

Annual Report

July 1, 2015 – June 30, 2016

SPECIAL SECTION



KS Mission Statement

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.

KS 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.



A Spirit of Lōkahi

Trustees say a spirit of unity is moving the organization forward as Kamehameha Schools accepts the challenge of achieving Vision 2040

Pūpūkahi i holomua.

Unite in order to make progress.

By working together we make progress.
'Ōlelo No'eau

Fiscal year 2016 was a significant year for Kamehameha Schools, as we completed the first year of our Strategic Plan 2020 (SP2020) and laid the groundwork toward achieving our vision for the future.

SP2020 is the first in a series of five-year plans that will lead to Vision 2040, where we see a thriving lāhui characterized by significantly higher rates of success in postsecondary education, career and leadership.

In setting the foundation for our future work, we have made excellent progress. Our first measure of success has been reaching consensus as an organization on our vision and strategic plan goals as we serve the mission of Kamehameha Schools.

We now see employees accepting the expectation that we will be developing into an even greater Kamehameha Schools – a high performing, mission-driven Native Hawaiian organization with strong leadership, efficient processes and systems and successful strategic partnerships.

Simply put, our goal at Kamehameha is to be great.

In addition, our Chief Executive Officer Livingston “Jack” Wong has assembled a powerful leadership team which is working together in the spirit of lōkahi to the benefit of our organization and our lāhui. We see this spirit exhibited in our interactions with management, and it is reflected back to us in our conversations within the community.

Our leaders are asking themselves – as they pursue their individual objectives and kuleana set forth as a result of our vision – how do my actions and my decisions impact everything else that has to be done in this organization?

They are striving to find ways of working together in the most efficient manner possible – whether the topic is in education, land or asset management, community partnerships, budget or finance – while keeping their eyes focused on our ultimate goal, creating a thriving lāhui for our people.

From a foundational standpoint, that has been powerful and impressive to observe.

One major emphasis of our new plan, along with collective impact and developing leaders, is the focus on Hawaiian culture-based education, which allows education to be personalized for our keiki and brings

relationships, opening doors to achieving greater rigor and high expectations of all learners.

Culture-based education positively impacts student socio-emotional well-being, and enhanced socio-emotional well-being, in turn, positively affects math and reading test scores.

Culture-based education is positively related to math and reading test scores for all students, and particularly for those with low socio-emotional development, most notably when supported by overall culture-based education use within the school.

Western education emphasizes metrics,

“In setting the foundation for our future work, we have made excellent progress.”

relevance to their learning, whether it is in math, science or history.

Culture-based education refers to teaching and learning that are grounded in a cultural worldview – and from that lens are taught the skills, knowledge and values that students need in our modern society.

Studies indicate that Native Hawaiian keiki learn, connect, and retain knowledge more effectively when the material is culturally meaningful and relevant to their own lives and experiences.

Successful schools welcome opportunities to resonate culturally with the students and families who they teach and serve. Among other reasons, the benefits include heightened cognitive connections and stronger

but it doesn't speak to values. It doesn't speak to protocol.

But our culture-based education requires us to do so, to live by a set of Hawaiian values that represent who we are as a people. These guiding attitudes and practices also play to the important significance of developing industrious young men and women.

Culture-based education also involves learning about mo'olelo - the stories and rich history of the Hawaiian people. Our continued on page 2

From left, Kamehameha Schools trustees Lance Wilhelm, Corbett Kalama, Robert Nobriga and Micah Kāne.



TRUSTEES MESSAGE

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ancestors were innovative, inclusive and took calculated risk when it was needed.

From the lives of Pauahi and her great-grandfather Kamehameha we find inspiration in the ways they met new challenges during times of change.

We have been managing and addressing change at Kamehameha Schools, and our expectations are that going through 2040 we need to continue to recognize that there is value outside of the organization as well as within it.

Our ability to work together with our community toward common meaningful objectives is going to be good not only for Kamehameha and Hawai'i, but also good for our country and the world. We are keenly aware that the kind of bold change we envision to improve the well-being of the lāhui is a shared responsibility that no one entity can achieve on its own.

Strategic collaborations among organizations that have similar values and commitment to serve Native Hawaiians will be increasingly crucial in achieving a brighter future for the lāhui.

Everybody deserves credit and recognition for the success of the past year. No one part of our organization can be successful without the support of everyone else.

Our success and our ability to continue to move forward has come as a result of everyone recognizing that we've got to mālama each other and work together in the spirit of lōkahi, and in doing that we've been successful.

We take great pride in our kuleana of serving the mission of Kamehameha Schools.

Mālama pono,

Corbett A.K. Kalama
Chairman

Micah Alike Kāne KSK'87
Vice Chairman

Lance Keawe Wilhelm KSK'83
Vice Chairman

Robert K.W.H. Nobriga KSK'91
Secretary/Treasurer



EDUCATION

Educational partnerships highlight early SP2020 efforts

KS is working with Arizona State, the University of Hawai'i, Chaminade and the state Board of Education to improve the well-being of the lāhui

One of the key actions for Kamehameha Schools in fiscal year 2016 was to formalize alliances with educational partners who support the achievement of KS' Vision 2040, which focuses on a thriving lāhui characterized by significantly higher rates of success in postsecondary education, career and leadership.

Strategic collaborations with organizations that share similar goals and objectives in serving the Native Hawaiian community will be fundamental to improving the well-being of the lāhui.

"We acknowledge that we cannot do this alone," said KS CEO Jack Wong. We need to work together with those who share the same goals and whose priorities align with ours."

ARIZONA STATE UNIVERSITY

KS and ASU have formalized a partnership to cooperate and advance education and sustainability. Under terms of the memorandum of understanding, both organizations agree to encourage and promote cooperation in key areas within a portfolio of initiatives.

Such areas include research and innovation, blended and online learning, philanthropic funding and advancement, and student enrollment, persistence and completion.

In 2016, U.S. News and World Report ranked ASU No. 1 in the United States in innovation, ahead of Stanford and MIT. According to *Diverse: Issues in Higher Education* magazine, ASU ranked first in the nation in doctoral degrees and 10th

"Arizona State University and Kamehameha Schools share a mission to improve the communities around us through education. This partnership creates pathways for our students to sustain and enrich society – at a local level and far beyond."

- Michael Crow, ASU President

in the nation in undergraduate degrees awarded to Native Americans in 2015.

One early example of the three-year pilot program will allow KS and ASU to leverage the resources of both educational institutions - 'āina and innovation - to train Hawai'i's teachers to use land-based teaching solutions for sustainability within their indoor and outdoor classrooms.

KS and ASU also teamed up to develop a virtual huaka'i (field trip) to enable learners to explore Hāpaiali'i, Ke'ekū and Kapuanoni heiau in Kahalu'u Ma Kai in Kona on Hawai'i island.

Kahalu'u Ma Kai is a culturally significant wahi pana (sacred place) that KS envisions as a hub for innovative Native Hawaiian 'āina-based STEAM (science, technology, engineering, arts and math) education.

The virtual huaka'i offers learners the same cognitive and affective gains as a real-life excursion and enables KS to share its cultural resources without disturbing the sacred sites, a concern for cultural practitioners.

"ASU's innovative online training platform and technology are some of the best in the world in training teachers effectively, and enabling learners with

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Multimedia producer Geoffrey Bruce of ASU's School of Earth and Space Explorations surveys and gathers three-dimensional images for a virtual tour of heiau in Kahalu'u Ma Kai in West Hawai'i, part of an educational partnership between ASU and KS.

"This agreement represents the coming together of partners who share a vision for a future of sustainability and well-being for all people. No future can be sustainable if it does not respect and draw from the culture and traditions of the people who will live it. ASU has much to learn from Kamehameha Schools and the Hawaiian people, and we have a lot to offer in return."

- Gary Dirks, Director of the ASU Julie Ann Wrigley Global Institute of Sustainability

EDUCATION

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interactive, exploratory learning,” said Kā’eo Duarte, Kamehameha’s vice president of Community Engagement and Resources.

“The ultimate outcome ASU and KS are striving for is well-being. A lot of the issues we face in Hawai’i are shared by other communities and will not always be solved locally. Part of that is looking to strong thought partners with the platform and tools already in place that can support the advancement of our lāhui in this generation.”

UNIVERSITY OF HAWAI’I

KS and UH have been working together for more than a year in a partnership called Hui Ho’opili ‘Āina (HHA), which is aimed at increasing Native Hawaiian student success at the postsecondary level while advancing Hawaiian culture, language and knowledge.

Through inventive, innovative and collaborative efforts from both institutions, HHA has established itself as a model of excellence for organizations and institutions dedicated to ensure a thriving lāhui.



The partnership has been organized around three themes: Native Hawaiian Student Success; Sustainability/Mālama Honua; and ‘Ike Hawai’i. Within those themes are six work group areas. Work groups are led by executives from Kamehameha Schools and UH Mānoa as well as other entities such as UH West O’ahu, Hawai’i P-20 and UH Hilo.

Financial Aid and Persistence

Makalapua Na’auao is a process improvement pilot which seeks to mitigate key barriers that deter post-secondary completion of financial aid recipients. The pilot – comprised of 145 Native Hawaiian college freshmen and sophomores – aligns co-funding opportunities, ensures four years of consistent funding and offers direct and timely counseling support using a cohort approach. The four-year memorandum of agreement was executed in June 2016 and kicked off with a

place-based leadership orientation created uniquely for the Makalapua Na’auao scholars.

Early College

Early college has been a focus at KS and work continues to take the concept beyond KS – increasing post-high attainment opportunities for Native Hawaiians across the state. The work group kicked-off the Mānoa Academy in 2016 which included a six-credit pilot summer program led jointly by UH Mānoa’s College of Social Sciences and KS Kapālama. Having held early college courses for high school students for over 10 years at KS Maui, KS continues to explore ways in which it can help to expand early college course offerings in charter schools as well.

‘Ike Hawai’i

Work in this area focuses on realizing a future where ‘ōlelo Hawai’i grounds, normalizes and amplifies Hawaiian knowledge, culture and leadership excellence. To reach this vision, the group is focusing on ‘ōlelo Hawai’i by advancing expectations, actualizing a Hawaiian-speaking workforce, amplifying access and support

“Kamehameha Schools has been a fantastic partner, and our collaboration now extends into a number of people and programs across our complex organizations. The more we do together the more we understand and appreciate the opportunities to advance our missions together.

Student success is the top priority for both organizations and through our collaboration we can provide pathways from early education through college and university that helps Native Hawaiian students prepare for success so they can advance their families and communities across our islands.”

- David Lassner, President, University of Hawai’i

“It’s been an honor to launch the Mānoa Academy of Social Sciences with Kamehameha Schools Kapālama as our lead partner. The academy provides Kamehameha students with the opportunity to get an early start on their academic journey at the university by taking highly relevant courses for dual credit that satisfies both high school and UH Mānoa graduation requirements.”

- Denise Eby Konan, Dean, College of Social Sciences at UH Mānoa.

and achieving normalization of Hawaiian language. Ninety representatives from KS and UH convened for a first ‘aha in 2016. Their work included setting goals, forming committees and assessing resources needs that articulated ‘ōlelo Hawai’i pathways to accelerate quality Hawaiian language learning from high school through college.

Living Learning Labs

The Living Learning Labs work group collaborates to create opportunities for ‘āina-based, experiential learning. Most recently, three proposals offered by the group to the International Union for the Conservation of Nature World Conservation Congress were accepted as part of the “Conservation Campus” that was offered as a blend of field experiences and online learning. The proposals received Hawai’i P-20 Partnerships for Education funding to support the development of their online curriculum. Students representing KS, Le Jardin and Ke Kula ‘o Samuel M. Kamakau Public Charter School were able to get early college credit and international participants were also able to take part in this unique opportunity.

Mō’ili’ili

The work in Mō’ili’ili includes educational programming which aims to increase student enrollment, persistence and graduation from local universities. Collaborative

programming in Mō’ili’ili can support student persistence and graduation through an Innovation Hub and a Native Hawaiian Student Services Center/ Native Hawaiian Collaboratory called Hālau ‘Īnana ma Kapa’akea. The pilot learning site opened last spring.

Support Center: Data Sharing

Gathering current data helps all work with the HHA partnership better understand student pathways, barriers and successes. UH publishes the Native Hawaiian Scorecard which outlines the progress, persistence and graduation of Native Hawaiian learners at each UH campus. New, innovating data collecting options will inform next steps in paving the way for more strategic and aligned research and inquiry between KS and UH.

CHAMINADE UNIVERSITY

The Ho’oulu STEM (Science, Technology, Engineering and Mathematics) Scholarship creates a landmark opportunity for Native Hawaiian students pursuing a Bachelor of Science degree to receive full tuition assistance and the opportunity to apply for living expense assistance for four years. Totalling \$5.45 million over the scholarship’s five-year term, Ho’oulu is the first initiative coming out of Kamehameha’s and Chaminade’s memorandum of understanding signed in fall 2015 to increase the participation of Native Hawaiians in STEM and related fields of study.

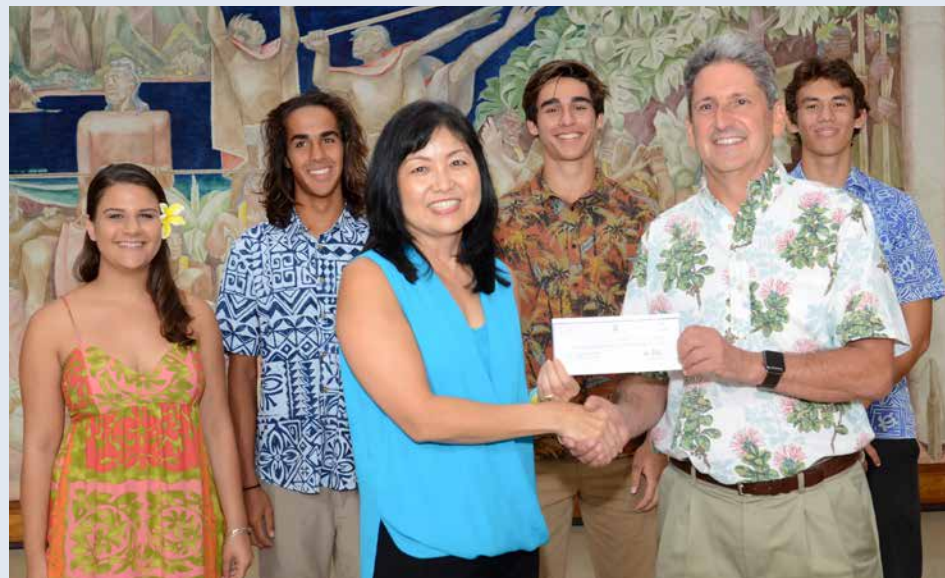
In fall 2016, Chaminade welcomed a new cohort of up to 25 first-year students and 10 transfer students in the following Bachelor of Science degree areas: biology, continued on page 4



Chaminade’s first Ho’oulu cohort.

“The impact of Ho’oulu will be far reaching. We are grateful for this truly transformative partnership with Kamehameha Schools allowing us to more fully realize our mission of supporting Native Hawaiians through improved access and attainment of a postsecondary education.”

- Brother Bernard Ploeger, Former Chaminade University President



Kamehameha’s Joy Kono, senior director of education support services, presents UH Mānoa president David Lassner with a \$1.18 million check in July 2016, the first of four donations, to fund the Makalapua Na’auao financial aid pilot program.

EDUCATION

“The Ho’oulu program removes financial and non-financial barriers to Native Hawaiian success in STEM, and in parallel reflects our faculty’s commitment to curriculum and pedagogy that bridge science and root culture. Solutions to health, environmental and justice challenges are to be found in science and technology, and we envision Ho’oulu students leading the community in the future to strengthen the lāhui.”

- Dr. Helen Turner, Chaminade Dean of Natural Sciences and Mathematics

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biochemistry, forensic sciences, environmental studies, nursing, and pre-med/pre-health.

Chaminade and KS expect Ho’oulu students to grow and thrive in an environment of opportunity, culture and innovation newly created by this partnership. The passion and persistence of these students will result in a new generation of Native Hawaiian leaders with careers as health practitioners, scientists, forensic specialists and environmental stewards.

STATE BOARD OF EDUCATION

On Nov. 16, 2016, KS and the Hawai’i State Board of Education (BOE) finalized a memorandum of understanding aimed at increasing the educational success of Native Hawaiians enrolled in the public school system.

“This new partnership will help further our ability to support the development of Native Hawaiians in the public school system, where many of our future local and global leaders are being shaped,” Wong said. “It’s a win-win-win situation for all. As we work with the Board and Department of Education, the visions we share for improved education can affect all learners in the system.”

The accord focuses on three areas: sharing measurements and targets that lead to increased postsecondary completion for all Native Hawaiians; advancing the Hawaiian language as a medium of teaching and learning in the public school system; and promoting Hawaiian culture-based education statewide. The next step in the process will involve creating memorandums of agreement that support the implementation of Native Hawaiian culture-based education principles.



Hawai’i State Board of Education Chair Lance Mizumoto and KS CEO Jack Wong finalize a memorandum of understanding aimed at increasing the educational success of Native Hawaiian learners in the public school system.

“This key partnership will support and compliment the work the Board and Department of Education are doing to align its systems with Board Policy E-3, Nā Hopena A’o.* These actions will ensure that our public education system embodies Hawaiian values, language, culture and history while preparing students for college, career and citizenship.”

- Lance Mizumoto, Chairperson, State Board of Education

*Nā Hopena A’o is a Department of Education-wide framework to develop the skills, behaviors and dispositions that are reminiscent of Hawai’i’s unique context, and to honor the qualities and values of the indigenous language and culture of Hawai’i.

ENDOWMENT



KS Endowment Long-term Returns Favorable

Kamehameha Schools’ Endowment has grown from \$9.1 billion to \$10.6 billion over the past 10 years.

With an annual net return of 7.3 percent, endowment returns exceeded their composite market benchmark by 2.6 percentage points and their Long-Term Objective (CPI + 5 percent) by 0.6 percentage points.

Investing solely in passive benchmarks would have yielded unsatisfactory results, 2 percentage points less than our Long-Term Objective (the return level key to ensuring the long-term sustainability of Kamehameha’s spend) .

Annual spending from the endowment grew during the last decade from \$250 million to \$342 million. Kamehameha’s Endowment continues to provide nearly the entire operating budget for the organization, while striving to preserve

From an investment perspective, KS seeks to leverage its advantages as a long-term investor, including an ability to ride out short-term fluctuations in market returns and focus on opportunities that only manifest reliably over long periods of time.

purchasing power for future generations.

While the endowment’s long-term returns are favorable, in recent years we have grown cautious about prospects for returns in the medium term. Central banks have taken interest rates to extremely low levels, and abundant liquidity has driven up asset prices, portending lower returns going forward.

This scenario seems to be playing out with a fiscal year 2015 return of 3.9 percent and a fiscal year 2016 return of 0.0 percent. In difficult markets this past fiscal year, Kamehameha’s financial assets declined 2.5 percent, while its Hawai’i Commercial Real Estate gained 6.2 percent as investors turned to assets with cash yields.

Accordingly, within the Financial Assets portfolio, fixed income provided positive returns as low interest rates sank even lower.

By policy, Kamehameha targets 4 percent of the endowment’s value, averaged over five years, to arrive at how much of the endowment can be spent each year. This approach is meant to smooth educational spending, balancing the interests of current and future generations of haumāna.

As the returns of the past two years roll through the spending calculations of

Above: SALT at Our Kaka’ako now features 65,000 square feet of commercial space.

KS’ five-year average, the organization must continue to evaluate its fixed and flexible spending needs and proactively manage educational spending to optimize educational impacts.

From an investment perspective, KS seeks to leverage its advantages as a long-term investor, including an ability to ride out short-term fluctuations in market returns and focus on opportunities that only manifest reliably over long periods of time.

In the Financial Assets portfolio, where front-line management is provided by external investment management organizations, this gives access to some of the highest quality managers who will only partner with long-term, patient capital. It enables KS to invest in areas such as private equity, which require a long-term commitment.

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ENDOWMENT

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The Financial Assets portfolio includes a broad array of asset classes, combined to benefit from the risk and return characteristics of each as well as from the differences among them. Looking forward with a continued cautious view of investment returns, value-added active management will be critical in providing needed funding for KS' mission. Throughout the portfolio, KS is emphasizing selectivity and value-added returns.

HAWAI'I COMMERCIAL REAL ESTATE

Hawai'i Commercial Real Estate is managed primarily for economic returns, though KS also seeks opportunities for non-economic benefits.



The Flats at Pu'unui

Though it represents 31 percent of KS' endowment fund, it is only 1 percent of Kamehameha's lands. KS is pivoting toward a more proactive and capital-efficient strategy that leverages third-party capital and expertise to enhance asset quality, operational fundamentals, and long-term performance.

Planning is underway to enhance the strategic alignment of the portfolio with the KS organization, with major planning initiatives currently focused on strategic market areas in Mō'ili'ili and Kapālama.

COMMERCIAL REAL ESTATE HIGHLIGHTS

Our Kaka'ako: Keauhou Lane and Keauhou Place Break Ground

The April 7, 2016, groundbreaking of Keauhou Lane marked a first for KS as it structured its first-ever leasehold equity investment with the Portland, Oregon, based real estate firm Gerding Edlen. Keauhou Lane is a 209-unit income-restricted apartment rental project with approximately 32,300 square feet of retail space

and 280 parking spaces.

This project, along with Stanford Carr's Keauhou Place, is located on the block of South St., Halekauwila St., Keawe St. and Pohukaina St. Both projects are part of the nine blocks that comprise the Kamehameha Schools 2009 Kaiāulu 'o Kaka'ako Master Plan. Keauhou Place and Keauhou Lane are expected to welcome their first residents in mid-2017.

The Flats at Pu'unui Opening

The Flats at Pu'unui, a reserve housing rental project, is another project originating from Kamehameha's Kaka'ako master plan that will increase workforce housing in Kaka'ako. The 88-unit, seven-story structure located at 440 Keawe Street is a mixture of studios and one- to three-bedroom units. The project is targeted at families and individuals who make less than 100 percent of Honolulu's Area Median Income(AMI) set by the U.S. Department of Housing and Urban Development (HUD).

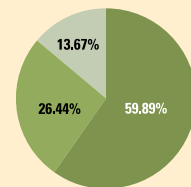
Halfway through the 15-year master plan, the Flats at Pu'unui brings the reserve housing count to 456 out of the 550 units slated in the master plan.

Kona Village to reopen

The agreement with international real estate investment firm Kennedy Wilson marks the conclusion to a five-year negotiation to reopen the Kona Village Resort that was closed shortly after the March

Kamehameha Schools Trust Spending Fiscal Year 2016

CATEGORY	AMOUNT
Campus-based Programs	\$199 million
Community Education & Scholarships	\$88 million
Major Repairs, Capital, IT Projects & Other	\$45 million
TOTAL EDUCATIONAL SPENDING	\$332 million
Debt Financing & Other	\$10 million
TOTAL TRUST SPENDING	\$342 million



Kamehameha Schools Investment Returns Periods Ending June 30, 2016

	ONE YEAR	FIVE YEAR	TEN YEAR	SINCE JULY 1, 1999
Total Endowment Fund*	0.0%	7.0%	7.3%	8.4%
Composite Benchmark	0.7%	5.7%	4.7%	5.4%
Total Endowment Fund Long-Term Objective (CPI+5%)	6.0%	6.3%	6.7%	7.2%

*net of fees and direct expenses



Hawai'i Governor David Ige (center) was on hand to celebrate the Keauhou Lane groundbreaking along with (from left) KS CEO Jack Wong; KS trustees Corbett Kalama, Robert Nobriga, Lance Wilhelm and Micah Kāne; and KS Kapālama Kahu Kordell Kekoa.

2011, tsunami and earthquake in Japan.

Prior to its closure, the resort was in operation for 45 years, opening its doors in 1965. Employing more than 300 community members, the resort played a significant role in the economic and cultural vibrancy of the West Hawai'i region. Kennedy Wilson plans to retain the original vision of the 81.4-acre resort, as a low-density iconic destination. The resort is planned to be fully operational by the fall of 2019.

CRED REORGANIZED TO INCLUDE PORTFOLIO FINANCE DIVISION

The Commercial Real Estate Division evolved operations over the fiscal year to include divisions in Asset Management, Planning and Development and a newly created Portfolio Finance and Reporting Division. This new division is responsible for the development of CRED's Portfolio Investment Strategy for its \$3 billion Hawai'i commercial real estate portfolio. The current strategy calls for a more proactive, capital-efficient approach that leverages third-party capital and expertise in order to enhance asset quality, operational fundamentals, and long-term endowment portfolio performance.

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 PRE-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.

For more, including a copy of Kamehameha Schools audited “Consolidated Financial Statements and Supplemental Schedules” for fiscal year 2016, please visit www.ksbe.edu/annual-reports. For more about Kamehameha's vision and strategic plan, go to www.ksbe.edu/sp2020/.

CONSOLIDATED BALANCE SHEET

June 30, 2016
(in thousands)

Assets

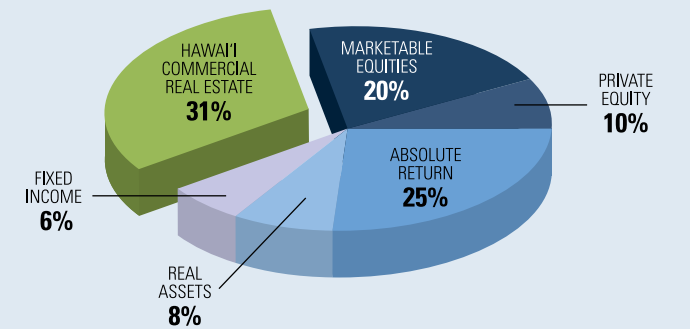
Current assets		
Cash and cash equivalents	\$ 124,293	
Receivables, net	6,225	
Other	2,680	
Total current assets		133,198
Trust investments		
Financial investments	7,227,884	
Amounts receivable for securities sold	107,221	
Interest receivables	7,022	
Real estate investments, net	248,779	7,590,906
Other 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		7,918,736
Total liabilities and net assets		<u>\$ 8,560,772</u>

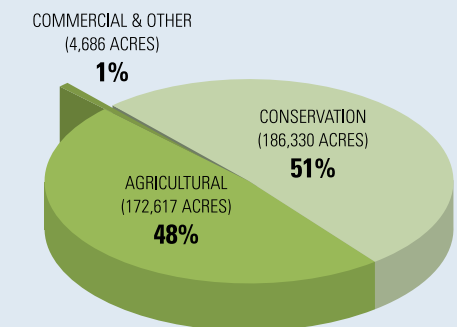
KAMEHAMEHA SCHOOLS ENDOWMENT

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®