

# KAMEHAMEHA SCHOOLS ANNUAL REPORT

July 1, 2012 – June 30, 2013

## Making A Difference

*Kamehameha Schools celebrates its fiscal year 2013 accomplishments as it continues to serve the Native Hawaiian community and fulfill the wishes of its founder Ke Ali'i Bernice Pauahi Bishop*

Fiscal year 2013 ended with Kamehameha Schools spending \$362 million on its campus and community educational programs targeting and impacting nearly 47,500 learners' abilities to be successful in school, in college and in their communities and building stronger values through connections to place, culture and spirituality.

Much remains to be done to maximize impact and speed progress through greater focus on key learning outcomes, community partnerships in those outcomes and the acquisition of longitudinal data to inform success.

Trust spending grew by \$23 million over the previous year, strengthened by a perpetual endowment which saw its value grow by \$900 million.

Impact highlights for the fiscal year included more than two-thirds of KS preschoolers scoring well on tests for personal and social development, a strong gauge of school readiness and KS campus learners exceeding state results in post-secondary enrollment and post-secondary completion, essential to career and lifelong success.

Highlights for non-KS campus learners included an increase in graduation rates over the last four years at Ka Pua Initiative high schools in Wai'anae (from 65 percent



Nearly 47,500 learners were served by Kamehameha Schools programs and services in fiscal year 2013.

Scholars program graduating from high school and enrolling in a post-secondary institution; and 46 percent of the freshmen who received a Na Ho'okama college scholarship award (a needs-based financial aid award to post-high students) graduating with a bachelor's degree within six years.

secondary education but sometimes struggle to complete their studies. In today's world, it is critical to continue your education after high school and complete it in order to have the best chance of finding meaningful work and careers that support our families and communities. We want all our

students and those who support them, their parents, teachers and schools and their communities. Such accountability also requires monitoring and continual attention to impact, making the development and acquisition of reliable data essential to learning growth from cradle to career.

"On our campuses, accountability for learning begins with our students and is shared with our parents, faculty, administration and our operations staff – all having a huge stake in our students' success," Mailer said.

"Our faculty, in particular, is challenging its professional practice daily to find innovative ways to teach and inspire students. Fast forward to college, our high school and college counselors are focused beyond enrollment to supporting students through college completion.

"And in the community, we have developed long-term partnerships with community schools and providers to set shared goals for learning and collect and share critical data to hold ourselves accountable for student success."

In order to assure progress on Pauahi's mission to develop good and industrious men and women, Kamehameha Schools has required in all of its relationships accountability for results.

*continued on page 6*

**Kamehameha Schools spent \$168 million on campus-based programs and \$110 million on community-focused programs, including more than \$25 million spent on Hawai'i state Department of Education funding and collaborations to support Native Hawaiian students in the public school system.**

to 72 percent) and Nānākuli (from 55 percent to 75 percent), a tribute to the collaboration between the DOE, KS and other community partners involved on the Wai'anae Coast; all 157 seniors in the Kamehameha

"Going forward, Kamehameha Schools will focus on post-secondary completion for our learners," said Kamehameha Schools CEO Dee Jay Mailer. "We've found that the many students aspire to and enroll in post-

learners to have great choices in life and for that, they must be prepared."

Over the past 10 years, Kamehameha Schools has understood the importance of mutual accountability for learning by

**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.**





## Building A Lasting Educational Legacy

A firm foundation is key to constructing a building that will stand the test of time. For nearly 15 years, Kamehameha Schools has strengthened its educational foundation guided by the goals of its 2000-2015 strategic plan.

That plan – developed with mana’o from Kamehameha stakeholders and the community – defines the financial, educational and cultural excellence we strive to achieve. As you will read in this annual report, we have continued to strive for excellence – strengthening our foundation, one milestone at a time.

Last fiscal year our achievements were fueled by the outstanding performance of our endowment. Kamehameha’s endowment, which includes Hawai’i real estate and global financial assets, achieved a return of 13 percent during the fiscal year, bringing its market value to over \$10 billion.

### – ‘O ke kahua ma mua, ma hope ke kūkulu (The foundation first, then the building)

This stellar performance helped us serve over 7,000 Hawaiian keiki through our preschool and campus programs and over 40,000 learners in public schools, community programs and at universities across the country.

Along with our achievements came acknowledgement that we are making a positive impact on our haumāna and the community.

For the second consecutive year, KS Kapālama High School’s Character Education Program earned national recognition by the Character Education Partnership.

KS Hawai’i chemistry teacher Joel Truesdell was named one of

the nation’s top science teachers by the National Science Teachers Association. KS Maui High School’s student newspaper “Ka Leo o Nā Koa,” earned top print and online awards from the Hawai’i Publishers Association.

KS-supported public charter schools – Hālau Kū Māna and Kanuikaponu – were recognized for extraordinary academic achievement by the State Department of Education.

The Hawai’i Conservation Alliance and the Historic Hawai’i Foundation honored us with their top conservation awards, for protecting and preserving cultural landscapes and historical sites.

The National Association of Industrial and Office Properties named Kamehameha Schools Member Company of the Year for enriching O’ahu communities and also presented Kamehameha Schools a Renovation Award for the beauti-

ful transformation of Six Eighty Ala Moana, a residential project in Kaka’ako.

The Hawai’i Chapter of the American Planning Association presented Kamehameha Schools with its Environment and Preservation Award based on the Cultural Resource Management Plan put together by the KS Natural and Cultural Resource Management Department.

Our achievements are a sign of progress, and further strengthen our foundation. They are a fitting tribute to our beloved founder Ke Ali’i Pauahi who charged us with improving the capability and



Kamehameha Schools trustees, from left, Corbett A.K. Kalama, Janeen-Ann Ahulani Olds, Micah A. Kāne, Robert K.W.H. Nobriga and Lance Keawe Wilhelm

well-being of her people through education.

Kamehameha Schools has made tremendous strides since the start of our current strategic plan. We not only doubled the number of learners and caregivers we serve, but also doubled our investment in community education programs to over \$100 million per year.

We have also implemented plans and policies to guide the stewardship of our princess’ legacy lands, including strategic plans that promote sustainable agriculture and protect our wahi kūpuna.

Our accomplishments have laid the groundwork. Confident in its strength, we have begun building a sturdy hale upon that foundation by developing our next strategic plan which will guide us through the year 2040.

The emerging plan envisions a vibrant future for Native Hawaiians and is being shepherded by Dr. Shawn Kana’iaupuni, director of our Public Education Support Division.

Starting in early 2013, we sat among Kamehameha stakeholders – including alumni, employees, parents, students, and community members – to share mana’o on the direction of our strategic plan.

People from all walks of life

from farmers to physicians took the time to attend our statewide strategic planning forums. Together, we had conversations about our future destination as a lāhui and pathways that will take us there.

So far, it’s been all hands on deck with eager people wanting to help shape our future – our visions very closely aligned. The final plan – expected to be completed in mid-2014 – will truly be the result of a kākou effort.

We extend a heartfelt mahalo to those who shared their time and mana’o with us during this important strategic planning process. We also extend our gratitude to those past and present who helped strengthen our foundation. Together we will build a lasting educational legacy taking Native Hawaiian vibrancy to new heights.

‘O mā ko iho nō me ka ha’aha’a,  
Humbly yours,

#### Trustees

Janeen-Ann Ahulani Olds  
Lance Keawe Wilhelm  
Robert K.W.H. Nobriga  
Corbett A.K. Kalama  
Micah A. Kāne

**Chief Executive Officer**  
Dee Jay Mailer

### Kamehameha Schools Executive Leadership Team



Dee Jay Beatty Mailer  
Chief Executive Officer



Walter Thoemmes  
Chief of Staff



Marsha Heu Bolson  
Vice President for Community Relations and Communications



D. Rodney Chamberlain, D.Ed.  
Vice President of Campus Education



Elizabeth Hokada  
Vice President for Endowment



Sylvia Hussey  
Vice President for Administration



Christopher J. Pating  
Vice President for Strategic Planning and Implementation



Benjamin Salazar  
Vice President and Chief Financial Officer for Finance and Facilities



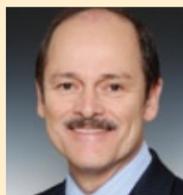
Jack Wong  
Vice President for Legal Services and General Counsel



Lee Ann Johansen DeLima  
Head of School (Po’o Kula) – KS Maui



Earl T. Kim  
Head of School (Po’o Kula) – KS Kapālama



Holoua Stender, Ed.D.  
Head of School (Po’o Kula) – KS Hawai’i



Randie Fong, Ed.D.  
Director, Hawaiian Cultural Development



David Burge  
Director, Compliance



Darrel Hoke  
Director, Internal Audit



# Kamehameha Schools Offers a Comprehensive Education Program for the Whole Child

by Dr. Rod Chamberlain, D.Ed.  
KS Vice President of Campus Education

On Dec. 19, 2012, each of our three campuses completed the year-long commemoration of 125 years of educating Native Hawaiian children – and as we look back on 2012-13, there is much to celebrate.

The Kamehameha Schools campuses on Hawai'i, Maui, and O'ahu had 5,392 enrolled students in grades K-12 – making us by far the largest independent school in the country, more than 1,500 students over the next largest school.

In May 2013, 694 seniors from these campuses earned their diplomas well-prepared for college and beyond – to be good and industrious men and women, as our founder Ke Ali'i Pauahi directed.

While we recognize these seniors' success, with more than 95 percent of them continuing their education in the fall at local and continental colleges, our campus programs are much more than academic programs. For example:

■ The Hawai'i campus won another

academic decathlon state championship, a team competition where students match their intellects with students from other schools. Students are tested in 10 categories: art, economics, essay, interview, language and literature, mathematics, music, science, social science and speech.

■ The Kapālama campus on O'ahu was recognized for the second year in a row for its character education program – Ka Pūnāwai Ola – from the Character Education Partnership, a coalition of organizations committed to fostering effective character education in schools across the United States.

■ The Kapālama campus was awarded two Hiki Nō awards for best news writing and the best anchor team by PBS Hawai'i for its student video programming.

■ The Maui campus cleaned up in the Hawai'i Publishers Association high school journalism competition, winning both the print and on-line divisions (and six of the thirteen sub-categories) for their student newspaper, "Ka Leo of Nā Koa."



Kamehameha Schools enrolled 5,392 students on its three campuses in fiscal year 2013.

Recognition such as these in academics, character and arts are reflections of many individual and team successes in other areas such as speech and debate, student art and science.

Kamehameha Schools is also competitive athletically. In 2012-13, our three campuses won 14 varsity league championships (KSH – 6, KSM – 5, KSK – 3) and seven state

championships.

These overall results are due to the strong faculty and staff at our campuses, who work together to design and implement a comprehensive education program for the whole child.

One example of this collaboration was the opening of the new middle school at Kapālama in August 2012, a wonderful new facility that successfully weaves together challenging and rigorous 21st century learning with young teen age-appropriate processes, both connected to a Hawaiian world view.

And as students see the power of adult teamwork, they quickly pick up this essential skill.

Faculty continued their growth through many professional activities to ensure that our students have the best instruction available.

KS faculty also made presentations at many local and national professional gatherings, including the Hawai'i Schools of the Future Conference and the International Society for Technology in Education (ISTE) Conference in Texas.

The successful 1:1 laptop program in place at the Kapālama and Maui campuses was rolled-out to the Hawai'i campus at the high school level in 2012-13 – with plans to move the 1:1 technology programs to the elementary levels at Kapālama and Hawai'i in 2013-14.

The number of National Board Certified Teachers at our campuses also continues to grow – the number now stands at 33, which is more than any other private school in the country.

The Christian education theme across the campuses in 2012-13 was "E inu i ka wai ola – Drink the life giving water." And our students have grown well academically, artistically, physically, culturally and spiritually due to the nurturing nature of the faculty and staff.

With a strong foundation of 125 years, we celebrate 2012-13 as one more step in improving the capability and well-being of people of Hawaiian ancestry.

I mua Kamehameha!



D. Rodney Chamberlain, D.Ed.

## Kamehameha Schools Educational Highlights

Fiscal Year 2013 – July 1, 2012 to June 30, 2013

■ Fiscal year was the 13th year of the Kamehameha Schools Strategic Plan 2000-2015 and the eighth year of the Kamehameha Schools Education Strategic Plan

■ 47,421 learners served – 33,779 students and 13,642 parents and caregivers

■ Kamehameha's three campuses enrolled 5,392 learners – 1,133 at KS Hawai'i, 1,070 at KS Maui and 3,189 at KS Kapālama – and graduated 694 seniors. Orphan and indigent children comprised about 31 percent of the 2013-14 invited students. Another 2,126 non-campus learners enrolled in campus-based summer programs.

■ Served 1,542 students at 30 KS preschool sites across the state

■ Served 467 learners ages 0-3 and 548 parents/caregivers through the Hi'ilani program

■ Awarded 2,341 Pauahi Keiki Scholarships totaling more than \$15 million

■ Awarded 512 Kipona (Pauahi Kindergarten Scholarships) totaling roughly \$2.7 million

■ Served 4,397 learners and their caregivers through the Literacy Instruction & Support program (K-3 classrooms at 21 Department of Education schools) including the In-School Literacy program (3,638 learn-

ers), After School Literacy program (265 learners) and the 'Ohana Literacy Program (494 parents/caregivers)

■ Served 5,365 learners through support of programs such as Imagination Library (2,263), Tūtū & Me (218 children and 320 caregivers), 'Aha Pūnana Leo (251 children), Pūlama I Nā Keiki (160 learners and 474 caregivers), Keiki Steps to Kindergarten (679 incoming kindergarten students at 30 schools) and Ka Pa'alana Programs (514 learners and 486 caregivers).

■ The Exploration Series served 3,999 learners

■ The 'Ike Pono programs served 1,485 learners

■ Kamehameha Scholars served 466 students

■ More than \$15 million awarded in Post-High Scholarships to 2,148 learners

■ Career Post-High & Guidance Counseling services provided to 1,873 learners

■ 83 learners served in the Kāpili 'Oihana Internship Program

■ The Instructional Services Center served 266 learners via the Hawaii Virtual Learning Network

■ Teacher education and professional development opportu-

nities provided to nearly 300 educators through the Kahua program at six DOE complex areas

■ A total of \$17.4 million in collaboration efforts with more than 50 community organizations statewide including 'Aha Pūnana Leo, Alu Like, Institute for Native Pacific Education & Culture (INPEACE), Kanu o Ka 'Āina Learning 'Ohana (KALO), Partners in Development Foundation and University of Hawai'i system

■ \$25.3 million spent on state Department of Education funding and collaborations including \$6.5 million for on-site literacy instruction in 21 DOE schools; \$7.3 million in funding support for a variety of programs including homework centers, after-school tutoring, place-based learning in lo'i kalo and Hawaiian fishponds and distance learning; almost \$6 million in per-pupil funding and support for 17 Hawaiian-focused start-up and conversion charter schools serving 4,100 students and their families; and \$5.5 million in educator training and support including funding for Teach for America participants serving predominantly Hawaiian public schools



# Supporting the Mission of Kamehameha Schools



Elizabeth Hokada

by Elizabeth Hokada  
KS Vice President for Endowment

**K**amehameha Schools' Endowment Fund has produced an annualized return of 8.9 percent since 1999.

The long-term results incorporate last year's robust 13.4 percent return. Years of strong returns like this offset difficult periods such as the recent global financial crisis to stabilize the long-term health of the endowment. This has enabled the endowment to support educational spending, preserve purchasing power, and create a margin of safety for the future.

Since 1999, the endowment has beaten its performance benchmarks.

In so doing, the capacity of the endowment to provide for both current beneficiaries and future generations has been strengthened beyond what markets generally

provide. With market returns only, the endowment's purchasing power would have been eroded, potentially hurting future spending.

Active management has added value and played a critical part, both last year and over the long term, in meeting Kamehameha's long-term goals since 1999.

Financial assets have returned an annualized 7.8 percent since 1999 and 11.3 percent in the past year.

These assets comprise a global, diversified portfolio of equities, fixed income, real assets, and absolute return strategies that make up two-thirds of the endowment. The portfolio is structured to provide long-term growth and liquidity, with a measure of inflation and deflation protection.

Hawai'i commercial real estate has produced an annualized return of 11.8 percent since 1999 and 17.4 percent in the past year. It represents one-third of the endowment,



Kahu Kordell Kekoa blesses the newly renovated Six Eighty apartment building for new residents in October 2012.

and provides stable income, inflation protection and value creation opportunities.

work-play community. After years of planning, our vision has begun to emerge: a walkable neighborhood for middle class families and local businesses.

Six-Eighty Ala Moana, a stylish, moderate income apartment building was completed and fully leased. Reflecting environmental goals, it is the adaptive reuse of an aging office building.

Area merchants are partnering with us on events like Eat the Streets and Night Market to nurture new business formation and bring local residents back to Kaka'ako.

With guest developer A&B Properties, we announced a residential mixed use project that incorporates street front townhouses and low-rise loft apartments with a high-rise tower.

Developing this urban infill neighborhood between downtown and Ala Moana will improve O'ahu's chances of controlling urban sprawl and "keeping the country country."

## North Shore

On the North Shore of O'ahu, where Kamehameha's lands run from ma uka to ma kai, the vision is rural and agricultural.

Kamehameha completed rebuilding the former Waiialua Sugar

Like those who have come before us, we too strive to manage the resources entrusted to us by Pauahi judiciously and effectively. The intent of this offering is to reap the economic value that has been created to rebalance the endowment and strengthen its ability to support our educational mission in perpetuity. That is, after all, the true work of the endowment: to sustain Pauahi's mission forever



Kamehameha is creating a vibrant, urban, live-work-play community in Kaka'ako.

Kamehameha's lands – commercial, agricultural, and conservation – represent a tangible connection to our founder, Bernice Pauahi Bishop, and to her family before her.

We manage them for the economic returns that support the educational mission, and we steward them for educational, environmental, community and cultural returns. Overall, we strive to be proactive and strategic with our lands, focusing our efforts where critical mass provides opportunities for impact.

## Our Kaka'ako

An area of strategic focus today is Our Kaka'ako, where Kamehameha is creating a vibrant, urban, live-

## Kamehameha Schools Trust Spending

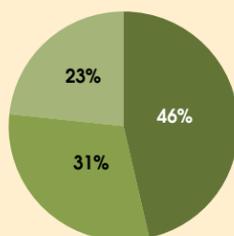
Fiscal year 2013

CATEGORY	AMOUNT
Campus-based Programs	\$168 million
Community Education & Scholarships	\$110 million
Major Repairs, Capital, IT Projects & Other	\$84 million

**TOTAL EDUCATIONAL SPENDING \$362 million**

Debt Financing & Other -\$47 million

**TOTAL TRUST SPENDING \$315 million**



## Kamehameha Schools Investment Returns

Periods Ending June 30, 2013

	ONE YEAR	THREE YEARS	FIVE YEARS	TEN YEARS	SINCE JULY 1, 1999
Endowment Fund	13.4%	12.8%	5.3%	10.1%	8.9%
Composite Benchmark	9.5%	10.1%	2.4%	6.4%	5.4%
Long-Term Policy Objective (CPI + 5%)	6.8%	7.3%	6.3%	7.4%	7.5%



## Ka Pua Initiative Making Strides on the Wai'anae Coast

Co. plantation water systems to support diversified agriculture in a resource-efficient way.

Ma kai of the agricultural lands, the Hale'iwa community has engaged with us in planning for a rural renewal that will preserve the character of historic Hale'iwa. The project is under construction with a 2014 target completion date.

Together with the University of Hawai'i, Kamehameha opened a North Shore Field School so that archeology students have a research site on O'ahu, and we can learn about our past.

### Helumoa

A third area of focus is Helumoa in Waikiki.

There, Kamehameha is offering for sale the buildings at the Royal Hawaiian Center, while retaining the land and the kuleana for its cultural stewardship. The sale would transition the center to a long-term ground lease, similar to the Royal Hawaiian Hotel and many other Kamehameha Schools properties.

If completed, the sale and ground lease would be the culmination of decades of inspired effort.

The initial development of the Royal Hawaiian Center in 1979 was a bold step for an organization whose lands were being leased for development by others. The center's redevelopment in the mid-2000's signaled an appreciation of its cultural value with the opening of the Royal Grove and the establishment of programming that brought respected cultural practitioners back to the lands of Helumoa.

All this work has created a premier shopping and dining destination offering a uniquely authentic cultural experience.

Like those who have come before us, we too strive to manage the resources entrusted to us by Pauahi judiciously and effectively. The intent of this offering is to reap the economic value that has been

*continued on page 6*

by Kalei Ka'ililihwa  
KS Director of Community Programs

In order to maximally impact well-being for Hawaiians, Kamehameha Schools needs to develop an effective community education and capacity building model.

KS/Ka Pua is the laboratory for such a model, launched on the Wai'anae Coast of O'ahu, where the highest concentration of Hawaiians live and learn. A successful model will be developed to support efforts in other communities as well.

### Milestones and Future Outlook

The KS/Ka Pua team documented the initiative's vision for "all children on the Wai'anae Coast to be connected to place, supported in learning and succeeding as tomorrow's local and global leaders" in an education plan.

The education plan outlines six priority outcome areas: increases in kindergarten readiness, school attendance, third-grade reading proficiency scores, eighth grade math proficiency scores, high school graduation and college enrollment.

The KS/Ka Pua education plan also articulates three strategies that will focus KS/Ka Pua's efforts on the Wai'anae Coast: needle moving collaboratives, school and community partnerships and community learning centers.

### Needle Moving Collaboratives

KS/Ka Pua cultivated collaborations with Wai'anae Coast providers that have a high potential for moving the needle for kids.

Out of School Programs: based on research that suggests young people without adult supervision are at significantly greater risk of truancy from school, stress, receiving poor grades, risk-taking behavior, and substance abuse, high quality out of school time programs are important to student success.

Two KS/Ka Pua collaborations placed quality out of school time programming on the campuses of the two largest intermediate schools on the coast, After School All Stars and the Board of Education Middle School Athletics program.

Both programs have robust school attendance, course grades and homework requirements that are paired with engaging athletic offerings. Over 300 students from



Students from Kamehameha's Nānākuli II preschool. Kamehameha's Ka Pua Initiative is targeting 25 percent more early learning opportunities for Wai'anae Coast children.

Wai'anae and Nānākuli participated in these programs.

Project-Based Learning: KS/Ka Pua supported the state Department of Education with its implementation of the New Tech initiative for a final year. Both high school principals used the support to work with noted principals' coach Billie Donnegan. The coaching helped the principals establish the tenets of project based learning at their schools.

KS/Ka Pua also established formal collaborative relationships with MA'O Farms and Ka'ala Farms, two major 'āina based learning providers on the Wai'anae Coast.

Wrap Around Services: KS/Ka Pua and INPEACE are a part of a consortium on the coast that is planning how improve school and community partnerships in order to ensure coordinated, quality wrap around services at every school on the coast.

This collaboration allows INPEACE to organize key community informants to assist in the community schools work and to pilot a data system among a diverse group of 10 community based organizations.

Non-Monetary Collaboratives: KS/Ka Pua convenes the Wai'anae Coast College Success Council once per quarter to plan and report on college success efforts for Wai'anae Coast students. Membership includes complex area superintendent Ann Mahi, principals Nelson Shigeta (Wai'anae High School), Darin Pilialoha (Nānākuli High School), and Raechelle Farbrao (Wai'anae High School), representatives from the UH system, and others from the community.

Major efforts this year included:

- Dual Enrollment - with Leeward Community College at Wai'anae. 72 students participated at the three coast high schools - Nānākuli, Wai'anae and Kapolei high schools.

- Nānāimua - with Leeward Community College and Nānākuli

High School. A total of 24 students participated in a series of huaka'i (field trips) to supplement their dual enrollment experience. As a result, all 24 students passed the course.

- Wai'anae Coast College and Math Academies with University of Hawai'i at Mānoa, Wai'anae High School and Wai'anae Intermediate School - A total of 86 students completed an intensive math and college support program.

### School and Community Schools Partnerships

KS/Ka Pua continued to participate in the Community Schools consortium created to establish a coordinated system of wrap around services at every public school on the Wai'anae Coast. As a part of this work, the group accomplished the following:

- Community School Consultation with the DOE, Hawai'i State Legislature and other Community Based Organizations (October 2012)

- Reimagining School and Community Partnerships, a statewide planning conference on Community Schools for over 300 participants, 150 from the Wai'anae Coast (January 2013)

- Two school-based planning committees have been established at Wai'anae Intermediate School and Nānākuli Intermediate and High School

Additionally, KS/Ka Pua established a working partnership with complex area superintendent, Ann Mahi, and together identified the approach the DOE will take to implement community schools

### Kamehameha Community Learning Centers

KS/Ka Pua began its due diligence for both the Mā'ili and Nānākuli Village Center Community Learning Center sites. The initiative

*continued on page 6*



Kalei Ka'ililihwa





## Making A Difference

*continued from page 1*

“This has not been easy as it requires that all who work on behalf of our mission agree on outcomes and commit to aligning programs to educational success. The silver lining is that we have KS programs re-inventing themselves and community programs and schools sitting with us to write learning goals and targets and sharing data to accomplish them!” Mailer said.

“With such commitments and more importantly passion to reverse adverse educational trends, we have a chance to change the face of education in our state and critically for Kamehameha Schools, for all of our beneficiaries.”

A sample of those educational goals include increasing achievement in preschool for kindergarten readiness; increasing literacy rates by third grade; increasing high school graduation rates and increasing post-secondary enrollment and success.

“All in all, we have set a great foundation to launch from for our new strategic plan that will take us to 2040, beginning next year!” Mailer added.

Kamehameha’s ability to reach its current beneficiaries and set aggressive educational goals for its next strategic plan are a direct result of sustained significant educational spend and a strong endowment that has righted itself from the worldwide economic disaster of five years ago.

This fiscal year, official trust spending rate is reported at \$315 million, or 3.74 percent, for the fiscal year, and when factoring in an additional \$47 million in debt and reserve activity during the period, the trust’s effective spending rate, at \$362 million, was 4.29 percent.

Kamehameha Schools spent \$168 million on campus-based programs and \$110 million on community-focused programs, including more than \$25 million spent on Hawai’i state Department of Education funding and collaborations to support Native Hawaiian students in the public school system.

As of June 30, 2013, the overall fair value of the Kamehameha Schools endowment was \$10.1 billion, up from \$9.2 billion the previous year.

The fiscal year also saw Kamehameha Schools conduct a series of staff and community stake-



All 157 seniors in the Kamehameha Scholars program received college acceptance letters in fiscal year 2013. Kamehameha Scholars is a supplementary educational enrichment program with a focus on college and career guidance whose mission is to have non-campus Hawaiian students be admitted into a post-secondary institution.

holder meetings where input was gathered in preparation for its new strategic plan for 2040.

Impact and cost studies as well as an organization-wide strengths, weaknesses, opportunities and threats (SWOT) analysis were also completed to inform the plan on the most effective paths forward.

Current work involves research in setting targets and outcomes for Strategic Vision 2040 which include 5-, 10-, 15-, and 20-year milestones to achieve the 25-year vision of generational change. The 2040 plan is expected to be completed by fall 2014.

“Each year as we analyze and reflect on the work of our organization, I am amazed and so grateful for the dedication and determination of Kamehameha Schools’ staff members who put forth their best efforts every day toward accomplishing the mission that Ke Ali’i Pauahi set forth for us,” Mailer said.

“There are more than 2,300 employees of Kamehameha Schools across this state – teachers, administrators, researchers, accountants, attorneys, land managers, investment professionals, carpenters, plumbers, bus drivers – from just about from every field you can imagine who make our success in serving the Hawaiian community possible.

“Those people, along with our community collaborators and partners, are the foundation for all that we as Kamehameha Schools achieve each year. I am so proud to be a part of this Kamehameha Schools ‘ohana.”

Organizational points of note for the year included:

- The August 2012 selection of Ben Salazar to the position of vice president and chief financial officer
- The September 2012 appointment of Elizabeth Hokada to the position of vice president of endowment
- The October 2012 announcement that the first residents were moving into the newly renovated Six Eighty, located at 680 Ala Moana Boulevard. Six Eighty is Kamehameha’s first major construction project coming out of its 15-year Our Kaka’ako master plan.
- The October 2012 selection of Robert Nobriga to the Kamehameha School Board of Trustees. Nobriga replaced Douglas Ing and began his term on Jan. 1, 2013.
- The November 2012 appointment of Kalei Ka’ilihiwa to the position of director of community programs for Kamehameha’s Public Education Support division. Ka’ilihiwa is now responsible for overseeing the Ka Pua Initiative, leading operations and helping to create opportunities and partnerships to support keiki and families on the Wai’anae Coast.
- The February 2013 opening of Hale Ho’oku Ka’a, the 477-stall parking structure located on the KS Kapālama campus just outside of Kekuhaupī’o gymnasium. The facility provides much needed parking for events at Kūnuīākea stadium and at the Ka’iwakīloumoku Hawaiian Cultural Center.
- And the May 2013 announcement by Kamehameha Schools’ chief executive officer Dee Jay Mailer that she intended to retire in 2014. Mailer, who has led Kamehameha since 2004, is timing her retirement from the school in connection with the unveiling of a new strategic plan expected in 2014.

“What an honor it has been to mālama Mr. and Mrs. Bishop’s dearest treasures – Pauahi’s people, her children, and her lands, all through the perpetuation of our culture and by being ‘good and industrious’ under Ke Akua’s love and guidance,” Mailer said.

“My heart is perpetually warmed by our work together to help educate and nurture those under our care.”

## Ka Pua Initiative

*continued from page 5*

team documented an education plan for the Kamehameha Community Learning Center at Mā’ili (KCLC at Mā’ili) that garnered trustee approval in December 2012.

The education plan was used to initiate the project’s entitlement work. The development phases for the KCLC at Mā’ili are the basis for planning, entitlements and design components.

In order to achieve the objective of opening the KCLC at Mā’ili by fiscal year 2015, the initiative team developed the following phasing strategy: begin with core programming that leverages a core competency of Kamehameha with an urgent need in the community.

Therefore, in phase 1, via a collaborative approach to program delivery and in direct response to an urgent need for preschool classrooms, the team has articulated an aggressive development plan that will result in opening the Kamehameha Community Learning Center by fiscal year 2015.

The KCLC at Mā’ili will open with 12 new preschool classrooms and an Early Learning Kauhale. Over 1,600 families will be served at this new facility.

## Shared Goals

Complex area superintendent Ann Mahi led the Nānākuli-Wai’anae Complex Area through a planning process that resulted in a set of goals that are vertically articulated elementary to high school.

These goals are called E Po’okela Kākou and have been used to define the plans for the Wai’anae College Success Council and the Community Schools work on the coast.

Kamehameha Schools is making great progress in serving the Native Hawaiian population in the public school system on the Wai’anae Coast. There is much yet to be done, and we are committed to this work.

## Supporting the Mission

*continued from page 4*

created to rebalance the endowment and strengthen its ability to support our educational mission in perpetuity. That is, after all, the true work of the endowment: to sustain Pauahi’s mission forever.

Much has been accomplished this past fiscal year, building on foundations laid by those who went before us, and working with our business and community partners to lay new groundwork.

In all that we do, we are always mindful that our kuleana is to support our educational programs today while protecting Pauahi’s gift for generations of her keiki yet to be born.



# Kamehameha Schools

## Report on Financial Activities

July 1, 2012 – June 30, 2013

*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.*

For the fiscal year ending June 30, 2013, Kamehameha Schools expended \$362 million in its campus- and community-based educational programs and services statewide, an increase of \$23 million over the previous year. Kamehameha Schools' official trust spending rate is reported at \$315 million, or 3.74 percent, for the fiscal year, and when factoring in an additional \$47 million in debt for the completion of the 2010 Kapālama campus renovation project – Ke Kupu Mālamalama – and reserve activity during the period, the trust's effective spending rate, at \$362 million, was 4.29 percent based on the five-year average value.

Kamehameha Schools spent \$168 million on campus-based programs and \$110 million on community-focused programs over the fiscal year.

Spending highlights include more than \$15 million awarded in Pauahi Keiki Scholarships to 2,341 preschool students and \$2.7 million awarded to 512 students through the Kipona (Pauahi Keiki Scholarships Kindergarten Scholarships) program.

Additionally, more than \$15 million in post-high scholarships was awarded to 2,148 students attending college.

A total of \$17.4 million was spent on collaboration efforts with more than 50 community organizations statewide.

In addition, Kamehameha Schools provided \$25.3 million in support of public school transformation in largely Hawaiian communities, including almost \$6 million in per-pupil funding and support to 4,100 students in 17 Hawaiian-focused start-up and conversion public charter schools, \$6.5 million for on-site literacy instruction by Kamehameha Schools' staff in 21 DOE schools (K-3 classrooms) statewide and \$7.3 million in funding for a variety of programs for students in DOE schools, including tutoring, summer enrichment programs, homework centers, place-based learning, distance learning and the Kamehameha Scholars program.

As of June 30, 2013, the overall fair value of the Kamehameha Schools endowment was \$10.1 billion. The Consolidated Balance Sheet below shows total assets to be \$7.7 billion; it records real estate at cost rather than fair market value, and includes non-endowment assets such as educational, agricultural and conservation assets.

Fiscal year 2013 was the eighth year of the Kamehameha Schools 10-year Education Strategic Plan, adopted in 2005 and based on the Kamehameha Schools Strategic Plan 2000-2015. The number of children and families impacted by Kamehameha Schools' campus and community programs in fiscal year 2013 was 47,421 learners (including a total of 13,642 parents and caregivers in the prenatal to grade 12 community who received

training to support their children.

In direct service to Pauahi's mission of educating her beneficiaries, Kamehameha Schools saw the following results in educational achievement.

### Prenatal to 8 Years of Age

Kamehameha Schools served 9,988 keiki ages 0-8 and their parents and caregivers through its 30 KS center-based preschools, preschool scholarships, literacy instruction and various educational collaborations.

With Kamehameha Schools' investments in early education, 60 percent of Hawaiian children have enrolled in early learning programs versus the state average of 50 percent and reading rates have improved by 7 percent in DOE classrooms supported by Kamehameha Schools' literacy instructors.

### Grades 4 Through Post-High

Kamehameha Schools served 18,399 learners through its enrichment, campus outreach, collaborations, distance learning and summer school programs such as the Explorations Series, Kamehameha Scholars, 'Ike Pono and Career Post-High & Guidance Counseling. The Kamehameha Scholars program saw 100 percent of its 157 seniors receive college acceptance letters. A total of 2,126 non-campus learners were enrolled in campus-based summer programs.

### Campus Programs

Kamehameha Schools educated 5,392 learners, including graduating 694 seniors, at campus programs on Hawai'i, on Maui and at Kapālama with 95 percent of seniors continuing their education at colleges and universities in Hawai'i and across the nation. The goal, however, is not just to have students attend college, but to graduate.

There are nationwide concerns about the low levels of college graduation rates, and Kamehameha Schools is monitoring how many of its college-bound graduates actually graduate from college within six years. In the past fiscal year, Kamehameha Schools' graduates averaged 59 percent in graduation from college, compared to a 56 percent national rate of students who went to college. Although there may be extenuating circumstances such as economics or family situations which can impact college graduation rates, Kamehameha Schools has set post-secondary success as an essential outcome for its beneficiaries and will thus target future efforts to improve college persistence.

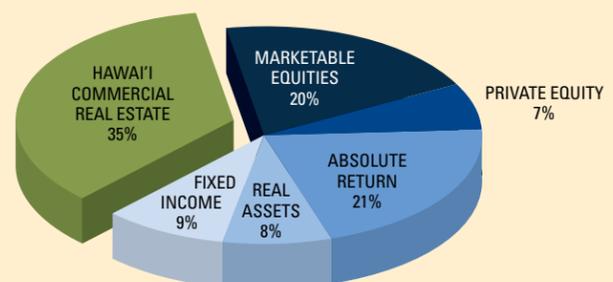
**For more, including a copy of Kamehameha Schools audited "Consolidated Financial Statements and Supplemental Schedules" for fiscal year 2013, please visit [www.ksbe.edu/annualreports](http://www.ksbe.edu/annualreports).**

### CONSOLIDATED BALANCE SHEET JUNE 30, 2013 (in thousands)

ASSETS			
<b>Current assets</b>			
Cash and cash equivalents	\$	44,326	
Receivables, net		5,299	
Other		3,825	
<b>Total Current assets</b>			53,450
<b>Trust investments</b>			
Financial Investments		6,502,616	
Amounts receivable for securities sold		33,948	
Interest receivables		13,460	
Real estate investments, net		269,695	
Real estate held for development and sale		16,603	6,836,322
<b>Other investments</b>			37,999
<b>Property and equipment, net</b>			687,823
<b>Deferred charges and other</b>			111,170
<b>TOTAL ASSETS</b>			<b>\$ 7,726,764</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	\$	51,481	
Current portion of notes payable		20,783	
Deferred income and other		23,783	
<b>Total Current liabilities</b>			96,047
<b>Notes payable</b>			254,550
<b>Accrued pension liability</b>			71,122
<b>Accrued postretirement benefits</b>			39,265
<b>Amounts payable for securities purchased</b>			20,460
<b>Other long-term liabilities</b>			23,443
<b>Total liabilities</b>			504,887
<b>Commitments and contingencies</b>			
<b>Net assets – unrestricted</b>			7,221,877
<b>TOTAL LIABILITIES AND NET ASSETS</b>			<b>\$ 7,726,764</b>

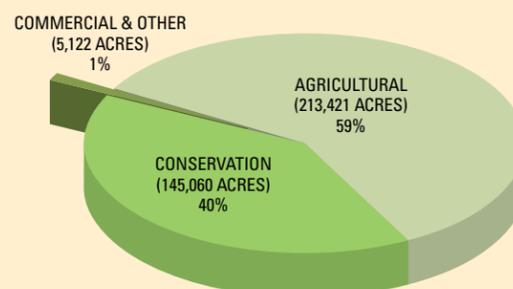
### KAMEHAMEHA SCHOOLS ENDOWMENT

Kamehameha Schools' mission is fully supported by its endowment. At fiscal year end, the endowment was valued at \$10.1 billion at June 30, 2013. A globally, diversified financial assets portfolio of \$6.6 billion, and Hawai'i commercial real estate representing \$3.5 billion at fair value.



### KAMEHAMEHA SCHOOLS LANDS

Commercially zoned lands make up 1 percent of total acreage (363,603 acres) 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 2013, Kamehameha Schools spent \$12 million (net of agricultural rents) to steward agricultural and conservation lands and natural resources.



KAMEHAMEHA SCHOOLS®