



UNIVERSITY OF HAWAII FOUNDATION AND SUBSIDIARIES

Consolidated Financial Statements

and Supplementary Information

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 2210
1003 Bishop Street
Honolulu, HI 96813-6400

Independent Auditors' Report

The Board of Trustees
University of Hawaii Foundation:

Opinion

We have audited the consolidated financial statements of University of Hawaii Foundation and its subsidiaries (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying UHF Rise Student Housing LLC supplementary information included in Schedules 1 and 2 and is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Honolulu, Hawaii
November 18, 2022

UNIVERSITY OF HAWAII FOUNDATION AND SUBSIDIARIES

Consolidated Statements of Financial Position

June 30, 2022 and 2021

Assets	2022	2021
Cash and cash equivalents	\$ 32,438,212	8,890,927
Assets whose use is limited or restricted	20,068,837	—
Contributions receivable, net	77,288,600	45,337,875
Prepaid expenses and other receivables	10,373,750	8,703,599
Property and equipment, at cost, net of accumulated depreciation and amortization	30,278,746	10,147,166
Other assets, at cost	1,742,032	1,397,864
Investments	627,394,903	612,137,816
Beneficial interest in trusts held by others	29,411,668	32,716,885
Total assets	\$ 828,996,748	719,332,132
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 8,045,938	8,660,082
Liabilities under split-interest agreements	11,769,560	13,540,747
Amounts held for others	4,933,144	5,266,347
Long-term debt	92,876,167	7,400,000
Other liabilities	1,550,565	2,858,715
Total liabilities	119,175,374	37,725,891
Net assets:		
Without donor restrictions	2,945,202	12,377,779
With donor restrictions	706,876,172	669,228,462
Total net assets	709,821,374	681,606,241
Commitments and contingencies		
Total liabilities and net assets	\$ 828,996,748	719,332,132

See accompanying notes to consolidated financial statements.

UNIVERSITY OF HAWAII FOUNDATION AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended June 30, 2022

	Net assets		
	Without donor restrictions	With donor restrictions	Total
Revenue:			
Contributions	\$ 424,051	139,293,248	139,717,299
Fees and other	4,504,905	1,386,248	5,891,153
Investment loss, net	(9,019,596)	(45,307,300)	(54,326,896)
Administrative fees	9,790,348	(9,790,348)	—
Fund-raising events and projects	—	710,743	710,743
	<u>5,699,708</u>	<u>86,292,591</u>	<u>91,992,299</u>
Net assets released from restrictions	<u>48,644,881</u>	<u>(48,644,881)</u>	<u>—</u>
	<u>54,344,589</u>	<u>37,647,710</u>	<u>91,992,299</u>
Expenses:			
Program services:			
Extension and public services	993,526	—	993,526
Academic support	5,647,814	—	5,647,814
Research	6,802,618	—	6,802,618
Student aid and services	14,430,406	—	14,430,406
Faculty and staff support	3,242,676	—	3,242,676
Capital projects	2,421,832	—	2,421,832
Athletics	3,171,395	—	3,171,395
Special programs	10,003,666	—	10,003,666
Other	1,930,948	—	1,930,948
Total program services	<u>48,644,881</u>	<u>—</u>	<u>48,644,881</u>
Supporting services:			
Administrative, management, and fiscal services	6,715,330	—	6,715,330
Development	8,416,955	—	8,416,955
Total supporting services	<u>15,132,285</u>	<u>—</u>	<u>15,132,285</u>
Total expenses	<u>63,777,166</u>	<u>—</u>	<u>63,777,166</u>
Change in net assets	(9,432,577)	37,647,710	28,215,133
Net assets at beginning of year	<u>12,377,779</u>	<u>669,228,462</u>	<u>681,606,241</u>
Net assets at end of year	<u>\$ 2,945,202</u>	<u>706,876,172</u>	<u>709,821,374</u>

See accompanying notes to consolidated financial statements.

UNIVERSITY OF HAWAII FOUNDATION AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended June 30, 2021

	Net assets		
	Without donor restrictions	With donor restrictions	Total
Revenue:			
Contributions	\$ 1,182,487	69,645,464	70,827,951
Fees and other	3,380,052	657,019	4,037,071
Investment income, net	8,424,375	138,789,035	147,213,410
Administrative fees	6,841,507	(6,841,507)	—
Fund-raising events and projects	—	162,103	162,103
	<u>19,828,421</u>	<u>202,412,114</u>	<u>222,240,535</u>
Net assets released from restrictions	<u>43,994,927</u>	<u>(43,994,927)</u>	<u>—</u>
	<u>63,823,348</u>	<u>158,417,187</u>	<u>222,240,535</u>
Expenses:			
Program services:			
Extension and public services	897,476	—	897,476
Academic support	4,685,278	—	4,685,278
Research	5,144,913	—	5,144,913
Student aid and services	12,345,622	—	12,345,622
Faculty and staff support	2,814,967	—	2,814,967
Capital projects	8,028,498	—	8,028,498
Athletics	3,031,682	—	3,031,682
Special programs	6,100,870	—	6,100,870
Other	945,621	—	945,621
Total program services	<u>43,994,927</u>	<u>—</u>	<u>43,994,927</u>
Supporting services:			
Administrative, management, and fiscal services	4,976,279	—	4,976,279
Development	7,179,664	—	7,179,664
Total supporting services	<u>12,155,943</u>	<u>—</u>	<u>12,155,943</u>
Total expenses	<u>56,150,870</u>	<u>—</u>	<u>56,150,870</u>
Change in net assets	7,672,478	158,417,187	166,089,665
Net assets at beginning of year	<u>4,705,301</u>	<u>510,811,275</u>	<u>515,516,576</u>
Net assets at end of year	<u>\$ 12,377,779</u>	<u>669,228,462</u>	<u>681,606,241</u>

See accompanying notes to consolidated financial statements.

UNIVERSITY OF HAWAII FOUNDATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from contributions	\$ 78,871,837	40,416,233
Cash received for fees, honoraria, royalties, and other	5,566,054	4,029,508
Investment return received	7,625,744	3,045,983
Program and supporting service expenses paid	<u>(66,480,809)</u>	<u>(52,433,597)</u>
Net cash provided by (used in) operating activities	<u>25,582,826</u>	<u>(4,941,873)</u>
Cash flows from investing activities:		
Purchases of investments	(302,683,792)	(316,411,071)
Proceeds from sale of investments	231,868,572	301,929,096
Purchases of property and equipment	<u>(17,339,756)</u>	<u>(64,384)</u>
Net cash used in investing activities	<u>(88,154,976)</u>	<u>(14,546,359)</u>
Cash flows from financing activities:		
Amounts restricted for long-term investment	20,712,105	12,351,301
Proceeds from issuance of long-term debt	95,243,277	—
Payment of debt issuance costs	(2,367,110)	—
Repayment of long-term debt	<u>(7,400,000)</u>	<u>—</u>
Net cash provided by financing activities	<u>106,188,272</u>	<u>12,351,301</u>
Net increase (decrease) in cash and cash equivalents	43,616,122	(7,136,931)
Cash and cash equivalents at beginning of year	<u>8,890,927</u>	<u>16,027,858</u>
Cash and cash equivalents and assets whose use is limited or restricted at end of year	\$ <u>52,507,049</u>	<u>8,890,927</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 28,215,133	166,089,665
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Amounts restricted for long-term investment	(20,712,105)	(12,351,301)
Other noncash contributions	(1,646,135)	(3,242,792)
Loss on disposal of asset	645,995	—
Depreciation and amortization	109,296	108,667
Realized and unrealized net losses (gains) on investments	60,509,485	(141,185,541)
Provision for uncollectible pledges, net	1,474,950	820,908
Changes in assets and liabilities:		
Contributions receivable	(33,425,675)	(19,603,773)
Prepaid expenses and other receivables	(1,670,151)	(922,731)
Other assets	(344,168)	509,064
Accounts payable	(4,161,259)	3,042,390
Liabilities under split-interest agreements	(1,771,187)	1,400,088
Amounts held for others, net	(333,203)	779,489
Other liabilities	<u>(1,308,150)</u>	<u>(386,006)</u>
Net cash provided by (used in) operating activities	\$ <u>25,582,826</u>	<u>(4,941,873)</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest (net of amount capitalized)	\$ 87,164	274,602
Noncash investing activities – accrued purchases of property and equipment	3,547,115	—

See accompanying notes to consolidated financial statements.

UNIVERSITY OF HAWAII FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(1) Summary of Significant Accounting Policies

(a) Organization

The University of Hawaii Foundation (UHF) is a not-for-profit entity established to solicit and manage funds for the benefit of the University of Hawaii (the University). The Foundation is governed by a self-perpetuating Board of Trustees primarily consisting of elected volunteers.

UHF is the sole member of UHF Atherton Student Housing LLC and UHF Rise Student Housing LLC. Effective September 24, 2021, management created UHF Rise Student Housing LLC for the purposes of financing, developing, constructing, and operating a 220-unit student housing facility for the use of students attending the University. UHF and the above affiliates are collectively referred to as "the Foundation" and are consolidated in the accompanying consolidated financial statements. All inter-organizational transactions and balances have been eliminated in consolidation.

(b) Financial Statement Presentation

The consolidated financial statements have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation management and the Board of Trustees.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the valuation of contributions receivable, investments, beneficial interest in trusts held by others, and liabilities under split-interest agreements. Actual results could differ from those estimates.

(d) Cash Equivalents

Short-term investments held for operations with original maturities of three months or less when purchased are classified as cash equivalents. Cash equivalents include short-term U.S. Treasury securities and other short-term, highly liquid investments and are carried at cost, which approximates fair value. Short-term investments held for investment purposes are reflected as investments.

UNIVERSITY OF HAWAII FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(e) Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include assets held by a trustee for the repayment of bonds and purchase of capital assets.

(f) Contributions and Contributions Receivable

Contributions received and unconditional promises to give to the Foundation are recorded at their fair values and are reported as an increase in net assets.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Certain noncash contributions are reported as other assets until liquidation. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statements of activities as net assets released from restrictions.

Unconditional promises to give (contributions receivable) that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a fair value interest rate commensurate with the associated risk to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The Foundation provides an allowance for uncollectible pledges based upon historical experience with its donors, as well as individual donor circumstances.

(g) Investments

Investments are reported at fair value with unrealized gains and losses reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Fair value for investments in certain domestic equities, fixed-income securities, foreign equities, money market funds, pooled investments in natural resources/real estate, and hedge funds are based on quoted market prices for the security or quoted market prices for the underlying securities in the pooled investment.

Fair value for investments in certain alternative investments, including limited partnership investments in domestic and foreign equities, natural resources and real estate, hedge funds, and private equity securities, are 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, and real estate investments are not readily marketable and involve assumptions and methods that are reviewed by management. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investment existed. 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 management with the assistance of an outside consultant. The Foundation utilized the net asset value per share for certain investments in alternative structures as a practical expedient for the estimation of the fair value of these investments.

UNIVERSITY OF HAWAII FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Net investment income (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

(h) Property and Equipment

Property and equipment are stated at cost. Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets as follows:

Equipment	3–5 years
Furniture and fixtures	5 years
Leasehold improvements	10 years
Buildings	30 years

The components of net property and equipment at June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 7,927,481	7,927,481
Equipment	1,776,023	1,776,023
Buildings	1,698,505	2,456,024
Leasehold improvements	69,491	69,491
Furniture and fixtures	64,421	64,421
Construction in Progress	<u>20,886,872</u>	<u>—</u>
	32,422,793	12,293,440
Less accumulated depreciation	<u>(2,144,047)</u>	<u>(2,146,274)</u>
Property and equipment, net	<u>\$ 30,278,746</u>	<u>10,147,166</u>

The Foundation reports gifts of property and equipment at fair value as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(i) Split-Interest Agreements

The Foundation's split-interest agreements with donors consist of irrevocable pooled income funds, charitable remainder trusts, and charitable gift annuities for which the Foundation serves as trustee. Assets held under these split-interest agreements are included in investments. Contribution revenue is recognized at the date the split-interest agreements are established after recording liabilities for the present value (utilizing discount rates ranging between 2.2% and 6.00%) of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the split-interest agreements for changes in the fair value of the assets, accretion of the

UNIVERSITY OF HAWAII FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

discount, and other changes in the estimates of future benefits. For the years ended June 30, 2022 and 2021, contributions revenue attributed to split-interest agreements was \$1,087,052 and \$100,000, respectively. For the years ended June 30, 2022 and 2021, net investment income (loss) include a net loss of \$428,783 and net gain of \$480,777, respectively, for changes in the value of split-interest agreements.

(j) Interest in Trusts Held by Others

The Foundation is also the beneficiary of certain trusts held and administered by others. The fair value of the estimated future cash receipts from the trusts is recognized as assets and contribution revenue when the Foundation is notified of their existence. The reported value of the assets is fair value. For the years ended June 30, 2022 and 2021, there was no contribution revenue attributed to beneficial interest in trusts held by others. For the years ended June 30, 2022 and 2021, net investment income (loss) associated with the beneficial interest in trust held by others included a net loss of \$3,298,035 and a net gain of \$4,060,190, respectively.

(k) Amounts Held for Others

Resources received in transactions that the Foundation acts as an agent are reported as amounts held for others. Investment income earned on amounts received increases amounts held for others. Distributions to specified recipients decrease amounts held for others. Unrealized (losses) gains on assets held for others were \$(154,521) and \$550,739 for the years ended June 30, 2022 and 2021, respectively.

(l) Fair Value Measurements

The Foundation applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) Topic 820, *Fair Value Measurement*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements (note 9).

The Foundation also applies the provisions of ASC Topic 820 to fair value measurements of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a nonrecurring basis.

(m) Revenue Recognition

The Foundation has several revenue streams that are accounted for as reciprocal exchange transactions including fees and other. The Foundation earns an annual fee of \$3 million for each year ended June 30, 2022 and 2021 from the University recorded in fees and other. The fee is compensation for the Foundation providing fund-raising and alumni services to the University (note 10).

These fees are recognized ratably over the period of the service is provided on a straight-line basis in an amount that reflects the consideration the Foundation expects to be entitled to in exchange for those services. All the Foundation's revenue from contracts with customers are from performance obligations

UNIVERSITY OF HAWAII FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

satisfied over time. Price are specific to a distinct performance obligation and do not consist of multiple transactions. Amounts billed but unpaid are contract assets and recorded as other receivables.

(n) Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, employee benefits, professional services, office expenses, equipment, occupancy, bad debt expense, travel, affiliate research agreement, student scholarships/grants, grants and other, which are allocated on the basis of estimates of time and effort.

(o) Income Taxes

The Foundation is an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is generally not subject to federal or state of Hawaii income taxes. However, the Foundation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the basic financial statements taken as a whole.

(p) Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The impact of COVID-19 on the Foundation continues to evolve, and its future effects remain uncertain. The Foundation continues to closely monitor the effects and risks of COVID-19 to assess its impact on the Foundation's operations, financial position, change in net assets and liquidity.

(q) Recent Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which supersedes FASB ASC Topic 840, *Leases*, and makes other conforming amendments to U.S. GAAP. ASU No. 2016-02 requires, among other changes to the lease accounting guidance, lessees to recognize most leases on balance sheet via a right-of-offset asset and lease liability, and additional qualitative and quantitative disclosures. ASU No. 2016-02 permits early adoption and mandates a modified retrospective transition method. In June 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Lease (Topic 842): Effective Dates for Certain Entities*, to defer ASU No. 2016-02 for privately owned companies and not-for-profit entities that have not yet adopted the standard. As allowed by ASU No. 2020-05, the Foundation has decided to defer adoption of ASU No. 2016-02 to its annual reporting period beginning on July 1, 2022. The Foundation has evaluated the potential impact of adopting this guidance on the consolidated financial statements and determined that the cumulative effect of applying this ASU will not have a material impact to the consolidated financial position or results of operations of the Foundation and its subsidiaries.

UNIVERSITY OF HAWAII FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(2) Contributions Receivable

At June 30, 2022 and 2021, contributions receivable, net of discount for present value and allowance for uncollectible contributions, consisted of the following:

	<u>2022</u>	<u>2021</u>
Contributions receivable	\$ 86,354,475	50,857,617
Less discount to present value (1.6%–5.1% discount rate)	<u>(3,134,289)</u>	<u>(1,063,106)</u>
Subtotal	83,220,186	49,794,511
Less allowance for uncollectible pledges	<u>(5,931,586)</u>	<u>(4,456,636)</u>
Contributions receivable, net	\$ <u>77,288,600</u>	<u>45,337,875</u>
Amounts to be collected in:		
Less than one year	\$ 21,288,584	23,757,246
One year to five years	<u>65,065,891</u>	<u>27,100,371</u>
Total	\$ <u>86,354,475</u>	<u>50,857,617</u>

(3) Investments

Investments at June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>		<u>2021</u>	
	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>
Domestic equities	\$ 38,958,630	32,501,850	39,354,751	17,418,980
Fixed-income securities	166,366,195	182,006,630	155,676,397	156,015,590
Foreign equities	87,384,412	64,934,593	102,036,717	61,119,638
Money market funds	60,339,660	60,339,660	15,062,864	15,062,864
Hedge funds	175,908,524	106,230,963	183,222,700	91,183,639
Private equity securities	67,157,771	39,585,352	89,837,240	39,879,849
Natural resources/real estate	<u>31,279,711</u>	<u>34,697,626</u>	<u>26,947,147</u>	<u>35,904,037</u>
	\$ <u>627,394,903</u>	<u>520,296,674</u>	<u>612,137,816</u>	<u>416,584,597</u>

The Foundation invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

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Investments are generally pooled and managed under various asset diversification strategies, depending upon the investment objectives and to avoid significant concentrations of market risk. Earnings on endowment contributions, which the donor designates as being available for program operations, are considered restricted until the specific restrictions have been met. Endowment investments classified as net assets with donor restrictions were \$442,913,586 and \$474,692,405 at June 30, 2022 and 2021, respectively. Under the Foundation's endowment spending policy, certain amounts (based on a percentage of the adjusted fair value of the investment pool) are appropriated and are available to support operations. In 2022 and 2021, \$14,774,465 and \$13,338,950, respectively, was made available to support programs. Investment management fees amounted to \$1,615,886 in 2022 and \$1,293,847 in 2021.

(4) Fair Value Measurements

ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety at the measurement date.

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The following tables present assets that are measured at fair value on a recurring basis at June 30, 2022 and 2021:

	June 30, 2022	Fair value measurements at reporting date using				Investments measured at net asset value
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)		
Assets:						
Domestic equities	\$ 38,958,630	35,092,139	—	—	3,866,491	a
Fixed-income securities	166,366,195	113,057,502	53,308,693	—	—	
Foreign equities	87,384,412	40,763,600	—	—	46,620,812	b
Money market funds	60,339,660	60,339,660	—	—	—	
Natural resources/real estate	31,279,711	—	—	9,977,455	21,302,256	c
Hedge funds	175,908,524	2,916,989	—	—	172,991,535	d
Private equity securities	67,157,771	—	—	105,603	67,052,168	c
Total investments	627,394,903	252,169,890	53,308,693	10,083,058	311,833,262	
Beneficial interest in trusts held by others	29,411,668	—	10,864,999	18,546,669	—	
Total	\$ 656,806,571	252,169,890	64,173,692	28,629,727	311,833,262	

	June 30, 2021	Fair value measurements at reporting date using				Investments measured at net asset value
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)		
Assets:						
Domestic equities	\$ 39,354,751	25,974,969	—	—	13,379,782	a
Fixed-income securities	155,676,397	99,344,423	56,331,974	—	—	
Foreign equities	102,036,717	45,056,607	—	—	56,980,110	b
Money market funds	15,062,864	15,062,864	—	—	—	
Natural resources/real estate	26,947,147	—	—	9,918,130	17,029,017	c
Hedge funds	183,222,700	2,201,447	—	—	181,021,253	d
Private equity securities	89,837,240	—	—	105,603	89,731,637	c
Total investments	612,137,816	187,640,310	56,331,974	10,023,733	358,141,799	
Beneficial interest in trusts held by others	32,716,885	—	13,176,133	19,540,752	—	
Total	\$ 644,854,701	187,640,310	69,508,107	29,564,485	358,141,799	

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- a. Investments in this class can be redeemed on a monthly/quarterly basis, with notification provided between 15–30 days prior to redemption.
- b. Investments in this class can be redeemed on a monthly basis with notification provided between 5–30 days prior to redemption.
- c. Investments in this class can be redeemed at the discretion of the investment managers. The Foundation has commitments to contribute additional amounts to this class of investments of approximately \$38,910,000 and \$39,500,000 at June 30, 2022 and 2021, respectively.
- d. Redemption frequency for investments in this class range from monthly to annually redemptions, with notification provided between 2–90 days prior to redemption. Additionally, certain investments can be redeemed at the discretion of the investment managers.

The following table presents the Foundation’s activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC Topic 820 for the years ended June 30, 2022 and 2021:

	Assets			
	Private equity securities	Natural resources/ real estate	Beneficial interest in trusts held by others	Total
Balance at June 30, 2020	\$ 1,905,605	9,497,159	17,930,347	29,333,111
Total (losses) gains included in income:				
Unrealized	(1,800,002)	420,971	1,610,405	231,374
Balance at June 30, 2021	105,603	9,918,130	19,540,752	29,564,485
Total (losses) gains included in income:				
Unrealized	—	59,325	(994,083)	(934,758)
Balance at June 30, 2022	\$ 105,603	9,977,455	18,546,669	28,629,727

Investments in domestic equities, foreign equities, hedge funds, private equity securities, and natural resources/real estate are recorded at estimated fair value based on the net asset value of the Foundation’s ownership interest in the partners’ capital, which includes assumptions and methods that were prepared by the general partner of the limited partnerships and were reviewed by the Foundation’s management. The Foundation believes that the reported amounts for these investments are a reasonable estimate of their fair value at June 30, 2022 and 2021.

Investments in real estate and certain private equity securities are recorded at estimated fair value at June 30, 2022 and 2021.

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All realized and unrealized gains (losses) for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3), as defined in ASC Topic 820, are reported in net investment income (loss) in the accompanying statements of activities.

(5) Retirement Annuity Plan

The Foundation has defined-contribution retirement annuity plans with Teachers Insurance and Annuity Association covering substantially all of its employees. The Foundation recorded contribution expense of \$705,089 and \$647,169 in 2022 and 2021, respectively.

(6) Leases

(a) Lessee

The Foundation leases office space under an operating lease expiring in October 2023. Future minimum lease payments are as follows:

	Operating lease
Years ending June 30:	
2023	\$ 116,348
2024	38,783
2025	—
2026	—
2027	—
Thereafter	—
Total minimum lease payments	<u>\$ 155,131</u>

Office lease rent expense for the years ended June 30, 2022 and 2021 totaled \$112,968 per year.

The Foundation leases office space from the University under an annual operating lease, which provides for a nominal rental amount. The estimated fair rental value of the property has been reported as unrestricted contribution revenue with an offsetting amount charged to supporting services of \$97,670 and \$82,376 in 2022 and 2021, respectively.

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(b) Lessor

The Foundation will be leasing office space to the University under an operating lease that starts in August 2023 and expires in July 2064. Future minimum lease rental are as follows:

	<u>Rental lease</u>
Years ending June 30:	
2023	\$ —
2024	218,750
2025	250,000
2026	250,000
2027	250,000
Thereafter	<u>9,020,833</u>
Total minimum lease payments	<u>\$ 9,989,583</u>

(7) Long-Term Debt

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

On May 1, 2020, the terms of the credit facility were modified to interest-only payments for 36 months at a fixed rate of 3.65%.

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

In November 2021, the Public Finance Authority issued revenue bonds totaling \$91,915,000 comprising Series 2021A-1 (\$62,205,000 tax-exempt), Series 2021A-2 (\$14,210,000 taxable) and Series 2021B (\$15,500,000 tax-exempt). The Authority then loaned the proceeds of the bonds to the Foundation for the construction of a new student housing facility. Total premium for the Series 2021 bonds was \$3,389,942.

The revenue bonds are paid from project revenues and restricted cash in annual installments, including semiannual interest payments ranging from \$373,293 to \$1,244,100 with the final payment due in July 2061.

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

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disclosure requirements. As of June 30, 2022, the Foundation is in compliance with the covenants in its debt agreements, including financial ratios and other restrictions.

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

<u>Series</u>	<u>Interest Rate</u>	<u>Date Issued</u>	<u>Amount</u>
2021A-1	4.00%	11/1/2021	62,205,000
2021A-2	4.85%	11/1/2021	2,730,000
2021A-2	5.35%	11/1/2021	11,480,000
2021B	5.25%	11/1/2021	<u>15,500,000</u>
			91,915,000
Unamortized premium on bonds			3,328,277
Less: Unamortized debt issuance costs			<u>(2,367,110)</u>
Long-term debt, net unamortized debt issuance costs			\$ <u><u>92,876,167</u></u>

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

	<u>Principal</u>
Years ending June 30:	
2023	\$ —
2024	—
2025	—
2026	—
2027	155,000
Thereafter	<u>91,760,000</u>
	\$ <u><u>91,915,000</u></u>

For the year ended June 30, 2022, the Foundation paid and capitalized interest cost of \$2,373,000 to construction in progress recorded in property and equipment, net.

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(8) Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following restricted amounts at June 30, 2022 and 2021:

	<u>With donor restrictions</u>
2022:	
Extension and public services	\$ 7,864,159
Academic support	73,110,004
Research	78,499,564
Student aid and services	225,184,614
Faculty and staff support	170,611,840
Capital projects	16,822,252
Athletics	11,528,868
Special	115,568,686
Other	<u>7,686,185</u>
Total	\$ <u>706,876,172</u>

	<u>With donor restrictions</u>
2021:	
Extension and public services	\$ 8,760,571
Academic support	71,372,960
Research	35,006,672
Student aid and services	235,341,186
Faculty and staff support	187,668,534
Capital projects	19,425,347
Athletics	10,555,838
Special	81,590,269
Other	<u>19,507,085</u>
Total	\$ <u>669,228,462</u>

Net assets are released from donor restrictions primarily by incurring expenses that satisfy the restricted purpose. For the years ended June 30, 2022 and 2021, net assets released from restrictions totaled \$48,644,881 and \$43,994,927, respectively.

(9) Endowment

The Foundation's endowment consists of approximately 1,680 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are

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classified and reported based on the existence or absence of donor-imposed restrictions. At June 30, 2022 and 2021, the endowment net assets amounted to \$450,105,602 and \$483,639,756, respectively.

For the years ended June 30, 2022 and 2021, the changes in endowment net assets are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2020	\$ 900,974	340,789,170	341,690,144
Investment return:			
Investment income	22,214	649,099	671,313
Net appreciation, realized and unrealized, net expenses	<u>6,927,620</u>	<u>127,518,745</u>	<u>134,446,365</u>
Total investment return	6,949,834	128,167,844	135,117,678
Contributions, net of expenses	1,787,237	17,936,928	19,724,165
Appropriations	<u>(690,694)</u>	<u>(12,201,537)</u>	<u>(12,892,231)</u>
Endowment net assets, June 30, 2021	<u>8,947,351</u>	<u>474,692,405</u>	<u>483,639,756</u>
Investment return:			
Investment income	58,112	915,712	973,824
Net appreciation, realized and unrealized, net expenses	<u>(1,100,609)</u>	<u>(47,134,076)</u>	<u>(48,234,685)</u>
Total investment return	(1,042,497)	(46,218,364)	(47,260,861)
Contributions, net of expenses	879	28,053,804	28,054,683
Appropriations	<u>(713,717)</u>	<u>(13,614,259)</u>	<u>(14,327,976)</u>
Endowment net assets, June 30, 2022	\$ <u>7,192,016</u>	<u>442,913,586</u>	<u>450,105,602</u>

Donor-restricted and board-designated endowment net asset composition is as follows as of June 30, 2022 and 2021:

	<u>2022</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	442,913,586	442,913,586
Board-designated endowment funds	<u>7,192,016</u>	<u>—</u>	<u>7,192,016</u>
	\$ <u>7,192,016</u>	<u>442,913,586</u>	<u>450,105,602</u>

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	2021		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	474,692,405	474,692,405
Board-designated endowment funds	8,947,351	—	8,947,351
	<u>\$ 8,947,351</u>	<u>474,692,405</u>	<u>483,639,756</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). At June 30, 2022, funds with original gift values of \$36,488,605, fair values of \$33,293,532 and deficiencies of \$3,195,073 were reported in net assets with donor restrictions. At June 30, 2021, funds with original gift values of \$1,519,596, fair values of \$1,143,980, and deficiencies of \$375,616 were reported in net assets with donor restrictions.

Net assets with donor restrictions are restricted for the following purposes:

	<u>2022</u>	<u>2021</u>
The portion of endowment funds that is required to be retained permanently either by explicit donor stipulation or by HUPMIFA	\$ 319,751,830	294,668,617
The portion of the perpetual endowment funds subject to time restriction under HUPMIFA with purpose restrictions	123,161,757	180,023,788
The portion of net assets, excluding endowment funds, subject to purpose restrictions	139,830,613	100,597,782
Contribution and other receivables, net	87,287,681	53,180,690
Beneficial interest in trusts held by others	29,411,668	32,716,885
Split-interest agreements, net and other assets	<u>7,432,623</u>	<u>8,040,700</u>
Total net assets with donor restrictions	<u>\$ 706,876,172</u>	<u>669,228,462</u>

(a) Interpretation of Relevant Law

The Foundation is subject to Hawaii's Uniform Prudent Management of Institutional Funds Act (HUPMIFA), which was enacted by the State of Hawaii on July 1, 2009, and thus classified in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Trustees appropriates such amounts for expenditure. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Trustees of the Foundation has interpreted HUPMIFA as not requiring the maintenance of purchase power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the funds is less than the sum of (a) the original value of initial and subsequent gifts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The

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Foundation has interpreted HUPMIFA to permit spending from underwater funds in accordance with the prudent measure required under the law. Additionally, in accordance with HUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

(b) Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified periods, as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5.5% annually (including inflation). Actual returns in any given year may vary from this amount.

(c) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

(d) Spending Policy

The Foundation has a policy of appropriating for distribution each year up to 6% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 5.5% annually. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

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(10) Transactions with the University

The Foundation has an agreement with the University to provide fund-raising and alumni services through June 30, 2022. Annual compensation from this agreement amounted to \$3 million for each of the years ended June 30, 2022 and 2021. Under separate agreements to provide fund-raising and alumni services for individual University units, compensation amounted to \$457,905 and \$369,856 for the years ended June 30, 2022 and 2021, respectively. For these payments, sources other than the University tuition and fees special fund were used.

In conjunction with acquisition of the Atherton property in April 2017, the Foundation entered into a 15-year ground lease with the University expiring on April 30, 2032. Monthly lease rent is adjustable every six months during the entire lease term. The monthly lease rent may be increased to reimburse the Foundation for any costs, as mutually agreed upon between the Foundation and the University, in connection with the ownership, management, maintenance and operation of the property, including debt service and cost incurred to acquire the property.

The lease was terminated in June 2021 and the Foundation entered into a 42-year ground lease with the University, the lease shall commence on August 15, 2023, and will expire on July 31, 2063. Lease rent will be \$250,000 per year. The lease rent will be increased based on the CPI after the last day of the fifth year and every fifth year thereafter.

(11) Functional Expenses

Expenses by natural and functional classification for the year ended June 30, 2022, with comparable totals for June 30, 2021, were as follows:

	Program services									Supporting services		2022 Total	2021 Total
	Extension and public services	Academic support	Research	Student aid and services	Faculty and staff support	Capital projects	Athletics	Special programs	Other	Administrative, management, and fiscal services	Development		
Expenses:													
Salaries and wages	\$ —	3,963	—	—	—	—	6,224	4,179	—	2,790,367	5,280,199	8,084,932	7,360,527
Employee benefits	733	1,917	158	—	1,277	—	13,679	4,162	—	821,950	1,433,531	2,277,407	1,988,932
Professional services	270,221	1,052,081	125,793	25,307	464,669	19,660	99,992	917,345	16,397	651,866	342,979	3,986,310	3,572,490
Office expenses	127,044	1,247,890	309,462	114,677	206,616	604,909	1,399,875	827,425	106,878	1,131,001	362,703	6,438,480	4,986,108
Equipment	74,311	437,279	2,496,458	22,953	71,352	212,579	172,249	262,448	19,314	237,728	449,356	4,456,027	2,420,058
Occupancy	39,760	49,152	11,844	—	6,400	3,156	46,489	31,613	2,714	334,343	267,612	793,083	622,208
Bad debt expense	500	126,461	328,279	791,597	124,419	—	38,260	1,710,783	1,318,344	48,177	(114)	4,486,706	1,249,115
Travel	16,537	266,942	47,329	81,234	89,068	—	442,779	194,147	7,507	19,294	17,001	1,181,838	398,984
Affiliate research agreement	462,464	2,162,585	3,464,730	779,134	2,168,605	1,581,480	—	4,950,753	440,972	—	—	16,010,723	16,378,906
Student scholarships/grants	1,000	267,504	17,451	12,611,793	22,000	—	459,267	609,576	263	—	—	13,988,854	13,175,671
Grants	—	8,850	—	3,500	86,074	—	457,372	447,097	15,600	—	—	1,018,493	3,495,645
Other	956	23,190	1,114	211	2,196	48	35,209	44,138	2,959	680,604	263,688	1,054,313	502,226
Total expenses	\$ 993,526	5,647,814	6,802,618	14,430,406	3,242,676	2,421,832	3,171,395	10,003,666	1,930,948	6,715,330	8,416,955	63,777,166	56,150,870

(12) Liquidity and Availability

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions; such support approximated 0.7% of annual program funding needs, with the remainder funded by investment income, appropriated earnings from gifts with donor restrictions, and service fees from the University as described in note 10.

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The Foundation considers investment income, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions, and contributions with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses, and program expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The table below presents financial assets available for general expenditures within one year at June 30, 2022:

	<u>2022</u>
Financial assets at year-end:	
Cash and cash equivalents	\$ 32,438,212
Restricted cash held with trustee	20,068,837
Contributions receivable, net	77,288,600
Other receivables	10,116,707
Investments	627,394,903
Beneficial interest in trusts held by others	<u>29,411,668</u>
Total financial assets	<u>796,718,927</u>
Less amounts not available to be used within one year:	
Restricted by donor with purpose restrictions	(141,743,676)
Subject to appropriation and satisfaction of donor restrictions	(450,105,601)
Investments in non-liquid securities	(105,603)
Investments held in custodial and non-custodial trusts	(47,724,104)
Contribution receivable – for restricted gifts, net	<u>(77,288,600)</u>
Financial assets not available to be used within one year	<u>(716,967,584)</u>
Financial assets available to meet general expenditures within one year	\$ <u><u>79,751,343</u></u>

UNIVERSITY OF HAWAII FOUNDATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(13) Subsequent Events

The Foundation has evaluated subsequent events from the balance sheet date through November 18, 2022, the date at which the consolidated financial statements were available to be issued noting the following items to disclose.

Schedule 1

UHF RISE STUDENT HOUSING LLC

Statement of Financial Position

June 30, 2022

Assets	2022
Cash and cash equivalents	\$ 2,916
Assets whose use is limited or restricted	20,668,837
Receivables	136,305
Investments	53,865,307
Construction in progress	20,886,871
Prepaid expenses	101,361
Total assets	\$ <u>95,661,597</u>
Liabilities and Member's Deficit	
Liabilities:	
Accounts payable	\$ 3,547,115
Long-term debt	<u>92,876,167</u>
Total liabilities	96,423,282
Member's Deficit	<u>(761,685)</u>
Total liabilities and member's deficit	\$ <u>95,661,597</u>

See accompanying independent auditors' report.

Schedule 2

UHF RISE STUDENT HOUSING LLC

Statement of Activities

Year ended June 30, 2022

	<u>2022</u>
Revenue:	
Other income	\$ 275,000
Investment loss, net	<u>(27,304)</u>
	<u>247,696</u>
Operating Expenses:	
Start-up costs	898,639
Amortization	63,208
Taxes	17,027
Other	<u>30,507</u>
Total expenses	<u>1,009,381</u>
Net loss	\$ <u><u>(761,685)</u></u>

See accompanying independent auditors' report.