

REPORT ON FINANCIAL ACTIVITIES

JULY 1, 2015 – JUNE 30, 2016

Kamehameha Schools' mission is to fulfill Pauahi's desire to create educational opportunities in perpetuity to improve the capability and well-being of people of Hawaiian ancestry.



Kamehameha Schools is a private charitable educational trust endowed by the will of Hawaiian princess Bernice Pauahi Bishop (1831-1884), the great-granddaughter and last direct descendant of King Kamehameha I.

During her lifetime, Princess Pauahi witnessed the rapid decline of the Native Hawaiian population. She knew that education would be key to the survival

of her people, and in an enduring act of aloha, she bequeathed to them a precious gift – 375,000 acres of ancestral lands of the royal Kamehameha family and instructions to her trustees that the “rest, residue and remainder of my estate” be used to establish the Kamehameha Schools.

Today, as it has for the past 130 years, Ke Ali'i Pauahi's legacy continues to advance her desire to restore the well-being of her people.

FORWARDING OUR MISSION

Kamehameha Schools completed the first year of its Strategic Plan 2015-2020 (SP2020), the first of a series of five-year plans outlining how the organization will accomplish its Vision 2040.

Vision 2040 states, “Within a generation of 25 years, we see a thriving lāhui where our learners achieve postsecondary educational success, enabling good life and career choices. We also envision that our learners will be grounded in Christian and Hawaiian values and will be leaders who contribute to their communities, both locally and globally.”

Moving toward this future, SP2020 contains five major goals: Deliver world-class, culture-based education through a network of Native Hawaiian schools; contribute to communities' collective efforts to improve education systems for Native Hawaiian learners; cultivate a strong Native Hawaiian identity; execute as a high-performing, mission-driven organization; and optimize the strength, breadth and strategic alignment of KS resources.

Efforts this year have focused on deepening cultural vibrancy, building better community relationships, and forging stronger educational partnerships for Native Hawaiian learning. These efforts help to set a good foundation for continued work in our regions and with partners across the state. Among these, highlights include:

- **ADVANCED POST-HIGH PARTNERSHIPS** to create more opportunities for learners to grow as leaders, locally and globally: established formal partnerships with the University of Hawai'i, Chaminade University, and Arizona State University focused on innovative programs, services, and system-wide supports to boost Native Hawaiian student college and career successes.
- **STRENGTHENED REGIONAL APPROACH** to better support community education and well-being through KS and partner

programs. KS is shifting its people and process toward a 'regional' approach in order to intentionally work with and elevate the communities we serve.

Community Education Programs: More than 14,000 learners served through a variety of programs targeting ages 0 to adult, including Hawaiian Culture-based out-of-school time programs, educator support and literacy coaching in the public and charter schools, and counseling support services.

Scholarships: KS disbursed over \$29.2 million in scholarships to approximately 4,500 Native Hawaiian learners, including \$12.9 million in Pauahi Keiki Scholarships to 1,845 non-KS preschool students, \$3.3 million in Kipona Scholarships to 549 students attending other K-12 private schools, and \$12.6 million in post-high scholarships to 2,050 students attending college.

Community Investing: Another \$20 million was awarded through community investment efforts with 61 community organizations statewide

- **ACCELERATED MOVEMENT IN K-12 HAWAIIAN CULTURE-BASED EDUCATION** to strengthen Native Hawaiian identity as a driver of successful learning:

Network: Collaboratively mobilized alongside our Native Hawaiian-focused public charter and immersion schools as a network of Hawaiian schools committed to culture-based education.

Campus Programs: As a tri-campus system, Kamehameha Schools enrolled 5,431 students (702 graduated) at its K-12 campuses at KS Kapālama (3,199 enrolled, 446 graduated), at KS Hawai'i (1,159 enrolled, 138 graduated) and at KS Maui (1,073 enrolled, 118 graduated).

Preschools: Serving our youngest kamali'i, Kamehameha Schools enrolled 1,595 students at 30 preschool sites statewide. Through these actions and by building solid relationships, Kamehameha Schools is stepping up progress toward Vision 2040 and is a critical change agent serving to improve the well-being of Native Hawaiian learners and the lāhui.

MANAGING THE ENDOWMENT

Educational spending reflects these priorities. For fiscal year 2016, Kamehameha Schools invested \$342 million in education, consisting primarily of \$199 million on campus-based programs and \$88 million on community-focused programs and scholarships. As of June 30, 2016, the overall fair market value of the Kamehameha Schools endowment, which includes Hawai'i real estate and global financial assets, was \$10.6 billion. The endowment achieved a return of 0.0 percent during the fiscal year resulting in 7.0 percent return over the last 5 years and 7.3 percent return over the last 10 years. The Consolidated Balance Sheet that follows shows total assets to be \$8.5 billion. It records real estate at cost rather than fair market value, and includes endowment, educational, agricultural and conservation assets.

CONSOLIDATED BALANCE SHEET

June 30, 2016
(in thousands)

Assets

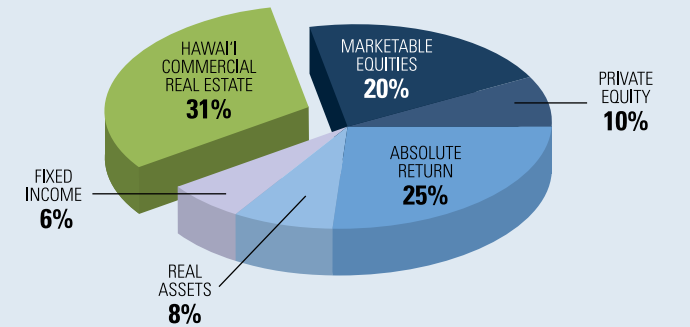
Current assets		
Cash and cash equivalents	\$ 124,293	
Receivables, net	6,225	
Other	2,680	
Total current assets		133,198
Trust investments		
Financial investments	7,227,884	
Amounts receivable for securities sold	107,221	
Interest receivables	7,022	
Real estate investments, net	248,779	7,590,906
Other investments		37,482
Property and equipment, net		682,061
Deferred charges and other		117,125
Total assets		<u>\$ 8,560,772</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 42,245	
Current portion of notes payable	9,786	
Deferred income and other	26,231	
Total current liabilities		78,262
Notes payable		159,690
Accrued pension liability		134,170
Accrued postretirement benefits		65,107
Amounts payable for securities purchased		17,118
Deferred income and other		187,689
Total liabilities		<u>642,036</u>
Commitments and contingencies		
Net assets – unrestricted		<u>7,918,736</u>
Total liabilities and net assets		<u>\$ 8,560,772</u>

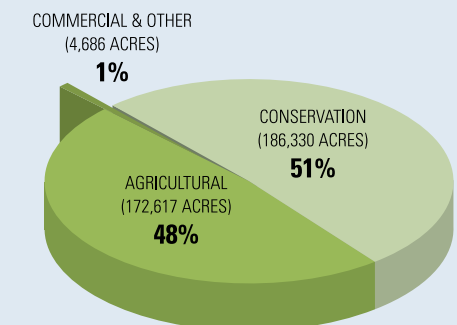
KAMEHAMEHA SCHOOLS ENDOWMENT

Kamehameha Schools' mission is primarily supported by its endowment. The endowment was valued at \$10.6 billion as of June 30, 2016. A globally diversified financial assets portfolio of \$7.3 billion, and Hawai'i commercial real estate representing \$3.3 billion at fair market value comprise the endowment's value.



KAMEHAMEHA SCHOOLS LANDS

Commercially zoned lands make up 1 percent of total acreage (363,633) belonging to Kamehameha Schools. Agricultural and conservation lands comprise 99 percent and are primarily considered sustainability assets, not included in the endowment fund. During the fiscal year 2016, Kamehameha Schools spent \$11.5 million (net of agricultural rents) to steward agricultural and conservation lands and natural resources.



KAMEHAMEHA SCHOOLS®