellence"** – The \$7.5 million project was completed in June 2020. Leeward Community College is leading the way in the University's commitment to "support vigorous programs of study and support for the Hawaiian language, history, and culture" with the renovation of the building. Leeward Community College currently has the most Native Hawaiian students enrolled. The renovation added a new ethnobotany/fiber arts lab and classroom and a dance studio.

Financing

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

- **General obligation bonds** – The State of Hawai'i continues to provide strong support to the University and issued general obligation bonds to help finance certain University projects. These bonds are carried as liabilities of the State. In fiscal years 2020, 2019 and 2018, the State appropriated funds directly to the Department of Budget and Finance to pay for debt service on general obligation bonds issued for the University. As a result, the University itself received no appropriations and made no transfers for debt service on general obligation bonds for these fiscal years. In fiscal years 2020, 2019 and 2018, \$126.2 million, \$116.3 million and \$108.0 million, respectively, were appropriated.

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

- **Revenue bonds** – The University also issued revenue bonds to finance capital projects. These bonds are carried as liabilities of the University. Total revenue bond liabilities were \$487.5 million, \$506.7 million and \$525.4 million for fiscal years 2020, 2019 and 2018, respectively. The University has appropriated funds, by statute, from the State of Hawai'i Tobacco Settlement Special Fund for the payment of principal and interest on revenue bonds to finance the cost of construction of the medical school facility and received funds for debt service in the amount of \$9.4 million in each of the fiscal years 2020, 2019 and 2018. The University also receives a portion of the State of Hawai'i's cigarette tax revenues, by statute, for the University of Hawai'i Cancer Center to be used for research and operating expenses and capital expenditures. In each of the fiscal years 2020, 2019 and 2018, \$7.9 million from cigarette tax revenues was used to cover debt service for the bonds that financed the University of Hawai'i Cancer Center. Refer to Note 10 for more information regarding the University revenue bonds.
- **Equipment lease obligations** – In November 2017, the University entered into two tax-exempt lease purchase ("TELP") agreements to fund the acquisition of energy conservation measures at the four O'ahu community college campuses (Honolulu, Kapi'olani, Leeward and Windward) and Maui College for \$24.2 million and \$6.3 million, respectively. Purchases were financed with a bank and the proceeds were deposited into an acquisition fund held to provide for future payments. See Note 10 for further information.

Net Position

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

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

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

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

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

Restricted expendable net position is subject to externally imposed restrictions governing their use.

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

The overall increases in restricted expendable of \$70.6 million and \$24.6 million in fiscal years 2020 and 2019, respectively, were primarily due to capital appropriations outpacing capital project expenditures.

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

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

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

	2020	2019	2018
Unrestricted net position	\$ (2,812,382)	\$ (2,740,971)	\$ (2,673,041)
Pension	1,509,291	1,399,792	1,308,560
OPEB	<u>1,662,321</u>	<u>1,674,987</u>	<u>1,666,481</u>
Adjusted net unrestricted position	<u>\$ 359,230</u>	<u>\$ 333,808</u>	<u>\$ 302,000</u>

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

Results of Operations

The Statements of Revenues, Expenses, and Changes in Net Position represent the University's results of operations for the year. It indicates whether the financial condition of the University improved or deteriorated. For financial reporting purposes, certain significant revenues, including state appropriations, private gifts, and investment income, which are relied upon and budgeted to support the University's core operations, are required to be reported as nonoperating revenues. The University's results of operations for the years ended June 30, 2020, 2019 and 2018 summarized to match revenues supporting core activities with expenses associated with core activities, are as follows (in thousands of dollars):

	2020	2019	2020 vs 2019 Change	2018	2019 vs 2018 Change
Revenues					
Operating					
Tuition and fees	\$ 394,967	\$ 394,952	\$ 15	\$ 393,452	\$ 1,500
Less: Scholarship allowances	(131,508)	(132,889)	1,381	(134,247)	1,358
Grants and contracts	400,970	404,380	(3,410)	397,108	7,272
Sales and services	113,511	130,346	(16,835)	128,241	2,105
Other revenue	910	633	277	673	(40)
Total operating revenues	<u>778,850</u>	<u>797,422</u>	<u>(18,572)</u>	<u>785,227</u>	<u>12,195</u>
Nonoperating					
State appropriations and transfers for fringe benefits	817,309	792,878	24,431	740,464	52,414
Federal Pell grant and CARES Act program	56,712	53,522	3,190	56,056	(2,534)
Net investment income	17,741	18,316	(575)	9,226	9,090
Private gifts	3,873	3,128	745	3,054	74
Total nonoperating revenues	<u>895,635</u>	<u>867,844</u>	<u>27,791</u>	<u>808,800</u>	<u>59,044</u>
Total revenues supporting core activities	<u>1,674,485</u>	<u>1,665,266</u>	<u>9,219</u>	<u>1,594,027</u>	<u>71,239</u>
Expenses					
Operating					
Compensation and benefits	1,333,828	1,304,933	28,895	1,243,688	61,245
Supplies, services and cost of goods sold	172,476	187,498	(15,022)	189,008	(1,510)
Telecom and utilities	65,141	69,309	(4,168)	65,589	3,720
Scholarships and fellowships	37,545	31,749	5,796	34,194	(2,445)
Other expense	98,829	96,447	2,382	89,021	7,426
Total operating expenses	<u>1,707,819</u>	<u>1,689,936</u>	<u>17,883</u>	<u>1,621,500</u>	<u>68,436</u>
Nonoperating revenues (expenses)					
Transfers from State, net	25,755	25,489	266	26,810	(1,321)
Transfers to (from) Federal – capital assets	6,960	87	6,873	(84)	171
Transfers (from) to other State agencies	(247)	269	(516)	(5,924)	6,193
Interest expense	(24,296)	(24,959)	663	(25,335)	376
Total nonoperating revenues, net	<u>8,172</u>	<u>886</u>	<u>7,286</u>	<u>(4,533)</u>	<u>5,419</u>
Expenses associated with core activities before depreciation	<u>1,699,647</u>	<u>1,689,050</u>	<u>10,597</u>	<u>1,626,033</u>	<u>63,017</u>
Loss from core activities before depreciation and amortization	<u>(25,162)</u>	<u>(23,784)</u>	<u>(1,378)</u>	<u>(32,006)</u>	<u>8,222</u>
Depreciation and amortization	<u>132,672</u>	<u>130,153</u>	<u>2,519</u>	<u>127,061</u>	<u>3,092</u>
Expenses associated with core activities including depreciation	<u>1,832,319</u>	<u>1,819,203</u>	<u>13,116</u>	<u>1,753,094</u>	<u>66,109</u>
Loss from core activities	<u>(157,834)</u>	<u>(153,937)</u>	<u>(3,897)</u>	<u>(159,067)</u>	<u>5,130</u>
Other nonoperating activity					
Capital appropriations and grants	210,639	141,206	69,433	187,596	(46,390)
Other expenses, net	(2,268)	(4,757)	2,489	(3,835)	(922)
Other nonoperating income, net	<u>208,371</u>	<u>136,449</u>	<u>71,922</u>	<u>183,761</u>	<u>(47,312)</u>
Increase (decrease) in net position	<u>50,537</u>	<u>(17,488)</u>	<u>\$ 68,025</u>	<u>24,694</u>	<u>\$ (42,182)</u>
Net position					
Beginning of year	<u>(682,770)</u>	<u>(665,282)</u>		<u>(689,976)</u>	
End of year	<u>\$ (632,233)</u>	<u>\$ (682,770)</u>		<u>\$ (665,282)</u>	

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

Revenues Supporting Core Activities

The University has a diversified stream of revenues to support its operations. No single source generated more than 30 percent of the total 2020 revenue. State appropriations and tuition and fees are the core components that support the University's instructional and academic programs. Government and nongovernmental grants and contracts provide opportunities for under-graduate and graduate students to participate in basic research with renowned researchers. Private gifts contribute toward the support of the University's instructional and academic initiatives. Sales and services revenues include revenues from educational departments and auxiliary enterprises, including bookstores, student and faculty housing, food services, parking and athletics.

Tuition and fees revenue, net of scholarship allowances, remained relatively consistent in fiscal years 2020 and 2019. Scholarship allowances amounted to \$131.5 million, \$132.9 million and \$134.2 million in fiscal years 2020, 2019 and 2018, respectively.

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

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

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

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

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

Expenses Associated with Core Activities

The University is committed to recruiting and retaining outstanding faculty and staff and providing compensation equivalent to peer institutions and nonacademic employers. Of the University's operating expenses, approximately 78.1 percent, 77.2 percent and 76.7 percent were related to compensation and benefits during fiscal years 2020, 2019 and 2018, respectively.

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

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

Supplies, services and cost of goods sold expense includes service fees, printing and binding, advertising, dues and subscriptions, controlled property acquisitions, cost of goods sold for resale items, and other miscellaneous operating costs. In fiscal year 2020, such expenses decreased by \$15.0 million, or 8.0 percent, and remained relatively consistent in fiscal year 2019. The fiscal year 2020 decrease was primarily attributable to the impact of COVID-19 as the University suspended certain services and implemented budget cuts for cost-saving measures.

The University is committed to providing affordable yet quality education to its students. To accomplish this goal, student aid is provided in the form of scholarships and fellowships, including tuition and fee waivers applied to student accounts and reflected as reductions and allowances to student tuition and student housing revenues, and scholarship and fellowship payments (mostly academic and athletic) made directly to students.

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

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

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

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

Other Nonoperating Activities

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

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

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

Cash Flows

The Statements of Cash Flows present the University's significant sources and uses of cash and cash equivalents, including restricted cash balances. The University's cash is comprised primarily of demand deposits and time certificates of deposit with an original maturity of three months or less. A summary of the University's cash flows for the years ended June 30, 2020, 2019 and 2018 is as follows (in thousands of dollars):

	2020	2019	2020 vs 2019 Change	2018	2019 vs 2018 Change
Cash received from operations	\$ 754,234	\$ 777,594	\$ (23,360)	\$ 754,859	\$ 22,735
Cash payments for operations	<u>(1,279,910)</u>	<u>(1,276,177)</u>	<u>(3,733)</u>	<u>(1,256,658)</u>	<u>(19,519)</u>
Net cash used in operating activities	<u>(525,676)</u>	<u>(498,583)</u>	<u>(27,093)</u>	<u>(501,799)</u>	<u>3,216</u>
Net cash provided by noncapital financing activities	580,141	571,600	8,541	552,412	19,188
Net cash used in capital and related financing activities	(51,262)	(52,012)	750	(47,183)	(4,829)
Net cash provided by (used in) investing activities	<u>(757)</u>	<u>(37,132)</u>	<u>36,375</u>	<u>48,155</u>	<u>(85,287)</u>
Net increase (decrease) in cash	2,446	(16,127)	18,573	51,585	(67,712)
Cash					
Beginning of year	<u>84,087</u>	<u>100,214</u>	<u>(16,127)</u>	<u>48,629</u>	<u>51,585</u>
End of year	<u>\$ 86,533</u>	<u>\$ 84,087</u>	<u>\$ 2,446</u>	<u>\$ 100,214</u>	<u>\$ (16,127)</u>

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

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

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

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

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

Looking Forward

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

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

- *U.S. News and World Report* released its 2021 Best Graduate Schools list that includes:
 - The University of Hawai'i at Mānoa School of Nursing in the top tier, 99 out of 319 schools, for Best Online Graduate Nursing Programs in 2019.
 - The John A. Burns School of Medicine ranked 62th nationally in medical research and 56th in medical primary care among 188 medical schools in America.
 - The William S. Richardson School of Law's evening part-time program ranks 31st in the annual national rankings.
 - The Myron B. Thompson School of Social Work ranked 51st of 262, placing it in the top 25 percent of programs nationally for the past seven years.
 - The part-time Master of Business Administration program (Global MBA, 36-month plan) at the Shidler College of Business ranked 106th among 272 part-time MBA programs that qualified for the ranking.
 - The College of Education is ranked 69th of 393 schools.
- The Community College System was ranked in the top 20 of WalletHub's 2020 list, placing 4th from a sample of 698 schools. WalletHub ranked community colleges based on cost, education and career outcomes.
- The University of Hawai'i at Mānoa ranked 333 on the 2021 Quacquarelli Symonds World University Ranking ("QSWUR"). The QSWUR is the ranking most used and referenced by international students.

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

- Dominant provider of higher education and important economic development driver in the State of Hawai'i.
- Strong operating support from the State of Hawai'i.
- Unique academic programming and research, and well-diversified revenue.

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

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

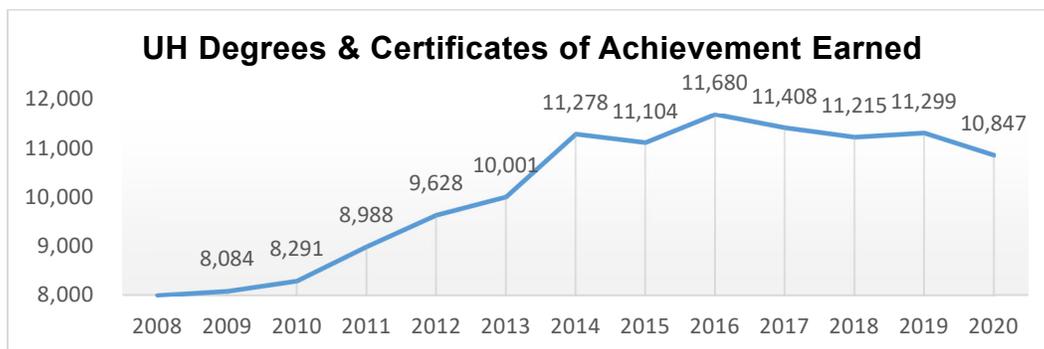
The University is committed to improving the social, economic and environmental well-being of current and future generations. To that end, the University developed and implemented the University of Hawai'i Strategic Directions, 2015–2021, built upon previous work outlined in the Strategic Outcomes and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

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

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

Hawai'i Graduation Initiative

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



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

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

According to our analysis, students taking 15 credits per semester had significantly higher retention at all levels of academic preparation.

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

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

Enrollment and Tuition

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

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

Fall census headcount comparisons are as follows:

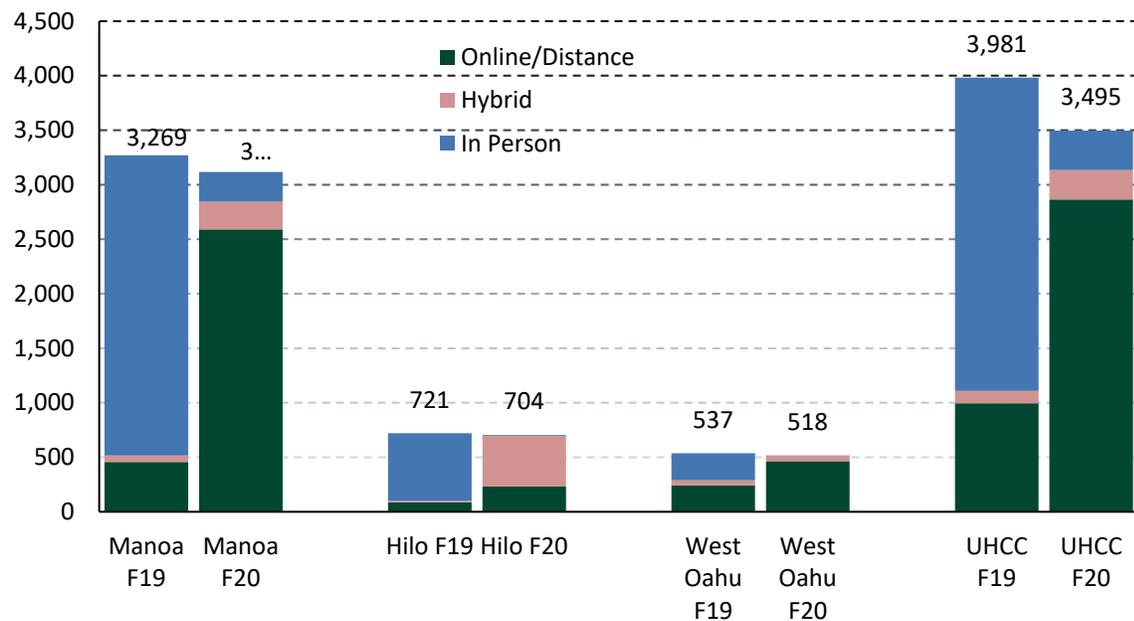
	Fall 2020	Fall 2019	% Change	Fall 2018	% Change
Mānoa	18,025	17,490	3.1	17,710	-1.2
Hilo	3,165	3,372	-6.1	3,406	-1.0
West O'ahu	3,168	3,049	3.9	3,128	-2.5
Community Colleges	<u>25,236</u>	<u>26,066</u>	<u>-3.2</u>	<u>26,819</u>	<u>-2.8</u>
	<u>49,594</u>	<u>49,977</u>	<u>-0.8</u>	<u>51,063</u>	<u>-2.1</u>

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

In March 2020, the University suspended in-person classes for the balance of the Spring 2020 semester. Summer 2020 classes were primarily conducted in a distance learning format. The University commenced fall 2020 semester classes with a mixture of online lectures and seminars, and in-person laboratory, clinics, art studio classes, and shops and practicum work in technical education where necessary. University attendance and research are considered essential activities under the Emergency Orders, and in-person attendance is not prohibited. The University is offering approximately 9 percent of its courses as in-person classes in fall 2020, and 8 percent of its courses in a hybrid in person and online combination. Notwithstanding the University has requested students to take as many courses online as possible while staying on track for on-time achievement of degrees and certificates. The University has extensive experience with distance learning and online attendance. For years the University has permitted students on one campus to enroll in classes at other campuses and to view lectures in real time and participate in class discussions remotely.

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

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



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

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

Research and Innovation

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

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

- The School of Ocean and Earth Science and Technology ("SOEST") is the research powerhouse of the University, generating fully one third of the total extramural funding received at UH-Mānoa. In fiscal year 2020, SOEST received \$99.1 million in extramural awards.
- John A. Burns School of Medicine ("JABSOM") worked on a project to gain better understanding of Hansen's Disease is part of Hawai'i's legacy to the world. More recently, it has made contributions in AIDS, in Kawasaki's Disease, and the epidemiology of heart disease. In fiscal year 2020, JABSOM received \$46.5 million in extramural awards.
- The University of Hawai'i Cancer Center is one of only 71 research organizations in the country designated by the National Cancer Institute. In fiscal year 2020, the University of Hawai'i Cancer Center received \$30.1 million in extramural awards.

Facilities and Infrastructure

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

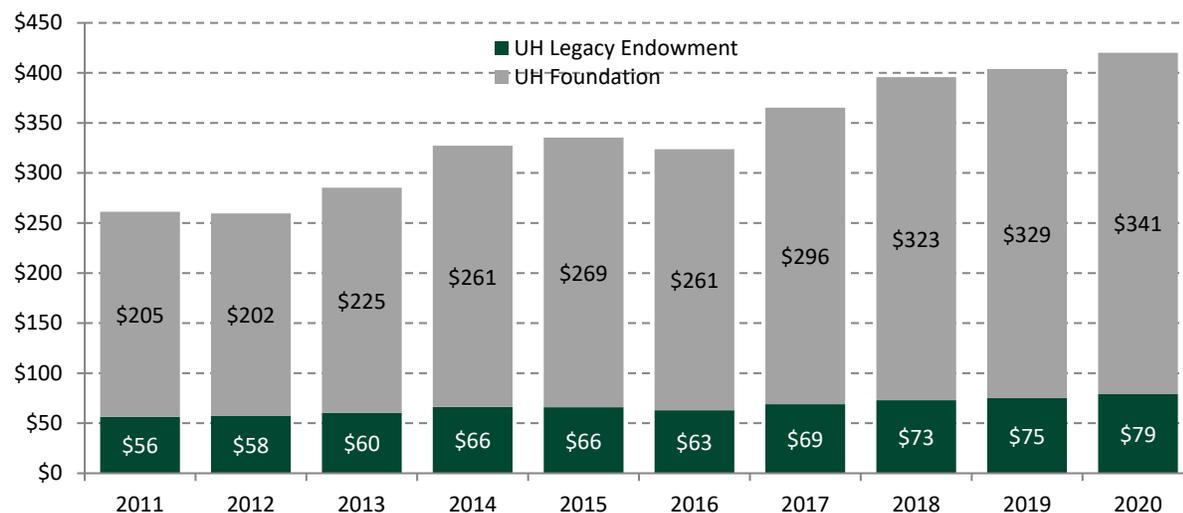
The State of Hawai'i Legislature continued its strong financial support to the University's capital improvement program and provided general obligation bond appropriations with \$329.8 million for fiscal years 2020 and 2021. The University currently has bond issuance authorization through June 30, 2021 for \$100 million for strategic capital projects, \$9.6 million for land acquisition, and \$38 million for parking structure improvements at UH-Mānoa. During October 2020, a revenue bond was issued by the University for \$10 million, specifically for the parking structure major improvements.

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

The University continues to strive to meet the demand for modern, university housing at a reasonable cost through P3 (Public, Private Partnerships) Housing Projects. The Atherton Project, which is a partnership with the Foundation and the Hunt Development Group, is expected to house 350 students in a world-class mixed-use space that will include an innovation and entrepreneurship center. The National Oceanic and Atmospheric Administration project is a mixed-use family-oriented rental housing for graduate students, University faculty and staff, at below market rate. This is a partnership with Greystar Development Services and will have approximately 400 individual units.

Fundraising

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



State General Fund Appropriations and Impacts of COVID-19

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

On March 4, 2020, State of Hawai'i Governor David Y. Ige proclaimed the spread of COVID-19 in Hawai'i to be a disaster, declared a state of emergency in Hawai'i, and announced State responses, including the use of disaster relief funds, to address the spread of COVID-19. The Governor subsequently issued fifteen (15) supplemental proclamations through November 16, 2020, and a series of executive orders closing non-essential business, activities, and government operations for the duration of the public health emergency. On March 17, 2020, the Governor asked visitors to postpone their trips to Hawai'i and then

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

implemented a mandatory fourteen (14) day self-quarantine requirement for all persons entering the State, as well as for inter-island travelers. The quarantine requirement for persons entering the State has also been extended, but effective October 15, 2020, under a pre-travel testing program persons who have had an FDA-approved nucleic acid amplification test conducted within 72 hours of departure and can produce a negative test result may enter without having to quarantine. In addition, counties are authorized to approve enhanced movement quarantine areas, such as self-contained resorts, in which self-quarantined persons may freely move within the entire quarantine area.

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

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

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

The impact on University finances is expected to be substantial. In response to the COVID-19 pandemic, the federal government recently enacted the CARES Act, which created the Coronavirus Relief Fund for State and Local Governments. The U.S. Treasury Department is distributing \$150 billion to state and local governments under a population-based formula to reimburse state and local governments for COVID-19-related medical, public health, economic support, and other emergency response costs incurred and spent between March 1, 2020 and December 30, 2020, provided that such costs were not included in the most recently approved local government budget.

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

The University was awarded \$44.9 million in direct CARES Act funding in three tranches. Tranche 1 funds of \$12 million are for aid awarded and paid directly to students. Tranche 2 funds of \$12 million may be used to cover costs associated with changes to the delivery of instruction such as the purchase of equipment or software for distance learning. The University may use Tranche 3 funds of \$20.9 million to defray institutional expenses, including loss of revenue and costs associated with the transition to distance learning.

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

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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Statements of Net Position – University of Hawai'i
Years Ended June 30, 2020 and 2019
(All dollars reported in thousands)

	2020	2019
Assets and Deferred Outflows of Resources		
Current assets		
Cash and cash equivalents	\$ 86,533	\$ 84,087
Operating investments	371,244	351,324
Due from State of Hawai'i	1,951	944
Accounts receivable, net	90,021	93,820
Due from the Research Corporation of the University of Hawai'i, net	9,394	18,138
Current portion of notes receivable, net	655	990
Other current assets	19,422	19,173
Total current assets	<u>579,220</u>	<u>568,476</u>
Noncurrent assets		
Due from State of Hawai'i	484,663	414,016
Endowment and other investments	101,647	102,807
Notes receivable, net	4,290	7,790
Capital assets, net	2,183,025	2,149,722
Other noncurrent assets	1,067	2,104
Total noncurrent assets	<u>2,774,692</u>	<u>2,676,439</u>
Total assets	<u>3,353,912</u>	<u>3,244,915</u>
Deferred outflows of resources		
Deferred outflows on net pension liability, OPEB liability, and other	476,676	506,412
Total deferred outflows of resources	<u>476,676</u>	<u>506,412</u>
Total assets and deferred outflows of resources	<u>\$ 3,830,588</u>	<u>\$ 3,751,327</u>
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities		
Accounts payable	\$ 59,248	\$ 64,529
Accrued payroll and fringe benefits	57,759	56,773
Advances from sponsors	20,639	22,937
Unearned revenue	35,793	43,461
Due to State of Hawai'i	5,809	6,129
Current portion of long-term liabilities	64,450	61,151
Other current liabilities	6,332	6,363
Total current liabilities	<u>250,030</u>	<u>261,343</u>
Noncurrent liabilities		
Accrued vacation	44,810	42,854
Accrued workers' compensation	11,683	11,666
Revenue bonds payable	467,795	487,490
Premium on bonds payable	18,469	20,272
Equipment lease obligations	25,491	27,003
Net pension liability	1,791,098	1,695,800
Other postemployment benefits	1,802,492	1,800,496
Other noncurrent liabilities	10,245	17,894
Total noncurrent liabilities	<u>4,172,083</u>	<u>4,103,475</u>
Total liabilities	<u>4,422,113</u>	<u>4,364,818</u>
Deferred inflows of resources		
Deferred inflows on net pension and OPEB liability	40,708	69,279
Total deferred inflows of resources	<u>40,708</u>	<u>69,279</u>
Commitments and contingencies		
Net position		
Net investment in capital assets	1,671,445	1,620,054
Restricted		
Nonexpendable	10,493	10,493
Expendable	498,211	427,654
Unrestricted	<u>(2,812,382)</u>	<u>(2,740,971)</u>
Total net position	<u>(632,233)</u>	<u>(682,770)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,830,588</u>	<u>\$ 3,751,327</u>

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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Statements of Financial Position – University of Hawai'i Foundation
Years Ended June 30, 2020 and 2019
(All dollars reported in thousands)

	2020	2019
Assets		
Cash and cash equivalents	\$ 16,028	\$ 19,771
Contributions receivable, net	26,555	35,811
Prepaid expenses and other receivables	7,781	2,072
Property and equipment, at cost, net of accumulated depreciation and amortization of \$2,038 and \$1,843	10,191	10,386
Other assets, at cost	1,918	3,700
Investments	457,269	439,691
Beneficial interest in trusts held by others	28,665	31,917
Total assets	<u>\$ 548,407</u>	<u>\$ 543,348</u>
Liabilities and Net Assets		
Accounts payable	\$ 5,618	\$ 8,553
Liabilities under split-interest agreements	12,141	12,529
Amounts held for others	4,487	4,362
Long-term debt	7,400	8,200
Other liabilities	3,245	668
Total liabilities	<u>32,891</u>	<u>34,312</u>
Commitments and contingencies		
Net assets		
Without donor restrictions	4,705	4,640
With donor restrictions	<u>510,811</u>	<u>504,396</u>
Total net assets	<u>515,516</u>	<u>509,036</u>
Total liabilities and net assets	<u>\$ 548,407</u>	<u>\$ 543,348</u>

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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Statements of Revenues, Expenses, and Changes in Net Position –
University of Hawai'i
Years Ended June 30, 2020 and 2019
(All dollars reported in thousands)

	2020	2019
Operating revenues		
Student tuition and fees	\$ 394,967	\$ 394,952
Less: Scholarship allowances	<u>131,508</u>	<u>132,889</u>
Net student tuition and fees	263,459	262,063
Federal appropriations, grants and contracts	308,033	310,647
State and local grants and contracts	45,206	42,250
Nongovernmental sponsored programs	47,731	51,483
Sales and services of educational departments, other	30,723	37,900
Auxiliary enterprises		
Bookstores	13,533	15,886
Student housing, net of scholarship allowances of \$999 and \$1,432	28,234	30,322
Other auxiliary enterprises revenues	41,021	46,238
Other operating revenues	<u>910</u>	<u>633</u>
Total operating revenues	<u>778,850</u>	<u>797,422</u>
Operating expenses		
Compensation and benefits	1,333,828	1,304,933
Supplies, services, and cost of goods sold	172,476	187,498
Depreciation and amortization	132,672	130,153
Telephone and utilities	65,141	69,309
Scholarships and fellowships	37,545	31,749
Travel expenses	21,438	29,864
Repairs and maintenance	36,507	29,252
Rental expenses	10,077	9,926
Other operating expenses	<u>30,807</u>	<u>27,405</u>
Total operating expenses	<u>1,840,491</u>	<u>1,820,089</u>
Operating loss	<u>(1,061,641)</u>	<u>(1,022,667)</u>
Nonoperating revenues (expenses)		
State appropriations	512,608	506,399
Federal Pell grants	52,103	53,522
Federal CARES Act program	4,609	-
Private gifts	3,873	3,128
Net investment income	17,741	18,316
Interest expense	(24,296)	(24,959)
Net transfers from State of Hawai'i	313,203	294,705
Loss on disposal of capital assets	(1,864)	(4,860)
Other, net	<u>(404)</u>	<u>103</u>
Net nonoperating revenues before capital and endowment additions	<u>877,573</u>	<u>846,354</u>
Capital – state appropriations	203,765	133,996
Capital – federal grants/subsidies	6,161	5,955
Capital – gifts and grants	711	581
Net transfers from State of Hawai'i for capital assets	2	674
Transfers from State of Hawai'i, Tobacco settlement	9,396	9,400
Transfers from State of Hawai'i, University of Hawai'i Cancer Center	7,857	7,863
Net transfers from (to) other State agencies	(247)	269
Net transfers from Federal – capital assets	<u>6,960</u>	<u>87</u>
Total other revenues	<u>234,605</u>	<u>158,825</u>
Net nonoperating revenues	<u>1,112,178</u>	<u>1,005,179</u>
Change in net position	50,537	(17,488)
Net position		
Beginning of year	<u>(682,770)</u>	<u>(665,282)</u>
End of year	<u>\$ (632,233)</u>	<u>\$ (682,770)</u>

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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Statements of Activities – University of Hawai'i Foundation
Years Ended June 30, 2020 and 2019
(All dollars reported in thousands)

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Contributions	\$ 1,060	\$ 62,464	\$ 63,524
Fees, honoraria, royalties and other	3,660	688	4,348
Investment income (loss), net	2,540	(3,799)	(1,259)
Administrative fees	7,275	(7,275)	-
Fundraising events and projects	-	766	766
Net assets released from restrictions	46,429	(46,429)	-
Total revenue	<u>60,964</u>	<u>6,415</u>	<u>67,379</u>
Expenses			
Program services			
Extension and public services	1,196	-	1,196
Academic support	6,938	-	6,938
Research	11,001	-	11,001
Student aid and services	11,574	-	11,574
Faculty and staff support	3,415	-	3,415
Capital projects	1,877	-	1,877
Athletics	2,535	-	2,535
Special programs	7,774	-	7,774
Other	119	-	119
Total program services	<u>46,429</u>	<u>-</u>	<u>46,429</u>
Supporting services			
Administrative, management, and fiscal services	6,609	-	6,609
Development	7,861	-	7,861
Total supporting services	<u>14,470</u>	<u>-</u>	<u>14,470</u>
Total expenses	<u>60,899</u>	<u>-</u>	<u>60,899</u>
Change in net assets	65	6,415	6,480
Net assets at beginning of year	4,640	504,396	509,036
Net assets at end of year	<u>\$ 4,705</u>	<u>\$ 510,811</u>	<u>\$ 515,516</u>
2019			
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Contributions	\$ 225	\$ 53,486	\$ 53,711
Fees, honoraria, royalties and other	3,832	851	4,683
Investment income (loss), net	4,833	(55,315)	(50,482)
Administrative fees	6,718	(6,718)	-
Fundraising events and projects	-	1,070	1,070
Net assets released from restrictions	46,240	(46,240)	-
Total revenue	<u>61,848</u>	<u>(52,866)</u>	<u>8,982</u>
Expenses			
Program services			
Extension and public services	1,036	-	1,036
Academic support	7,375	-	7,375
Research	11,397	-	11,397
Student aid and services	10,890	-	10,890
Faculty and staff support	3,309	-	3,309
Capital projects	697	-	697
Athletics	2,785	-	2,785
Special programs	8,075	-	8,075
Other	677	-	677
Total program services	<u>46,241</u>	<u>-</u>	<u>46,241</u>
Supporting services			
Administrative, management, and fiscal services	5,502	-	5,502
Development	8,703	-	8,703
Total supporting services	<u>14,205</u>	<u>-</u>	<u>14,205</u>
Total expenses	<u>60,446</u>	<u>-</u>	<u>60,446</u>
Change in net assets	1,402	(52,866)	(51,464)
Net assets at beginning of year	3,238	557,262	560,500
Net assets at end of year	<u>\$ 4,640</u>	<u>\$ 504,396</u>	<u>\$ 509,036</u>

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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Statements of Cash Flows – University of Hawai'i
Years Ended June 30, 2020 and 2019
(All dollars reported in thousands)

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

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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Statements of Cash Flows – University of Hawai'i
Years Ended June 30, 2020 and 2019
(All dollars reported in thousands)

	2020	2019
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (1,061,641)	\$ (1,022,667)
Adjustments to reconcile operating loss to net cash used in operating activities		
On behalf payments by State for fringe benefits	304,701	286,479
Depreciation and amortization expense	132,672	130,153
Pension and other postretirement healthcare benefit expense	96,833	99,670
Bad debt expense, net	3,174	2,138
Changes in operating assets and liabilities		
Accounts receivable	(1,617)	(4,776)
Due from the Research Corporation of the University of Hawai'i, net	8,960	(3,437)
Notes receivable	(71)	1,057
Prepaid expenses and other assets	(1,616)	4,144
Accounts payable	(65)	5,561
Accrued payroll and fringe benefits	3,157	2,560
Accrued workers' compensation liability	(109)	332
Advances from sponsors	(2,298)	(438)
Other, net	(7,756)	641
Net cash used in operating activities	<u>\$ (525,676)</u>	<u>\$ (498,583)</u>
Supplemental information of noncash transactions		
Net transfers from State of Hawai'i for capital assets	\$ 97	\$ 1,694
Net transfers from Federal for capital assets	6,960	87
Net transfers (to) from other State agencies	(247)	269
Accounts payable for capital assets	30,507	31,820
Escrow funds used to fund capital asset additions	792	20,891

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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

1. Organization and Summary of Significant Accounting Policies

Financial Reporting Entity

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

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

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

The Foundation's accounting policies conform to accounting principles generally accepted in the United States ("GAAP") applicable to not-for-profit organizations as promulgated by the Financial Accounting Standards Board ("FASB"). No modifications have been made to the Foundation financial information included in the University's financial report to account for these differences.

The Foundation's federal Form 990 is available for inspection as required by Internal Revenue Code ("IRC") Section 6104 at the University of Hawai'i Foundation, 1314 South King Street, Suite B, Honolulu, HI 96814.

Similarly, the University is fiscally dependent upon the State of Hawai'i (the "State") and therefore, the State is financially accountable for the University as defined by GASB Statement No. 61. Accordingly, the University's financial information is discretely presented as a component unit within the State's comprehensive annual financial report ("CAFR").

In fiscal year 2020, the Research Corporation, which was previously presented as a blended component unit, is excluded from the University's financial statements as their financial information was determined to be insignificant to the University as a whole. Additionally, the Foundation, which was also previously presented as a blended component unit, is now

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

a discretely presented component unit. This change has been applied retrospectively to the 2019 financial statements to conform with the 2020 presentation. The change resulted in the exclusion due to materiality of the Research Corporation's net position and the separate presentation of the Foundation's net assets.

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

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

Basis of Presentation

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

Cash, Cash Equivalents, and Investments

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

The University classifies unspent cash, cash equivalents, and investments from the issuance of revenue bonds held with an escrow agent and invested until used for the cost of construction, and unspent cash, cash equivalents, and investments that were deposited into an acquisition fund held in trust by the acquisition fund custodian for equipment lease obligations, as noncurrent assets.

Investments

Investments in money market instruments that have remaining maturity at time of purchase of one year or less are reported at amortized cost. Investments in time certificates of deposits are carried at cost. Investments in money market funds, fixed income securities, and equity securities with readily determinable fair values are reported at fair value based on quoted market prices. Unrealized gains and losses on investments are included in the Statements of Revenues, Expenses, and Changes in Net Position. Realized gains and losses are computed as the difference between the proceeds of the sale and the cost basis of the investment sold. The calculation of realized gains and losses is independent of the calculation of net changes in the fair value of investments.

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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

Fair Value Measurements

For financial assets reported at fair value, the University defines fair value as the price that would be received to sell an asset in the principal or most advantageous market in an orderly transaction between market participants. The University measures fair value using assumptions developed based on market data obtained from independent external sources and the reporting entity's own assumptions. The hierarchy is broken down into levels based on the reliability of the inputs as follows:

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

Due from and Due to State

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

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

Accounts Receivable

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

Due from the Research Corporation, Net

The Research Corporation provides administrative support services such as human resources, payroll processing, procurement, and disbursement services for research and training programs of the University, and receives a management fee for such services. The University is responsible for all programmatic decisions and for authorizing and approving all project expenditures and commitments, however, the contractual commitments of the projects are in the name of the Research Corporation and are included as a liability for such commitments on their balance sheet, with a corresponding receivable for reimbursement from the University. "Due from the Research Corporation, net" represents funds advanced to the Research Corporation for project expenditures net of management fees due.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

Capital Assets

Capital assets are recorded at cost, or if donated, at an appraised value at the date of the gift. Depreciation of capital assets is provided for on a straight-line basis over the estimated useful lives (3 to 100 years) of the respective assets. The University's policy is to capitalize tangible, nonexpendable personal property having an estimated useful life of more than one year. The University does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered. Accordingly, such collections are not recognized or capitalized for financial statement purposes. Maintenance and repairs, as well as minor renewals, replacements and betterments, are charged to operations. Major renewals, replacements and betterments are capitalized in the year incurred. Capital assets retired or otherwise disposed of are removed from the appropriate asset and related accumulated depreciation accounts. Gains and losses on disposals and the net book value of transfers of capital assets are reflected in operations.

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

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period. The University defers recognition of the loss on debt refunding related to issuance of its revenue bonds and amortizes these costs over the life of the bonds using the effective interest rate method. The deferred outflow of resources related to the net pension and other postemployment benefits ("OPEB") liabilities resulted from differences between expected and actual experiences, changes in assumptions, the net difference between projected and actual earnings on pension plan investments, changes in proportion which are amortized over five years, and the University's contributions to the pension and OPEB plans subsequent to the measurement date of the actuarial valuations for the pension and OPEB plans that will be recognized as a reduction of the net pension liabilities and net OPEB liability in the subsequent fiscal year. The deferred outflow of resources related to asset retirement obligations ("AROs") represents the difference between the AROs and the cash received to assume the related AROs, and are amortized over the remaining useful life of the related capital assets.

Advances from Sponsors

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

Unearned Revenue

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

Pensions

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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

Postemployment Benefits Other Than Pensions

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

Revenue Bonds Payable

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

Equipment Lease Obligations

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

Asset Retirement Obligations

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

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position by the University that is applicable to a future reporting period. The deferred inflow of resources related to pension and OPEB resulted from differences between expected and actual experiences and changes in proportion of the pension plan which will be amortized over five years.

Net Position

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

- **Net investment in capital assets** – This component of net position represents the University's total investment in capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those capital assets.
- **Restricted**
 - Nonexpendable – Net position subject to externally imposed stipulations that it be maintained permanently by the University, which includes the University's permanent endowment funds.
 - Expendable – Net position that is restricted for specific purposes by sponsors, donors or law. Restrictions in these assets are released when the University complies with the stipulations required by the sponsor, donor or legislative act.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

- **Unrestricted** – Net position not classified as restricted or net investment in capital assets and not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Regents (“Board”) or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic and research programs and initiatives and capital asset programs.

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

Net Position Restricted by Enabling Legislation

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34*, requires that limitations on the use of net position imposed by enabling legislation be reported as restricted net position. GASB Statement No. 46 also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Restricted net position at June 30, 2020 and 2019 amounted to \$508,704 and \$438,147, respectively, of which \$455,012 and \$386,075 were restricted by enabling legislation for capital activity.

Operating and Nonoperating Activities

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

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

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

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

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

Federal economic relief received as a result of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) represent nonexchange transactions that are reported as nonoperating revenues. During fiscal year 2020, the University received payments from the Higher Education Emergency Relief Fund.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

Scholarships and Fellowships

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

State Appropriations

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

Management's Estimates

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

With respect to workers' compensation insurance, the University is self-insured for the first \$650 per occurrence and annual aggregate and obtains excess insurance of \$50,000 from a commercial insurance company. The University records a liability for risk financing and insurance related losses if it is determined that a loss has been incurred and the amount can be reasonably estimated. The University uses a third-party actuary to estimate its workers' compensation liability. Changes in the liability are the result of claims payments made during the fiscal year, new claims filed, and changes in the estimates of existing claims. Anticipated payments by the third party for the next fiscal year are considered current and payments thereafter are considered noncurrent. The liability represents the University's best estimate of workers' compensation liabilities based on available information. The University's estimated liability for workers' compensation claims is included in "Other Liabilities" in the accompanying Statements of Net Position (see Note 10).

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

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

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

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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

New Accounting Pronouncements

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

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

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

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

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

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The University has not determined the effect this Statement will have on its financial statements.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

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

2. Cash and Investments

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

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

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

As a result of market fluctuations, the fair market value of certain donor-restricted endowments may fall below the historical cost of such funds and are recorded as reductions in unrestricted net position. Future market gains will be used to restore this deficiency in unrestricted net position before any net appreciation above the historical cost value of such funds increases restricted expendable net position. There were no deficiencies of this nature as of June 30, 2020 and 2019.

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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

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

The remaining portion of the donor-restricted endowment fund that is not classified in restricted nonexpendable net position is classified as restricted expendable net position until those amounts are expended and distributed by the University in accordance with its Board-approved spending rate policy and in a manner consistent with the standard of prudence prescribed by HUPMIFA. In fiscal years 2020 and 2019, the University's spending rate policy provided for annual distributions at 4.5 percent of the trailing five-year moving average of the endowment fair value.

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

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Cash and money market funds	\$ 2,476	\$ 2,476	\$ 1,965	\$ 1,965
Fixed income securities	299,146	291,971	272,885	269,706
Equity securities	58,222	50,478	49,626	45,499
Time certificates of deposit	111,750	111,750	128,750	128,750
Other investments	1,297	1,297	905	905
Total investments	472,891	457,972	454,131	446,825
Less: Current portion	371,244	366,729	351,324	349,684
Total noncurrent investments	\$ 101,647	\$ 91,243	\$ 102,807	\$ 97,141

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

Changes in the University's investments for the year ended June 30, 2020 were as follows:

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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

Changes in the University's investments for the year ended June 30, 2019 were as follows:

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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

Net investment income for the years ended June 30, 2020 and 2019 was as follows:

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

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

	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
2020				
Cash and money market funds	\$ 2,476	\$ 2,476	\$ -	\$ -
Fixed income securities	299,146	184,570	104,653	9,923
Equity securities	58,222	58,222	-	-
Time certificates of deposit	111,750	-	-	111,750
Other investments	1,297	-	-	1,297
Total investments	<u>\$ 472,891</u>	<u>\$ 245,268</u>	<u>\$ 104,653</u>	<u>\$ 122,970</u>
2019				
Cash and money market funds	\$ 1,965	\$ 1,965	\$ -	\$ -
Fixed income securities	272,885	155,260	111,491	6,134
Equity securities	49,626	49,626	-	-
Time certificates of deposit	128,750	-	-	128,750
Other investments	905	-	-	905
Total investments	<u>\$ 454,131</u>	<u>\$ 206,851</u>	<u>\$ 111,491</u>	<u>\$ 135,789</u>

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

The 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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

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 Statements of Net Position and is not represented by the contract or notional amounts of the instruments.

Investment Risk Factors

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

Concentration Risk

Concentration risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit development. The University limits its risk of concentration of assets by limiting individual bond positions other than obligations of the U.S. government to not more than 5.0 percent of the total fixed income portion of the portfolio. Individual equities are limited to not more than 5.0 percent of the total market value of the stock portfolio. In addition, investment in any one stock is not to exceed 5.0 percent of a corporation's outstanding common stock.

Credit Risk

Credit risk for fixed income securities is the risk that the issuer will not fulfill its obligations. Nationally recognized statistical rating organizations, such as Moody's and Standard and Poor's ("S&P"), assign credit ratings to security issuers and issues that indicate a measure of potential credit risk to investors. Certain fixed-income securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are considered to have minimal credit risk. To manage credit risk, the University specifies that no more than 15 percent of the fixed income investments may be lower than investment grade.

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

		Credit Quality Rating					BB or Lower
		U.S. Govt-Exempt	AAA	AA	A	BBB	
2020							
Money market funds	\$ 533	\$ -	\$ 533	\$ -	\$ -	\$ -	\$ -
U.S. Treasury	184,841	184,841	-	-	-	-	-
U.S. government agencies	101,974	-	-	101,974	-	-	-
Corporate bonds	12,331	-	307	1,006	4,105	6,445	468
Total fixed income securities	<u>\$ 299,679</u>	<u>\$ 184,841</u>	<u>\$ 840</u>	<u>\$ 102,980</u>	<u>\$ 4,105</u>	<u>\$ 6,445</u>	<u>\$ 468</u>
2019							
Money market funds	\$ 639	\$ -	\$ 639	\$ -	\$ -	\$ -	\$ -
U.S. Treasury	155,546	155,546	-	-	-	-	-
U.S. government agencies	103,445	-	-	103,445	-	-	-
Corporate bonds	13,894	-	265	1,890	5,560	5,854	325
Total fixed income securities	<u>\$ 273,524</u>	<u>\$ 155,546</u>	<u>\$ 904</u>	<u>\$ 105,335</u>	<u>\$ 5,560</u>	<u>\$ 5,854</u>	<u>\$ 325</u>

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

Interest Rate Risk

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

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

	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 to 5	6 to 10	More than 10
Money market funds	\$ 533	\$ 533	\$ -	\$ -	\$ -
U.S. Treasury	184,841	92,828	85,998	3,328	2,687
U.S. government agencies	101,974	31,133	64,472	-	6,369
Corporate bonds	12,331	812	5,500	4,238	1,781
Total fixed income securities	<u>\$ 299,679</u>	<u>\$ 125,306</u>	<u>\$ 155,970</u>	<u>\$ 7,566</u>	<u>\$ 10,837</u>

Foreign Currency Risk

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

At June 30, 2020 and 2019, the University's exposure to foreign currency risk expressed in U.S. dollars was not significant.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

3. Foundation Investments

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

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

	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
2020					
Domestic equities	\$ 43,903	\$ 12,417	\$ -	\$ -	\$ 31,486
Fixed income securities	139,008	130,506	8,502	-	-
Foreign equities	68,972	26,666	-	-	42,306
Money market funds	590	590	-	-	-
Natural resources/real estate	26,505	3,440	-	9,497	13,568
Hedge funds	132,440	4,130	-	-	128,310
Private equity securities	45,851	-	-	1,906	43,945
Total investments	<u>\$ 457,269</u>	<u>\$ 177,749</u>	<u>\$ 8,502</u>	<u>\$ 11,403</u>	<u>\$ 259,615</u>
2019					
Domestic equities	\$ 42,331	\$ 10,221	\$ -	\$ -	\$ 32,110
Fixed income securities	132,903	122,579	10,324	-	-
Foreign equities	81,438	38,734	-	-	42,704
Money market funds	2,222	2,222	-	-	-
Natural resources/real estate	36,973	7,670	-	10,258	19,045
Hedge funds	107,619	5,281	-	-	102,338
Private equity securities	36,205	-	-	1,906	34,299
Total investments	<u>\$ 439,691</u>	<u>\$ 186,707</u>	<u>\$ 10,324</u>	<u>\$ 12,164</u>	<u>\$ 230,496</u>

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.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

The following is a general description of the terms and conditions upon which the Foundation may redeem investments that are carried at net asset value:

- **Domestic equities** – These investments can be redeemed on a monthly or quarterly basis, with notification provided between 15 and 30 days prior to redemption.
- **Foreign equities** – These investments can be redeemed on a monthly basis with notification provided between 5 and 30 days prior to redemption.
- **Natural resources/real estate and private equity securities** – These investments can be redeemed at the discretion of the investment managers. The Foundation has commitments to contribute additional amounts to this class of investments of approximately \$39,700 at June 30, 2020.
- **Hedge funds** – Redemption frequency for these investments range from monthly to annually, with notification provided between 2 and 90 days prior to redemption. Additionally, certain investments can be redeemed at the discretion of the investment managers.

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

4. Accounts Receivable

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

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

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

The University has an agreement with the Foundation to receive fundraising and alumni services through June 30, 2020. The annual compensation under this agreement amounted to \$3,000 for each of the fiscal years 2020 and 2019. The service expense was paid in full as of fiscal years ended June 30, 2020 and June 30, 2019, and is reported in supplies, services, and cost of goods sold in the accompanying financial statements.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

5. U.S. Government Funding

The federal government reimburses the University for certain overhead costs (e.g., facilities and administrative costs) incurred in support of federally-sponsored programs based on cost reimbursement rates negotiated with the University's cognizant agency, the U.S. Department of Health and Human Services. These reimbursements amounted to approximately \$44,654 in 2020 and \$45,387 in 2019 and are reported in federal appropriations, grants and contracts revenue.

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

6. Direct Loan Programs

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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

7. Other Current Assets

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

	2020	2019
Accrued interest receivable	\$ 2,125	\$ 2,253
Inventories	8,601	7,281
Prepaid expenses	8,246	9,577
Other	450	62
	<u>\$ 19,422</u>	<u>\$ 19,173</u>

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

		2020	2019
University of Hawai'i Bookstore merchandise inventory	Lower of cost or market using the first-in, first-out retail inventory method.	\$ 5,417	\$ 4,328
University of Hawai'i Chemistry Stockroom	Cost applied on the first-in, first-out basis.	1,167	1,112
University of Hawai'i Facilities Management Warehouse	Cost applied on the first-in, first-out basis.	957	917
University of Hawai'i Press merchandise inventory	Job order or specific identification method. Books remaining in the inventory after the first year of publication are written off on the straight-line basis over a five-year period.	836	703
University of Hawai'i other inventory	Lower of cost or market using the weighted average cost method.	224	221
		<u>\$ 8,601</u>	<u>\$ 7,281</u>

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

8. Capital Assets

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

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
2020					
Nondepreciable capital assets					
Land	\$ 49,045	\$ -	\$ -	\$ 6,867	\$ 55,912
Construction in progress	240,254	134,387	782	(121,577)	252,282
Total capital assets not being depreciated	289,299	134,387	782	(114,710)	308,194
Depreciable capital assets					
Land improvements	153,096	515	-	3,481	157,092
Infrastructure	260,899	1,065	-	17,608	279,572
Buildings	2,592,462	16,256	8,231	92,501	2,692,988
Equipment	399,565	17,273	9,728	1,120	408,230
Library materials	176,998	1,885	-	-	178,883
Total capital assets being depreciated	3,583,020	36,994	17,959	114,710	3,716,765
Less: Accumulated depreciation	1,722,597	133,819	14,482	-	1,841,934
Capital assets, net	\$ 2,149,722	\$ 37,562	\$ 4,259	\$ -	\$ 2,183,025
2019					
Nondepreciable capital assets					
Land	\$ 47,295	\$ -	\$ -	\$ 1,750	\$ 49,045
Construction in progress	221,920	138,442	164	(119,944)	240,254
Total capital assets not being depreciated	269,215	138,442	164	(118,194)	289,299
Depreciable capital assets					
Land improvements	139,520	1,302	-	12,274	153,096
Infrastructure	253,346	528	-	7,025	260,899
Buildings	2,488,367	23,692	15,253	95,656	2,592,462
Equipment	392,943	13,438	10,055	3,239	399,565
Library materials	174,305	2,693	-	-	176,998
Total capital assets being depreciated	3,448,481	41,653	25,308	118,194	3,583,020
Less: Accumulated depreciation	1,602,969	139,521	19,893	-	1,722,597
Capital assets, net	\$ 2,114,727	\$ 40,574	\$ 5,579	\$ -	\$ 2,149,722

Capital assets consist of land, land improvements, infrastructure, buildings, equipment, library materials, and construction in progress. Construction in progress ("CIP") additions represent costs for new projects, net of the amount of capital assets placed in service. CIP is not depreciated until the asset is placed in service. Assets acquired are recorded at cost, or if donated, at appraised value at the date of the gift.

Depreciation expense amounted to \$133,819 and \$129,922 during fiscal years 2020 and 2019, respectively.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

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

Amounts due from and due to the State of Hawai'i at June 30, 2020 and 2019 were as follows:

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

10. Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2020					
Bonds payable					
Revenue bonds payable	\$ 506,655	\$ -	\$ 19,165	\$ 487,490	\$ 19,695
Other liabilities					
Workers' compensation	16,182	4,308	3,525	16,965	5,282
Accrued vacation	78,900	30,156	26,324	82,732	37,922
Net pension liability (Note 12)	1,695,799	294,900	199,601	1,791,098	-
Postemployment health care/life insurance benefits (Note 13)	1,800,496	133,754	131,758	1,802,492	-
Equipment lease obligations	<u>28,428</u>	<u>-</u>	<u>1,386</u>	<u>27,042</u>	<u>1,551</u>
Total other liabilities	<u>3,619,805</u>	<u>463,118</u>	<u>362,594</u>	<u>3,720,329</u>	<u>44,755</u>
Total long-term liabilities	<u>\$ 4,126,460</u>	<u>\$ 463,118</u>	<u>\$ 381,759</u>	<u>\$ 4,207,819</u>	<u>\$ 64,450</u>
2019					
Bonds payable					
Revenue bonds payable	\$ 525,425	\$ -	\$ 18,770	\$ 506,655	\$ 19,165
Other liabilities					
Workers' compensation	15,425	4,713	3,956	16,182	4,515
Accrued vacation	77,960	30,664	29,724	78,900	36,046
Net pension liability (Note 12)	1,648,600	267,865	220,666	1,695,799	-
Postemployment health care/life insurance benefits (Note 13)	1,783,860	167,067	150,431	1,800,496	-
Equipment lease obligations	<u>30,531</u>	<u>-</u>	<u>2,103</u>	<u>28,428</u>	<u>1,425</u>
Total other liabilities	<u>3,556,376</u>	<u>470,309</u>	<u>406,880</u>	<u>3,619,805</u>	<u>41,986</u>
Total long-term liabilities	<u>\$ 4,081,801</u>	<u>\$ 470,309</u>	<u>\$ 425,650</u>	<u>\$ 4,126,460</u>	<u>\$ 61,151</u>

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

Revenue Bonds Payable

The University's revenue bonds payable at June 30, 2020 and 2019 is as follows:

	Series	Date Issued	Authorized	2020	2019
Various acquisition and construction projects (interest rate, 2.5% to 6.0%)	2009A	April 15, 2009	\$ 100,000	\$ -	\$ 2,905
University of Hawai'i Cancer Center (interest rate, 2.5% to 6.0%)	2010A-1, 2010A-2	October 7, 2010	138,640	111,265	114,800
Various construction projects (interest rate, 2.5% to 6.0%)	2010B-1, 2010B-2	October 7, 2010	154,090	127,535	131,545
Hilo College of Pharmacy and Law School Expansion and Modernization (interest rate, 1.0% to 4.7%)	2015A	September 24, 2015	8,575	7,855	8,040
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	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	7,010	9,895
University Health & Wellness Center (interest rate, 0.8% to 2.8%)	2015D(R)	September 24, 2015	25,715	9,450	14,675
University Health & Wellness Center (interest rate, 5.0%)	2015E(R)	April 20, 2016	67,400	67,400	67,400
Sinclair Library Basement Renovation (interest rate, 2.0% to 5.0%)	2017A	December 28, 2017	3,990	3,585	3,790
University Health & Wellness Center (interest rate, 3.0%)	2017B	December 28, 2017	12,040	12,040	12,040
University Health & Wellness Center (interest rate, 3.28% to 3.38%)	2017C	December 28, 2017	4,110	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	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	4,450
Various acquisition and construction projects (interest rate, 5.0%)	2017F	December 28, 2017	52,275	52,275	52,275
Various acquisition and construction projects (interest rate, 2.10% to 3.85%)	2017G	December 28, 2017	20,745	20,320	20,535
			<u>\$ 669,810</u>	<u>\$ 487,490</u>	<u>\$ 506,655</u>

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

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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

rates for the Series 2017 Bonds range from 2.0 percent to 5.0 percent (the first interest payment was paid on April 1, 2018) with the last maturity on October 1, 2038.

In September 2015, the University issued \$166,285 in Series 2015A (\$8,575, taxable new money), 2015B(R) (\$47,010, tax-exempt refunding), 2015C(R) (\$17,585, taxable refunding), 2015D(R) (\$25,715, taxable refunding), and 2015E(R) (\$67,400, tax-exempt forward delivery refunding) Bonds (collectively, the "Series 2015 Bonds") for the purpose of financing the costs of University projects and refunding previously issued bonds. All Series 2015 Bonds were delivered on September 24, 2015 with the exception of the forward delivery Series 2015E(R) Bonds which were delivered on April 20, 2016. Total premium for the Series 2015 Bonds approximated \$13,698. Deferred loss on refunding for Series 2015 Bonds amounted to \$6,089 and \$6,972 at June 30, 2020 and 2019, respectively. The University projects include the UH Mānoa Law School Expansion and Modernization Project and the UH Hilo College of Pharmacy Project.

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

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

The University receives funds from the State of Hawai'i Tobacco Settlement Special Fund for the payment of principal and interest on the Series 2015D(R), 2015E(R), 2017B and 2017C Bonds to finance the cost of construction of the medical school facility. The funds received from the State of Hawai'i Tobacco Settlement Special Fund for debt service amounted to \$9,396 and \$9,400 in 2020 and 2019, respectively.

University of Hawai‘i
State of Hawai‘i
(A Component Unit of the State of Hawai‘i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

The revenue bonds are paid from certain unrestricted revenues in annual installments, including semi-annual interest payments ranging from \$12 to \$12,212 with the final payment due in October 2044. Interest on the Series 2009A, 2010, 2015 and 2017 Bonds is payable semi-annually on April 1 and October 1, and the principal is payable on October 1 of each year. The Bond Resolution adopted on November 16, 2001 and supplemented (“Bond Resolution”), stipulates that revenues of the University Bond System, including legislative appropriations and moneys in any special or revolving fund of the University, are pledged to the payment of the Series 2009A, 2010, 2015 and 2017 Bonds, interest and premiums (if any).

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

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

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

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

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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

Bond Premiums

Activity related to the premiums on revenue bonds for the years ended June 30, 2020 and 2019 is as follows:

	Series	Beginning Balance	Additions	Reductions	Ending Balance
2020					
University of Hawai'i Cancer Center	2010A	\$ 17	\$ -	\$ 17	\$ -
Various construction projects	2010B	29	-	29	-
Student Housing	2015B(R)	4,588	-	310	4,278
John A. Burns School of Medicine	2015E(R)	6,219	-	635	5,584
Sinclair Library basement renovation	2017A	460	-	52	408
John A. Burns School of Medicine	2017B	241	-	24	217
Student Housing	2017D	100	-	9	91
Student Housing	2017F	8,618	-	727	7,891
		<u>\$ 20,272</u>	<u>\$ -</u>	<u>\$ 1,803</u>	<u>\$ 18,469</u>
Total bond premiums					
2019					
University of Hawai'i Cancer Center	2010A	\$ 102	\$ -	\$ 85	\$ 17
Various construction projects	2010B	169	-	140	29
Student Housing	2015B(R)	4,885	-	297	4,588
John A. Burns School of Medicine	2015E(R)	6,828	-	609	6,219
Sinclair Library basement renovation	2017A	511	-	51	460
John A. Burns School of Medicine	2017B	264	-	23	241
Student Housing	2017D	109	-	9	100
Student Housing	2017F	9,317	-	699	8,618
		<u>\$ 22,185</u>	<u>\$ -</u>	<u>\$ 1,913</u>	<u>\$ 20,272</u>
Total bond premiums					

Equipment Lease Obligations

In November 2017, the University entered into two tax-exempt lease purchase ("TELP") agreements with a Company to purchase energy conservation equipment for Honolulu, Kapi'olani, Leeward and Windward Community Colleges (collectively "Oahu Campuses") and Maui College for \$24,183 and \$6,302, respectively. For the Oahu Campuses, payments commenced on August 1, 2018 and will continue through August 1, 2031 at a tax-exempt interest rate of 2.55 percent. For Maui College, payments commenced on December 1, 2018 and will continue through December 1, 2031 at a tax-exempt interest rate of 2.55 percent. Upon failure to pay any rental payment within the 15 days following the due date, the lessor may demand full payment and/or retake possession of the equipment.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

At June 30, 2020, future minimum lease payments required under the capital lease agreements are as follows:

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

11. Property Leases

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

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

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

12. Employee Benefits

**Employees' Retirement System
Pension Plan**

Plan Description

Generally, all full-time employees of the University are required to be members of the Employees' Retirement System of the State of Hawai'i ("ERS"), a cost-sharing multiple-employer defined benefit pension plan that administers the University's pension benefits program. Benefits, eligibility, and contribution requirements are governed by HRS Chapter 88 and can be amended through legislation. The ERS issues publicly available annual financial reports that can be obtained at ERS's website: <http://www.ers.ehawaii.gov/resources/financials>.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

Benefits Provided

The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability, and death benefits with three membership classes known as the noncontributory, contributory and hybrid retirement plans. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25 percent to 2.25 percent) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

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

Noncontributory Class

- Retirement Benefits – General employees' retirement benefits are determined as 1.25 percent of average final compensation multiplied by the years of credited service. Employees with ten years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.
- Disability Benefits – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35.0 percent of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5 percent of average final compensation.
- Death Benefits – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30.0 percent of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or surviving dependent children, no benefit is payable.

Ordinary death benefits are available to employees who were active at time of death with at least ten years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/re-entry into a new reciprocal beneficiary relationship) and surviving dependent children (up to age 18) receive a benefit equal to a percentage of the member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100 percent joint and survivor lifetime pension and the surviving dependent children receive a percentage of the member's accrued maximum allowance unreduced for age.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

Contributory Class for Members Hired Prior to July 1, 2012

- Retirement Benefits – General employees' retirement benefits are determined as 2.0 percent of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 55.
- Disability Benefits – Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50.0 percent of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined as 1.75 percent of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30.0 percent of average final compensation.
- Death Benefits – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50.0 percent of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50.0 percent joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100 percent joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributory Class for Members Hired After June 30, 2012

- Retirement Benefits – General employees' retirement benefits are determined as 1.75 percent of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 60.
- Disability and Death Benefits – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50.0 percent of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service is required for ordinary disability.

Death benefits for contributory members hired after June 30, 2012 are generally the same as those for contributory members hired June 30, 2012 and prior.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

Hybrid Class for Members Hired Prior to July 1, 2012

- Retirement Benefits – General employees' retirement benefits are determined as 2.0 percent of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.
- Disability Benefits – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35.0 percent of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25.0 percent of average final compensation.
- Death Benefits – For service-connected deaths, the designated surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50.0 percent of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no 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 percent, or 50.0 percent joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100 percent joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Hybrid Class for Members Hired After June 30, 2012

- Retirement Benefits – General employees' retirement benefits are determined as 1.75 percent of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60.
- Disability and Death Benefits – Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least ten years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest, or 50.0 percent joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100 percent joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

Contributions

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rate was 22.0 percent and 19.0 percent for fiscal years 2020 and 2019, respectively. Contributions to the pension plan for the University for the years ended June 30, 2020 and 2019 were \$142,908 and \$117,600, respectively.

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

The University is required to make all contributions for noncontributory members. Contributory members hired prior to July 1, 2012 are required to contribute 7.8 percent of their salary. Contributory members hired after June 30, 2012 are required to contribute 9.8 percent of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0 percent of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0 percent of their salary.

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

At June 30, 2020 and 2019, the University reported a liability of \$1,791,098 and \$1,695,800, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on a projection of the University's long-term share of contributions to the pension plan relative to projected contributions of all participants, actuarially determined. At June 30, 2019 and 2018, the University's proportion was 12.64 percent and 12.73 percent, respectively, which was a decrease of 0.09 percent. There was no change in the University's proportion at June 30, 2018 and 2017.

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

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

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

For the years ended June 30, 2020 and 2019, the University recognized pension expense of \$249,809 and \$203,974, respectively.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

At June 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2020		
Difference between expected and actual experience	\$ 31,338	\$ 3,585
Net difference between projected and actual investment earnings on pension plan investments	-	4,916
Change in assumptions	121,945	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	881	6,764
Contributions subsequent to the measurement date	<u>142,908</u>	<u>-</u>
Total deferred inflows and outflows of resources	<u>\$ 297,072</u>	<u>\$ 15,265</u>
2019		
Difference between expected and actual experience	\$ 30,588	\$ 10,626
Net difference between projected and actual investment earnings on pension plan investments	-	8,761
Change in assumptions	182,835	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,212	16,840
Contributions subsequent to the measurement date	<u>117,600</u>	<u>-</u>
Total deferred inflows and outflows of resources	<u>\$ 332,235</u>	<u>\$ 36,227</u>

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

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

Year ending June 30,	
2021	\$ 80,714
2022	36,455
2023	9,518
2024	10,839
2025	<u>1,373</u>
	<u>\$ 138,899</u>

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

Actuarial Assumptions

The total pension liability in the June 30, 2019 and 2018 actuarial valuations was determined using the following actuarial assumptions adopted by the ERS's Board of Trustees on August 12, 2019, based on the 2018 Experience Study for the five-year period from July 1, 2013 through June 30, 2018:

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

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

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

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

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

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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

Discount Rate

The discount rate used to measure the net pension liability was 7.0 percent, consistent with the rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the University will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the University's proportionate share of the net pension liability, calculated using the discount rate of 7.00 percent, for the measurement dates June 30, 2019 and 2018, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
2020			
The University's proportionate share of the net pension liability	<u>\$ 2,323,736</u>	<u>\$ 1,791,098</u>	<u>\$ 1,407,608</u>
2019			
The University's proportionate share of the net pension liability	<u>\$ 2,205,113</u>	<u>\$ 1,695,800</u>	<u>\$ 1,275,949</u>

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 years 2020 and 2019 were paid by June 30, 2020 and 2019, respectively. Excess payments of \$15,482 are being applied to amounts due in fiscal year 2021. Excess payments of \$6,025 were applied to amounts due in fiscal year 2020.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

Other Benefits

The State absorbs the fringe benefit cost for the University's general funded employees. Fringe benefit costs included in total revenue and total expenditures amounted to \$304,701 and \$286,479 for fiscal years 2020 and 2019, respectively.

All regular employees, with certain exceptions, earn vacation leave at the rate of 14 hours for each month of service. Employees who are entitled to annual vacation may accumulate for the succeeding year or years up to 15 working days annual vacation allowance, provided that the total accumulation shall not exceed 90 working days at the end of the calendar year.

Accumulated vacation leave earned, but not taken, is reflected as an accrual in the accompanying financial statements. When termination of services takes place, the employees are paid for their vacation allowance in a lump sum.

Sick leave accumulates at the rate of 14 hours for each full month of service without limit, but can be taken only in the event of an illness and is not convertible to pay upon termination of employment. Accordingly, accumulated sick leave, earned but not taken, is not reflected as an accrual in the accompanying financial statements. Employees who retire with 60 days of unused sick leave are entitled to three months of service credit in the ERS. For each additional 20 days, or major fraction thereof, of unused sick leave they have in excess of 60 days, their service period is increased by one month. As of June 30, 2020 and 2019, accumulated sick leave approximated \$472,061 and \$475,761, respectively.

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

The University manages its workers' compensation program. Medical-related payments amounted to \$3,182 for fiscal years 2020 and 2019. Temporary wage loss payments for fiscal years 2020 and 2019 amounted to \$240 and \$417, respectively.

13. Postemployment Healthcare and Life Insurance Benefits

Plan Description

The State provides certain healthcare and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the State contributes to the Hawai'i Employer-Union Health Benefits Trust Fund ("EUTF"), an agent, multiple-employer defined benefit plan that replaced the Hawai'i Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees and their dependents. The EUTF issues an annual financial report that is available to the public at <https://eutf.hawaii.gov/reports>. The report may also be obtained by writing to:

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

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with ten years or more of credited service, and 50.0 percent of the base monthly contribution for employees retiring with fewer than ten years of credited service. A retiree can elect a family plan to cover dependents.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

For employees hired after June 30, 1996, but before July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years, but fewer than 15 years of service, the State pays 50.0 percent of the base monthly contribution. For employees retiring with at least 15 years, but fewer than 25 years of service, the State pays 75.0 percent of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100 percent of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

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

Employees Covered by Benefit Terms

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

Inactive plan members or beneficiaries currently receiving benefits	36,993
Inactive plan members entitled to but not yet receiving benefits	7,678
Active plan members	<u>50,591</u>
Total plan members	<u>95,262</u>

Contributions

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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

There were no changes between the measurement date, July 1, 2019, and the reporting date, June 30, 2020, that are expected to have a significant effect on the net OPEB liability.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

For the years ended June 30, 2020 and 2019, the University recognized OPEB expense of approximately \$125,785 and \$148,486, respectively. At June 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

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

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

Years ending June 30,	
2021	\$ (1,052)
2022	(1,052)
2023	299
2024	644
2025	2,722
Thereafter	<u>158</u>
	<u>\$ 1,719</u>

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

Actuarial Assumptions

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

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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(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		
Private equity	10.00 %	8.80%
U.S. microcap	7.00 %	7.30%
U.S. equity	15.00 %	5.35%
Non-U.S. equity	17.00 %	6.90%
Global options	7.00 %	4.75%
Core real estate	10.00 %	3.90%
Private credit	6.00 %	5.60%
Core bonds	3.00 %	1.50%
TIPS	5.00 %	1.20%
Long treasuries	6.00 %	2.00%
Alternative risk premia	5.00 %	2.75%
Trend following	9.00 %	3.25%
	<u>100.00 %</u>	

Single Discount Rate

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

OPEB Plan Fiduciary Net Position

The OPEB plan's fiduciary net position has been determined on the same basis used by the OPEB plan. The EUTF's financial statements are prepared using the accrual basis of accounting under which revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the cash flows. Employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded on a trade-date basis. Administrative expenses are financed exclusively with investment income.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

There were no significant changes after the report measurement date. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued EUTF financial report. The EUTF's complete financial statements are available at <https://eutf.hawaii.gov/reports>.

Changes in Net OPEB Liability

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

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
2020			
Beginning balance	\$ 2,022,062	\$ 221,566	\$ 1,800,496
Service cost	42,039	-	42,039
Interest on the total OPEB liability	132,510	-	132,510
Employer contributions	-	139,980	(139,980)
Net investment income	-	12,727	(12,727)
Benefit payments	(63,458)	(63,458)	-
Change in assumptions	10,650	-	10,650
Difference between expected and actual experience in the measurement of total OPEB liability	(1,103)	-	(1,103)
Administrative expense	-	(87)	87
Other	-	29,480	(29,480)
Net changes	<u>120,638</u>	<u>118,642</u>	<u>1,996</u>
Ending balance	<u>\$ 2,142,700</u>	<u>\$ 340,208</u>	<u>\$ 1,802,492</u>
2019			
Beginning balance	\$ 1,932,553	\$ 148,693	\$ 1,783,860
Service cost	40,189	-	40,189
Interest on the total OPEB liability	124,435	-	124,435
Employer contributions	-	119,714	(119,714)
Net investment income	-	13,793	(13,793)
Benefit payments	(60,589)	(60,589)	-
Change in assumptions	22,269	-	22,269
Difference between expected and actual experience in the measurement of total OPEB liability	(36,795)	-	(36,795)
Administrative expense	-	(45)	45
Net changes	<u>89,509</u>	<u>72,873</u>	<u>16,636</u>
Ending balance	<u>\$ 2,022,062</u>	<u>\$ 221,566</u>	<u>\$ 1,800,496</u>

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(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 percent, for the measurement dates July 1, 2019 and 2018, as well as what the University's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current discount rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
2020			
The University's proportionate share of the net OPEB liability	<u>\$ 2,147,636</u>	<u>\$ 1,802,492</u>	<u>\$ 1,530,155</u>
2019			
The University's proportionate share of the net OPEB liability	<u>\$ 2,128,619</u>	<u>\$ 1,800,496</u>	<u>\$ 1,542,673</u>

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
2020			
The University's proportionate share of the net OPEB liability	<u>\$ 1,517,749</u>	<u>\$ 1,802,492</u>	<u>\$ 2,170,375</u>
2019			
The University's proportionate share of the net OPEB liability	<u>\$ 1,528,621</u>	<u>\$ 1,800,496</u>	<u>\$ 2,153,331</u>

Payables to the OPEB Plan

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

Subsequent Supplementary Proclamation

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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

14. Asset Retirement Obligations

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

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

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

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

15. State Appropriations

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

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

Act 7, SLH 2020, Supplemental Appropriations Act of 2020, Section 3, provided \$126,238 in general fund appropriations directly to the Department of Budget and Finance to pay for debt service on general obligation bonds issued for the University. As a result, the University itself received no appropriations and made no transfers for debt service on general obligation bonds for the year ended June 30, 2020.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

Act 53, SLH 2018 Section 3, provided \$116,311 in general fund appropriations directly to the Department of Budget and Finance to pay for debt service on general obligation bonds issued for the University. As a result, the University itself received no appropriations and made no transfers for debt service on general obligation bonds for the year ended June 30, 2019.

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

General appropriations

Act 5, SLH 2019, Appropriation Warrant No. 10	\$ 517,482
Act 61, SLH 2019, Appropriation Warrant No. 65	700
Act 39, SLH 2019, Appropriation Warrant No. 84	100
Act 156, SLH 2019, Appropriation Warrant No. 111	455
Act 164, SLH 2019, Appropriation Warrant No. 113	38
Act 168, SLH 2019, Appropriation Warrant No. 117	60
Act 228, SLH 2019, Appropriation Warrant No. 126	1,200
Act 264, SLH 2019, Appropriation Warrant No. 129	4,000
Act 265, SLH 2019, Appropriation Warrant No. 130	350
Act 266, SLH 2019, Appropriation Warrant No. 131	195
	<u>524,580</u>
Total funds lapsed	(802)
Executive restriction	(11,275)
Collective bargaining adjustment	105
	<u>\$ 512,608</u>

Capital appropriations

Sections 30 & 56 of Act 49, SLH 2017, Amended by Section 5 of Act 53 SLH 2018	\$ 17,000
Sections 4 & 20, Act 40, SLH 2019	56,571
Section 4, Act 40, SLH 2019	131,150
Total funds lapsed	(956)
	<u>\$ 203,765</u>

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

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

General appropriations	
Act 49, SLH 2017, Appropriation Warrant No. 10	\$ 481,508
Act 61, SLH 2017, Appropriation Warrant No. 66	200
Act 14, SLH 2018, Appropriation Warrant No. 74	700
Act 117, SLH 2018, Appropriation Warrant No. 94	150
Act 132, SLH 2018, Appropriation Warrant No. 99	500
	<u>483,058</u>
Total funds lapsed	(665)
Executive restriction	(2,138)
Collective bargaining adjustment	26,144
	<u>26,144</u>
Total general appropriations	<u>\$ 506,399</u>
Capital appropriations	
Sections 30 & 56 of Act 49, SLH 2017, Amended by Section 5 of Act 53 SLH 2018	\$ 21,173
Section 49, SLH 2017 Sections 30 & 56	9,000
Sections 30 & 56, Act 49, Amended by Act 53 SLH 2018	104,450
Total funds lapsed	(627)
	<u>(627)</u>
Total capital appropriations	<u>\$ 133,996</u>

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

	2020	2019
Fringe benefits	\$ 304,701	\$ 286,479
Hawai'i Barrel Tax	2,575	2,665
School of Nursing	1,093	238
University of Hawai'i Cancer Center	4,834	5,323
	<u>\$ 313,203</u>	<u>\$ 294,705</u>

16. Litigation, Other Contingent Liabilities, and Commitments

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

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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

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

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

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

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

Risk Management

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

Construction and Other Contracts

The University is committed under contracts awarded for construction and other services. These commitments amounted to approximately \$311,279 and \$230,222 as of June 30, 2020 and 2019, respectively.

COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic which remains a rapidly evolving situation. The extent of the impact of COVID-19 on the University's financial position and results of operations will depend on future developments. While the University continues to design and execute plans to mitigate these risks, the duration of the disruption and its overall financial impact is expected to be substantial but cannot be reasonably estimated. The University has taken steps to mitigate the impact, including reducing operating expenses and implementing executive pay cuts, and continues to explore all options.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

Collective Bargaining Agreements

The Hawai'i State Constitution under Article XIII, Section 2, grants public employees in the State the right to organize for the purpose of collective bargaining as provided by law. Chapter 89, HRS, provides for the recognized bargaining units for public employees throughout the State. Each bargaining unit is represented by an employee organization otherwise known as the exclusive representative or "union" of all employees in the unit, which negotiates wages, hours, and terms and conditions of employment with the public employers.

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

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

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

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

All Units at the University have CBAs that are effective through June 30, 2021. Employer Group and the various unions have commenced preliminary negotiations for the CBAs that will be effective beginning July 1, 2021; however, negotiations are in very early stages.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

The current CBA salary increases for Units 1, 7, and 10 have been reported in the University's previous financial statements. However, Units 2, 3, 4, 8 and 9 did not have finalized CBAs for the period July 1, 2019 through June 30, 2021, as of our last Collective Bargaining update. Since then, tentative agreements between the Union and the employer group for Units 2, 3, 4, 8 and 9 have been funded by the appropriate legislative bodies, thereby becoming final, and the salary adjustments are as follows:

UNIT 2:

Effective July 1, 2019:

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

Effective July 1, 2020:

- Employees on Step A1 move to C1. No employees left on Step A1.
- Employees on Steps B1 and C1 received 5.29% pay increases, and are no longer on the salary schedule.
- Delete Steps A1 and B1 from the salary schedule; rename Step C1 to Step A.
- Increase salary schedule by 1.2%.
- Move employees to the same pay range and step of new salary schedule.
- Employees who were on Step L5 on July 1, 2015 and are no longer on a step on the salary schedule receive 5.29% pay increase.
- Employees not administratively assigned to the salary schedule receive a 5.29% increase.

Effective January 1, 2021:

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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

UNIT 3

Effective July 1, 2019:

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

Effective July 1, 2020:

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

Effective January 1, 2021:

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

UNIT 4:

Effective July 1, 2019:

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

Effective July 1, 2020:

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

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

Effective January 1, 2021:

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

UNIT 8:

Effective July 1, 2019:

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

Effective July 1, 2020:

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

Effective January 1, 2021:

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

UNIT 9:

Effective July 1, 2019:

- Employees shall receive a 2.5% across-the-board increase to the salary schedule, and the continuation of existing step movements.
- Employees not administratively assigned to the salary schedule shall receive a 2.5% increase.
- A new step L-5 shall be established and implemented for employees who have accrued 25 years or more of service credit in accordance with the current step movement plan.

University of Hawai'i
State of Hawai'i
(A Component Unit of the State of Hawai'i)
Notes to Financial Statements
June 30, 2020 and 2019
(All dollars reported in thousands)

- Employees on salary ranges from SR-16 to SR-30, who are administratively assigned, shall receive a one-time-bonus as follows (with the bonus for employees who work less than full time prorated):

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

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

Effective July 1, 2020:

- Employees shall receive a 2.5% across-the-board increase to the salary schedule and the continuation of existing step movements.
- Employees not administratively assigned to the salary schedule shall receive a 2.5% increase.

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

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)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportionate share of the net pension liability	12.64%	12.73%	12.73%	12.75%	13.11%	13.60%	13.75%
Proportion of the net pension liability	\$ 1,971,098	\$ 1,695,800	\$ 1,648,600	\$ 1,704,470	\$ 1,144,564	\$ 1,089,882	\$ 1,227,787
Covered payroll	\$ 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	326.84%	286.57%	280.75%	299.43%	202.67%	197.89%	235.67%
Plan fiduciary net position as a percentage of total net pension liability	54.87%	55.48%	54.80%	51.28%	63.42%	63.92%	57.96%

* Information for 2011–2013 is unavailable.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 133,759	\$ 115,001	\$ 111,436	\$ 98,865	\$ 97,394	\$ 93,949	\$ 88,381
Contributions in relation to the contractually required contribution	<u>133,759</u>	<u>115,001</u>	<u>111,436</u>	<u>98,865</u>	<u>97,394</u>	<u>93,949</u>	<u>88,381</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 606,426	\$ 603,076	\$ 591,759	\$ 587,203	\$ 569,235	\$ 564,736	\$ 550,758
Contributions as a percentage of covered payroll	22.06%	19.07%	18.83%	16.84%	17.11%	16.64%	16.05%

* Information for 2011–2013 is unavailable.

1. Changes of Benefit Terms

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

2. Changes of Assumptions

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

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

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

There were no significant changes in actuarial assumptions in 2015.

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)

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 42,039	\$ 40,189	\$ 31,124
Interest	132,510	124,435	94,505
Difference between expected and actual experience	(1,103)	(36,795)	-
Changes of assumptions	10,650	22,269	-
Benefit payments	<u>(63,458)</u>	<u>(60,589)</u>	<u>(46,725)</u>
Net change in total OPEB liability	120,638	89,509	78,904
Total OPEB liability – beginning	<u>2,022,062</u>	<u>1,932,553</u>	<u>1,853,649</u>
Total OPEB liability – ending	<u>\$ 2,142,700</u>	<u>\$ 2,022,062</u>	<u>\$ 1,932,553</u>
Plan fiduciary net position			
Employer contributions	\$ 139,980	\$ 119,714	\$ 92,918
Net investment income	12,727	13,793	9,303
Benefit payments	(63,458)	(60,589)	(46,725)
OPEB plan administrative expense	(87)	(45)	(23)
Other	<u>29,480</u>	<u>-</u>	<u>747</u>
Net change in plan fiduciary net position	118,642	72,873	56,220
Plan fiduciary net position – beginning	<u>221,566</u>	<u>148,693</u>	<u>92,473</u>
Plan fiduciary net position – ending	<u>340,208</u>	<u>221,566</u>	<u>148,693</u>
Net OPEB liability – ending	<u>\$ 1,802,492</u>	<u>\$ 1,800,496</u>	<u>\$ 1,783,860</u>
Plan fiduciary net position as a percentage of OPEB liability	15.88%	10.96%	7.69%
Covered-employee payroll	\$ 603,076	\$ 591,759	\$ 587,203
Net OPEB liability as a percentage of covered-employee payroll	298.88%	304.26%	303.79%

* Information for 2011-2017 is unavailable.

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

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

* Information for 2011-2017 is unavailable.

1. Changes of Benefit Terms

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

2. Changes of Assumptions

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

SECTION 5

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

CORRECTIVE ACTION PLAN (UNAUDITED)



UNIVERSITY of HAWAI'I®
SYSTEM

**University of Hawai'i
State of Hawai'i
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020**

Finding No.	Description	Classification	Status		Current Year Finding No.
			Resolved	Unresolved	
2019-001	Enrollment Reporting	Control Deficiency ("CD")		X	2020-001
2019-002	Return of Title IV Funds	CD	X		
2019-003	Financial Aid Administration	CD	X		
2019-004	Financial Aid Administration	CD	X		
2019-005	Return of Title IV Funds	CD	X		
2019-006	Payroll Expenditures	Significant Deficiency	X		
2019-007	Change in Key Personnel	CD	X		
2019-008	Unallowable Stipend Expenditure	CD		X	2020-005



UNIVERSITY *of* HAWAI'I®

SYSTEM

**INSTITUTIONAL CORRECTIVE ACTION RESPONSES FOR
THE SINGLE AUDIT REPORT FINDINGS AND QUESTIONED COSTS**

FISCAL YEAR ENDED JUNE 30, 2020

**Corrective Action Plan Related to the Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
University of Hawai'i at Mānoa
Year Ended June 30, 2020**

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

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.268 – Federal Direct Student Loans

Responsible Individual: Pheng Xiong, Registrar

Date Action Taken: December 17, 2020

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

**Corrective Action Plan Related to the Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
University of Hawai'i West O'ahu
Year Ended June 30, 2020**

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

Federal Agency: U.S. Department of Education

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

Questioned Costs: \$4,135

Responsible Individual: James Oshiro, Director of Financial Aid

Date Action Taken: July 1, 2020

Return of Title IV Funds

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

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

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

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

**Corrective Action Plan Related to the Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
University of Hawai'i West O'ahu
Year Ended June 30, 2020**

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

CFDA Number and Title: 84.268 – Federal Direct Student Loans

Responsible Individual: Vicky del Prado, Registrar

Date Action Taken: July 1, 2020

Enrollment Reporting

Upon the sudden departure of the former Registrar in the 2019-2020 academic year, UH West O'ahu promoted a new Registrar who took over the position with little training from the former. Enrollment reporting was and is being conducted on a regularly scheduled process throughout the term. The student in question was overlooked because the student appealed their enrollment record after the term ended and the appeal was approved. Classes taken in the term were dropped after the last regularly scheduled enrollment report for the term was processed and the updated enrollment reporting for that student was overlooked.

The Registrar has updated the student appeal procedure in 2020-2021 to notify financial aid of any enrollment adjustments due to appeals and to manually update the enrollment for NSLDS via National Student Clearinghouse (NSC) for any enrollment changes after the last regularly scheduled enrollment report to NSC for the term. This new process will ensure that after the term enrollment updates are processed correctly and reported accordingly in a timely manner.

UH West O'ahu will continually assess the processes and procedures mentioned above to ensure compliance with federal regulations. The Director of Enrollment Services will oversee that these updated procedures are meeting our compliance needs. With stable personnel in various key positions, a better understanding of how the school's processes adhere to the federal regulation and continued compliance will be achieved.

**Corrective Action Plan Related to the Schedule of Findings and Questioned Costs
Student Financial Assistance Cluster
Honolulu Community College
Year Ended June 30, 2020**

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

Federal Agency: U.S. Department of Education

CFDA Number and Title: 84.268 - Federal Direct Student Loans

Responsible Individual: Heather Florendo, Financial Aid Manager

Date Action Taken: Immediately

To ensure that loans are exited in a timely manner, staff are working together along with the Central Financial Aid office to obtain lists of students needing Loan Exit Counseling at least twice a month. Staff will also begin the Loan Exit process for graduates 30 days prior to the end of the semester. Currently, one specific staff member is assigned to obtain the loan exit report and post loan exit requirements/notifications to the student's record. Another staff is responsible for verifying that students on the report are needing to be exited and sends out the secondary notification to all students who are exited. Splitting up the duties related to the loan exit process addresses staffing issues in our office as well as encourages accountability among the staff since each person must do their part before another can do their part. A third staff is being trained in the loan exit process so that they can assist when needed.

**Corrective Action Plan Related to the Schedule of Findings and Questioned Costs
NASA IRTF Operation
Year Ended June 30, 2020**

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

Federal Agency: NASA Goddard

CFDA Number and Title: 43.00 – NASA IRTF Operation

Questioned Costs: \$43,755

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

Date Action Taken: September 11, 2020

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

We are in the process of moving our RCUH employees to the RCUH electronic timesheet system, which will be completed by February 1, 2021. This was not done earlier, due to the non-regular work schedules of some of the IRTF project employees.

**Corrective Action Plan Related to the Schedule of Findings and Questioned Costs
Title VII Native Hawaiian Education
Year Ended June 30, 2020**

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

Federal Agency: U.S. Department of Education

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

Questioned Costs: \$33,915

Responsible Individual: Lisa Uyehara, Project Director, CDS

Date Action Taken: October 8, 2020

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