



KAMEHAMEHA SCHOOLS ANNUAL REPORT

July 1, 2013 – June 30, 2014

TRUSTEE MESSAGE

BRINGING THE FUTURE INTO FOCUS

Work on a new strategic plan and the hiring of a new chief executive officer highlight the year's endeavors

The year 2014 represented a major milestone in our journey to elevate Native Hawaiian well-being.

With the solidifying of the new strategic plan and the selection of Livingston "Jack" Wong as the new chief executive officer, we can look to the next leg of the journey with confidence and clarity of purpose.

Designating a new leader and committing to a new direction within the same year was not an accident.

Over the past year, the trustees spent many hours discussing the future of our organization. Our deliberations were shaped by significant and sustained input from employees, community, and students. This helped us immensely in our role to navigate the path ahead.

But how would the plan be brought to life? And who would be at the helm?

Through an intense year of considering many outstanding leaders, Jack Wong emerged as the unanimous choice to serve as CEO.

Starting in April, when Jack became interim CEO, we came to experience first-hand his efficiency, precise thinking and focused execution of plans and processes.

He participated with the trustees during many conversations as we weighed each word, sentence, and paragraph of the strategic plan. He has observed our process of sharing ideas, taking chances, being vulnerable, and working through differing opinions until consensus is reached.

He knows our intentions and

understands what is at stake. In a relatively short period of time he has learned to "manage up" to help us be more effective in our leadership roles. In this way, Jack has shaped our journey as trustees and has brought a greater degree of strength, focus and unity.

But Jack's qualifications extend far beyond his six months as interim CEO.

Designating a new leader and committing to a new direction within the same year was not an accident.

Since joining Kamehameha Schools in 1997, he has been one of our organization's strongest advocates in defending our preference policy.

An attorney by training, Jack's exceptional skills in logic, prudence, decisiveness, and strategic orientation have been essential not only in preserving our ability to educate Native Hawaiians, but also in overcoming the many challenges our organization faced in the late 1990s.

Jack's institutional knowledge and contributions over the past 17 years position him to be a strong and effective

Kamehameha Schools Trustees



Kamehameha Schools trustees, from left, Robert Nobriga, Lance Wilhelm, Corbett Kalama, Janeen-Ann Olds, Micah Kāne.

leader to enact the transformative change envisioned by the trustees.

The future we envision represents our aspirations and commitment to help all Native Hawaiian learners achieve greater success. As trustees acting in our fiduciary and strategic capacities, our collective mana'o has informed the following vision statement:

"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."

This vision forms the basis of our organization's efforts for one generation, from 2015 to 2040. Postsecondary success is a major theme of this vision, because jobs in Hawai'i will increasingly require postsecondary training, and employment is key in achieving a thriving Lāhui.

Chief Executive Officer



Kamehameha Schools 'ohana and community collaborators work together to achieve greater collective impact so that success in strengthening our Lāhui within a generation of 25 years will be a shared success.

With a new strategic plan in place and a new CEO to execute on the plan, our organization is set to move forward with even greater focus and effectiveness.

As the fiscal year comes to a close, we extend our gratitude to all who have contributed to a successful year at Kamehameha Schools.

We recognize the great talents, contributions, and potential of all Native Hawaiian learners, from our youngest kamali'i to our most elderly alumni.

The board of trustees is honored to be a part of improving the capacity and well-being of Native Hawaiians.

Me ka ha'aha'a,

Lance Keawe Wilhelm KSK'83
Robert K.W.H. Nobriga KSK'91
Corbett A.K. Kalama
Micah A. Kāne KSK'87
Janeen-Ann Ahulani Olds

Collaborations are also central in this vision, as Kamehameha Schools cannot do the work alone. Our new strategic plan outlines our priorities to work toward this long-term vision over the next five years.

The future we envision represents our aspirations and commitment to help all Native Hawaiian learners achieve greater success.

The strategic planning process has allowed us to collaborate with our executive team and community stakeholders to provide direction and to encourage new and innovative ways to achieve the mission of Kamehameha Schools.

We look forward to the upcoming months and years as our entire



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.



FISCAL YEAR 2014 HIGHLIGHTS

Kamehameha Schools invests \$378 million in its campus- and community-based educational programs.

Fiscal year 2014 (July 1, 2013 – June 30, 2014) was the ninth year of the 10-year Kamehameha Schools Education Strategic Plan, adopted in 2005 and based on the Kamehameha Schools Strategic Plan 2000-2015.

The number of children and families served by Kamehameha Schools' campus and community programs was 48,417 learners, including a total of 12,317 parents and caregivers in the prenatal to grade 12 community who received training to support their children.

As of June 30, 2014, the overall fair market value of the Kamehameha Schools endowment, which includes Hawai'i real estate and global financial assets, was \$11.0 billion with the endowment achieving a return of 13 percent.

For fiscal year 2014, Kamehameha Schools invested \$378 million in its campus- and community-based educational programs.

The schools' trust spending rate was 4.4 percent based on the five-year average value.

Kamehameha Schools spent \$165 million on campus-based programs and \$112 million on community-focused programs.

These resources enabled the organization to accomplish the following highlights:



In fiscal year 2014, Kamehameha Schools served 1,544 students at 30 preschool sites across the state. Below left, Kamehameha's Explorations Series extension education program served more than 4,000 learners in the fiscal year.

■ Kamehameha Schools three K-12 campuses on Hawai'i, on Maui and at Kapālama enrolled 5,421 learners – 1,147 at KS Hawai'i, 1,073 at KS Maui and 3,201 at KS Kapālama, graduating 697 seniors. Orphan and indigent children comprised about 31 percent of the 2014-2015 invited students. Another 2,264 non-campus learners enrolled in campus-based summer school.

■ At 30 preschool sites across the state, Kamehameha Schools served 1,544 students.

■ Kamehameha's Hi'ilani program served 484 learners ages 0-3 and 554 parents and caregivers.

■ KS awarded 2,272 Pauahi Keiki Scholarships totaling \$15.6 million.

■ A total of 575 Kipona scholarships to non-KS students in K-12 private schools was awarded totaling \$3.1 million.

■ KS served 3,067 learners and their caregivers through its Literacy Instruction and Support program. The In-School Literacy program served 3,002 learners and the After School Literacy program served 65 learners.

Kamehameha Schools spent \$165 million on campus-based programs and \$112 million on community-focused programs.

■ KS served 4,495 learners through support of programs such as Imagination Library (1,953), Tūtū and Me (432 children and 432 caregivers), 'Aha Pūnana Leo (200 children), Pūlama I Nā Keiki (273 learners and 227 caregivers), Keiki Steps to Kindergarten (562 incoming students) and Ka Pa'alana Programs (416 learners).

■ The Explorations Series served 4,086 learners.

■ The Kamehameha Scholars program served 1,187 learners.

■ More than \$15 million was awarded in post-high scholarships to 2,325 learners.

■ Career and Post-High Counseling and Guidance services were provided to 1,906 learners.

■ The Instructional Services Center served 325 learners via the Hawai'i Learning Network.

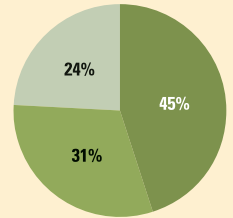
Kamehameha Schools' three K-12 campuses on Hawai'i, on Maui and at Kapālama enrolled 5,421 learners

■ A total of \$20.3 million in collaboration efforts was awarded to more than 50 community organizations, including 'Aha Pūnana Leo, Alu Like, the state Department of Education, Institute for Native Pacific Education and Culture (INPEACE), Kanu o ka 'Āina Learning 'Ohana (KALO), Partners in Development Foundation and University of Hawai'i systems.

■ A total of \$27.5 million, up 9 percent over the previous year, was spent on Hawai'i State Department of Education funding and collaborations including: \$8.4 million for on-site literacy instruction by Kamehameha Schools staff in 20 DOE schools (K-3) statewide; \$7.1 million in funding support for a variety of programs for students in DOE schools; \$7.5 million in per-pupil funding and support for 17 Hawaiian-focused start up and conversion public charter schools serving 4,100 students and their families; and \$4.4 million in educator training and support, including funding for Teach for America participants serving predominantly Hawaiian public schools.

Kamehameha Schools Trust Spending Fiscal Year 2014

CATEGORY	AMOUNT
Campus-based Programs	\$165 million
Community Education & Scholarships	\$112 million
Major Repairs, Capital, IT Projects & Other	\$90 million
TOTAL EDUCATIONAL SPENDING	\$367 million
Debt Financing & Other	\$11 million
TOTAL TRUST SPENDING	\$378 million



Kamehameha Schools Investment Returns Periods Ending June 30, 2014

	ONE YEAR	THREE YEAR	FIVE YEAR	TEN YEAR	SINCE JULY 1, 1999
Endowment Fund	13.5%	10.5%	13.1%	9.9%	9.2%
Composite Benchmark	13.0%	8.4%	10.0%	6.4%	5.9%
Total Endowment Fund Long-Term Objective (CPI+5%)	7.1%	6.8%	7.0%	7.3%	7.4%

Kamehameha Schools Executive Leadership Team Fiscal Year 2014 (as of June 30, 2014)

Livingston "Jack" Wong
Interim Chief Executive Officer

Marsha Bolson KSK'70
Vice President for Community Relations and Communications

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

Lee Ann DeLima KSK'77
Head of School (Po'o Kula), KS Maui

Randie Fong, Ed.D. KSK'78
Vice President of Hawaiian Cultural Affairs

Elizabeth Hokada
Vice President for Endowment

Darrel Hoke
Director, Internal Audit

Sylvia Hussey
Vice President for Administration

Earl T. Kim
Head of School (Po'o Kula), KS Kapālama

Chris Pating
Vice President for Strategic Planning and Implementation

Benjamin Salazar
Vice President and Chief Financial Officer

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

Walter Thoemmes KSK'84
Chief of Staff

Winona White
Vice President of Human Resources

Livingston "Jack" Wong
Vice President of Legal Services and General Counsel



REPORT ON FINANCIAL ACTIVITIES

JULY 1, 2013 – JUNE 30, 2014

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 Hawaiian population. The princess knew that education would be key to

the survival of her people, so in an enduring act of aloha, she left them a precious gift upon her passing – 375,000 acres of ancestral land.

She instructed the trustees of her estate to use the land to educate her people. Today, her endowment supports an educational system that serves thousands of Hawaiian learners.

For the fiscal year ending June 30, 2014, Kamehameha Schools invested \$378 million in its campus- and community-based educational programs. The school's trust spending rate was 4.4 percent based on the five-year average value.

Kamehameha Schools spent \$165 million on campus-based programs and \$112 million on community-focused programs.

Spending highlights include \$15.6 million in Pauahi Keiki Scholarships to 2,272 preschool students and \$3.1 million in Kipona scholarships to 575 students at other K-12 private schools.

More than \$15 million in post-high scholarships was awarded to 2,325 students attending college. A total of \$20.3 million was spent on collaboration efforts with more than 50 community organizations statewide.

In addition, Kamehameha Schools provided \$27.5 million, a 9 percent increase over the previous year, in support of public schools in largely Hawaiian communities, including \$7.5 million in per-pupil funding and support to 4,100 students in 17 Hawaiian-focused start up and conversion public charter schools, \$8.4 million for on-site literacy instruction by Kamehameha Schools' staff in 20 Department of Education schools (K-3 classrooms) statewide, and \$7.1 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, 2014, the overall fair market value of the Kamehameha Schools endowment, which includes Hawai'i real estate and global financial assets, was \$11.0 billion.

The endowment achieved a return of 13 percent during the fiscal year.

The Consolidated Balance Sheet that follows shows total assets to be \$9.0 billion; it records real estate at cost rather than fair market value, and includes endowment, educational, agricultural and conservation assets.

Fiscal year 2014 was the ninth year of the 10-year Kamehameha Schools Education Strategic Plan, adopted in 2005 and based on the Kamehameha Schools Strategic Plan 2000-2015.

The number of children and families served by Kamehameha Schools campus and community programs in fiscal year 2014 was 48,417 learners, including a total of 12,317 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 service results in education.

PRENATAL TO 8 YEARS OF AGE

Kamehameha Schools served 9,422 keiki ages 0-8 and their parents and caregivers through 30 KS-center-based preschools, preschool scholarships, literacy instruction and various educational collaborations.

GRADES 4 THROUGH POST-HIGH

Kamehameha Schools served 21,257 learners through its enrichment, campus outreach, collaborations, distance learning and summer school programs such as the Explorations Series, Kamehameha Scholars and Career Post-High Counseling and Guidance.

CAMPUS PROGRAMS

Kamehameha Schools educated 5,421 students, including graduating 697 seniors, at campus programs on Hawai'i, on Maui and at Kapālama. More than 95 percent of these seniors committed to attend college.

Orphan and indigent children comprised approximately 31 percent of the 2014-2015 invited students.

For more, including a copy of Kamehameha Schools audited "Consolidated Financial Statements and Supplemental Schedules" for fiscal year 2014, please visit www.ksbe.edu/annual-reports.

CONSOLIDATED BALANCE SHEET

June 30, 2014
(in thousands)

Assets

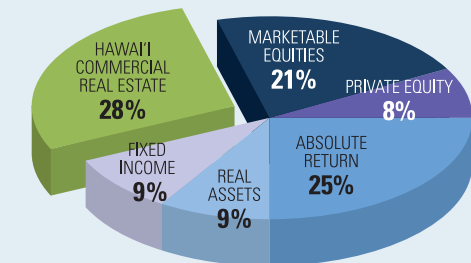
Current assets		
Cash and cash equivalents	\$ 69,187	
Receivables, net	5,284	
Other	3,549	
Total current assets		78,020
Trust investments		
Financial investments	7,774,648	
Amounts receivable for securities sold	147,725	
Interest receivables	13,333	
Real estate investments, net	204,588	8,140,294
Other investments		40,124
Property and equipment, net		705,931
Deferred charges and other		108,269
Total assets		<u>\$ 9,072,638</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 69,969	
Current portion of notes payable	10,786	
Deferred income and other	26,196	
Total current liabilities		106,951
Notes payable		233,762
Accrued pension liability		44,937
Accrued postretirement benefits		47,305
Amounts payable for securities purchased		44,981
Deferred income and other		132,380
Total liabilities		<u>610,316</u>
Commitments and contingencies		
Net assets – unrestricted		8,462,322
Total liabilities and net assets		<u>\$ 9,072,638</u>

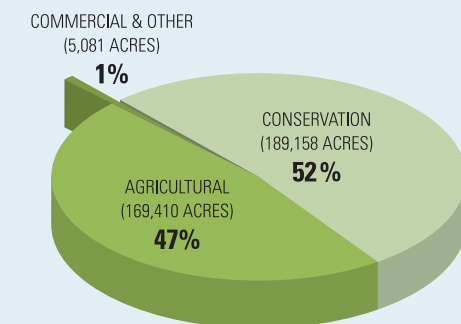
KAMEHAMEHA SCHOOLS ENDOWMENT

Kamehameha Schools' mission is fully supported by its endowment. The endowment was valued at \$11.0 billion as of June 30, 2014. A globally diversified financial assets portfolio of \$7.9 billion, and Hawai'i commercial real estate representing \$3.1 billion at fair market value.



KAMEHAMEHA SCHOOLS' LANDS

Commercially zoned lands make up 1 percent of total acreage (363,649) 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 2014, Kamehameha Schools spent \$11 million (net of agricultural rents) to steward agricultural and conservation lands and natural resources.



KAMEHAMEHA SCHOOLS®