

REPORT ON FINANCIAL ACTIVITIES

JULY 1, 2017 – JUNE 30, 2018

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, Ke Ali'i Pauahi's legacy continues to advance her desire to restore her people through education.

FORWARDING OUR MISSION

Kamehameha Schools completed the third year of its Strategic Plan (2015-2020) (SP2020) the first in a series of strategic 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 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.

For the fiscal year, Kamehameha Schools had a total educational spend of \$483 million, which is equal to a 4.5 percent spend rate for the year. The average spend rate for the last five years was 3.9 percent and 3.8 percent for the last 10 years. Educational spend consists of \$214 million on campus-based programs, \$113 million on scholarships and community-focused programs, and \$156 million on other educational costs — primarily capital, debt financing, and support services. Educational spending and students served for this fiscal year include:

- **Preschools:** \$35.3 million serving 1,607 learners at 30 preschool sites.
- **Tri-Campus:** \$178.7 million serving 5,404 learners including 696 graduates at K-12 campuses at KS Hawai'i (1,158 enrolled, 139 graduated), KS Maui (1,055 enrolled, 115 graduated) and KS Kapālama (3,191 enrolled, 442 graduated).
- **Scholarships:** \$32.5 million disbursed in serving 4,981 learners, including \$13.9 million in Pauahi Keiki Scholarships to 1,976 learners, \$5.4 million in Kipona Scholarships to 773 learners, and \$13.2 million in post-high scholarships to 2,017 learners.
- **Community Education:** \$48.0 million to 13,594 learners.
- **Community Investing:** \$31.0 million disbursed to 92 organizations through our efforts serving 35,979 learners.
- **Innovation:** \$1.7 million disbursed to 15 organizations.

Also, \$13.4 million was spent (net of agricultural rents) stewarding our agricultural and conservation lands across the state, to protect our cultural, water and natural habitat assets.

For the fiscal year, the investment returns of our Endowment achieved a return of 8.0 percent, with average annual returns over 5 years at 7.4 percent and 10 years at 6.3 percent.

Kamehameha Schools' endowment is managed primarily using long-term investment return and educational spending metrics to best align with long-term investment and spending policies, which were adopted in 2000 to ensure long-term financial stability, equilibrium, and real growth for our perpetual organization.

The Consolidated Balance Sheet shows total assets to be \$9.4 billion. It records real estate at cost rather than fair market value, and includes endowment, educational, agricultural, and conservation assets. When reviewing by fair market value, the Hawai'i real estate assets total \$3.7

billion and the full Endowment is valued at \$11.9 billion as of June 30, 2018.

For more, including a copy of Kamehameha Schools audited “Consolidated Financial Statements and Supplemental Schedules” for fiscal year 2018, please visit www.ksbe.edu/annualreports. For more about Kamehameha's vision and strategic plan go to www.ksbe.edu/sp2020.

CONSOLIDATED BALANCE SHEET

June 30, 2018 (in thousands)

Assets

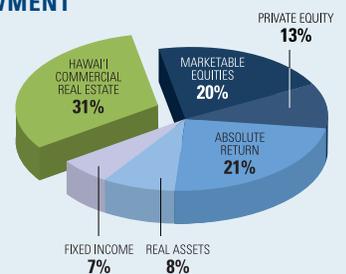
Current assets			
Cash and cash equivalents		\$ 147,678	
Short-term investments		30,326	
Receivables, net		24,846	
Other		3,475	
Total current assets	.....		206,325
Trust investments			
Financial investments, net		8,168,540	
Interest receivables		6,545	
Real estate investments, net		254,592	8,429,677
Other investments	.....		40,231
Property and equipment, net	.....		650,177
Accrued pension assets	.....		—
Deferred charges and other	.....		130,182
Total assets	.....	\$ 9,456,592	

Liabilities and Net Assets

Current liabilities			
Accounts payable and accrued expenses		\$ 51,525	
Settlement liability		85,000	
Current portion of notes payable		14,786	
Deferred income and other		20,824	
Total current liabilities	.....		172,135
Notes payable	.....		230,119
Accrued postretirement benefits	.....		62,303
Accrued pension liability	.....		3,083
Deferred income and other	.....		177,360
Total liabilities	.....		645,000
Commitments and contingencies			
Net assets – unrestricted	.....		8,811,592
Total liabilities and net assets	.....	\$ 9,456,592	

KAMEHAMEHA SCHOOLS ENDOWMENT

Kamehameha Schools' mission is primarily supported by its endowment. The endowment was valued at \$11.9 billion as of June 30, 2018. A globally diversified financial assets portfolio of \$8.2 billion, and Hawai'i commercial real estate representing \$3.7 billion at fair market value comprise the endowment's value.



KAMEHAMEHA SCHOOLS LANDS

Commercially zoned lands make up 1 percent of total acreage (363,550) belonging to Kamehameha Schools. Agricultural and conservation lands comprise 99 percent and are primarily considered stewardship assets, not included in the endowment fund.

