



KAMEHAMEHA SCHOOLS

A Report to the Community

July 1, 2004 – June 30, 2005



A Dream Fulfilled



Princess Bernice Pauahi Bishop was the great-granddaughter and last direct descendant of Kamehameha I. During her lifetime, she witnessed a rapid decline of the Hawaiian population. As part of her last will and testament, Pauahi placed more than 375,000 acres of inherited Kamehameha lands in a perpetual endowment in hopes of fulfilling her dream: to improve the capability and well-being of Hawaiians through education.

In 1887, three years after her death, Pauahi's dream became a reality with the opening of the Kamehameha School for Boys. From a single Kalihi campus educating 37 boys, Kamehameha has extended its reach throughout the state to 31 preschool sites, K-12 campuses on Hawai'i, Maui and O'ahu; and a broad range of community outreach programs.

In addition to strengthening its own programs, Kamehameha has cultivated partnerships with other organizations to serve communities that are home to a high percentage of Hawaiian families. These community collaborations are in line with Kamehameha's new Education Strategic Plan which focuses on early childhood education from prenatal to eight years old. The goal of the plan is to increase the capability and well-being of Hawaiians by creating sustainable, inter-generational change in families through targeted community efforts.

With continued support from the Kamehameha Schools 'ohana and partners in the community, Pauahi's legacy will live on in perpetuity.

A Report to the Community

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Dedication



Princess Pauahi's vision was to help Hawaiians become good and industrious men and women through education. Many of Pauahi's children have chosen to honor her wish by serving our nation through the armed forces. This report is dedicated to our Kamehameha alumni who have devoted their lives to defending the freedom of people the world over. They are shining examples of the courage and conviction of Kamehameha Schools graduates. Above, Kamehameha alumni soldiers serving in Iraq show their support for their alma mater. They are: United States Army Col. (Ret.) Kimo Bacon, Col. Bruce Oliveira, 1st Lt. Alan Kahanu, 1st Lt. Jeff Hickman, Capt. Dion Kaimihana (Costa), and Sgt. 1st Class Reginald Puana.



A Message from Our CEO Leadership Team

Each day we work, we are reminded of the precious gift that we carry and those that it should serve. Our princess' directions were clear:

“I desire my trustees to provide first and chiefly a good education in the common English branches, and also instruction in morals and in such useful knowledge as may tend to make good and industrious men and women...”

“And to devote a portion of each years income to the support and education of orphans, and others in indigent circumstances, giving the preference to Hawaiians of pure or part aboriginal blood...”

In the fiscal year 2005, Kamehameha Schools made extraordinary progress toward fulfilling our princess' wishes – to reach to more Hawaiians through education. Through the steadfast support of our Kamehameha 'ohana and the community, and the strength of our financial resources, we extended our educational reach through a broad spectrum of educational programs. Those programs focused on prenatal care, early childhood education, K-12 education, community outreach education, and financial aid and scholarships.

We are excited to share news of our accomplishments in this report. Following are some of the events that helped shape a very successful year:

Extending Our Educational Reach

Kamehameha Schools extended educational opportunities to more Hawaiian learners than ever through its campus-based, community outreach, and scholarship and financial aid programs:

Early childhood education

More than 1,800 *keiki* were served through our preschool, Pauahi Keiki Scholars, Ho'omohala Kaiāulu and Hi'ilani Early Childhood Family Education programs.

K-12 campuses

More than 5,100 students were enrolled at our Hawai'i, Kapālama and Maui campuses. The campuses also extended Pauahi's educational reach to approximately 2,100 non-Kamehameha students through their summer school programs.

Community outreach programs

More than 13,100 learners were served by our Extension Education Division's nine departments – many through community collaborations.* Kamehameha Schools also served approximately 2,000 charter school students in grades K-12 through our Ho'olako Like department.

* Some *keiki* and their families may have received multiple services.

Post-high scholarships

More than 2,600 post high school students received over \$14 million in Kamehameha Schools scholarships.

Strengthening the Endowment

Extending our educational reach is made possible by a strong and secure endowment. During fiscal year 2005, the market value of our endowment grew by more than \$600 million to \$6.8 billion. The endowment was also strengthened with the repeal of Chapter 38, the city ordinance allowing condemnation of multi-family leasehold lands. Investment in the redevelopment of the Royal Hawaiian Shopping Center and commercial property in Kaka'ako also helped ensure that our endowment stays strong for many years to come

Fine-tuning Our Educational Focus

In June, 2005, our trustees approved a new Education Strategic Plan which directs more of Pauahi's legacy to children in predominantly Hawaiian communities. The plan emphasizes providing *keiki*, from prenatal to eight years old, and their *'ohana* with early childhood education and support. Once that early foundation is established, the plan calls for support of our *'ōpio* (youth) through tutoring, mentoring, and post-high scholarships. All of this will be accomplished through our campus-based and community outreach programs. Our efforts to extend our educational reach during fiscal year 2005 reflect the education strategic priorities in the plan.

Revitalizing Hawaiian Culture

In an effort to strengthen the Hawaiian identity of our institution, we established Ho'okahua, the Hawaiian Cultural Development Office. The office is charged with fostering *nohona Hawai'i* (Hawaiian way of life) throughout our organization. At the heart of *nohona Hawai'i* is a focus on people living, interacting and experiencing the world around them in Hawaiian ways. Ho'okahua began to nurture these qualities in our faculty and staff by leading cultural education sessions.

Protecting Pauahi's Legacy

Fiscal year 2005 was not without its challenges. With the strong *kōkua* of our Kamehameha *'ohana*, we continued to fight to preserve our Hawaiian admissions preference policy in the *Doe v. Kamehameha Schools* lawsuit. In August 2005, judges on the U.S. Ninth Circuit Court of Appeals decided in favor of Doe and ruled against our policy. We immediately filed a petition for a rehearing *en banc*, that is, for a review of our case before a larger panel of judges from the Ninth Circuit Court. In February 2006, that request was granted. As this report went to press, we were awaiting word of the date for the rehearing.

As we faced our challenges, we knew we did not stand alone. So many people lent us their hands and hearts, further affirming that not only are our schools well-respected for what they have done, but as important, for what they can do! And the other truth...that in order to fulfill our princess' wishes, and those of our other *ali'i*,

we must be unified in all that we do. Our *ali'i* set that stage by focusing on different elements of well-being: health, social services, *kūpuna* (elder) care and education. Now WE are charged with integrating those efforts.

Our heartfelt gratitude goes to our staff, students, parents, alumni and community who work tirelessly to make the dreams of our many *haumāna* (students) come true. May *Ke Akua* continue to guide us as we carry this mission forward.



I mua Kamehameha!

A handwritten signature in black ink that reads "Dee Jay Mailer".

Dee Jay Mailer

On behalf of the
CEO Leadership Team

CEO Leadership Team

Kirk O. Belsby
Vice President for Endowment

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Fulfilling Our Educational Mission

EARLY CHILDHOOD EDUCATION



Since its inception more than 25 years ago, the Kamehameha Schools Early Childhood Education (ECE) program has provided more than 15,000 *keiki* with a quality preschool education. During the 2004-2005 school year, Kamehameha extended its educational reach to over 1,350 *keiki* at 31 preschools on Hawai‘i, Kaua‘i, Maui, Moloka‘i and O‘ahu. Kamehameha is currently the state’s largest private preschool provider. Approximately 14 percent of all Hawaiian preschoolers in Hawai‘i are directly served by Kamehameha’s preschool and scholarship programs, more than any preschool provider in the state.

In addition to serving *keiki* through its preschool programs, Kamehameha Schools helped improve the quality of early education statewide by sharing its resources and expertise with community organizations through collaborations and professional development opportunities.

Fiscal Year 2005 Highlights

Family education

In its first year of operation in Waimānalo, the Kamehameha Schools Hi‘ilani Early Childhood Family Education program served nearly 50 area families. The program serves Hawaiian *keiki* from prenatal to three years old and is a collaboration with the Waimānalo Health Center, Waimānalo Hawaiian Homestead Association and Queen Lili‘uokalani Children’s Center. Hi‘ilani provided families with education and guidance on child health, development and enhancing parent-child interaction. Family-focused events included a prenatal resource fair and infant *lomi* (massage)

workshop. The program also collaborated with the John A. Burns School of Medicine Department of Pediatrics to co-sponsor an Early Steps to School Readiness Conference. Approximately 150 professionals from throughout the state attended the conference, which focused on child development screening and surveillance. Plans include expansion of this new program to communities in West O‘ahu, East Kaua‘i, East Hawai‘i and Moloka‘i.

Cultivating communities

In order to channel more of its resources to serve young learners, Kamehameha Schools launched Ho‘omohala Kaiāulu (to help communities blossom) which focuses on optimizing the development of Hawaiian children from prenatal to eight years old. Kamehameha formed several successful community partnerships through Ho‘omohala Kaiāulu, offering educational opportunities and support to *keiki* and their families. They included:

- A collaboration with Tūtū and Me to provide traveling preschool services to families in Pāhoa, Kea‘au, Kualapu‘u and Kaunakakai
- A collaboration with the Institute for Native Pacific Education and Culture to offer a summer kindergarten transition program for *keiki* in Waimānalo, Ko‘olau Loa, East Hawai‘i, Kaua‘i and Moloka‘i
- A collaboration with KHON-TV to sponsor its First Five Hawai‘i campaign, aimed at raising public awareness of the importance of early childhood education



Accreditation assistance

Kamehameha Schools teamed up with the Hawai'i Association for the Education of Young Children (HAEYC) to guide 23 new non-Kamehameha preschools through the national accreditation process.

Kamehameha Schools provided funding for mentor training and accreditation resources for HAEYC's accreditation project. More than 6,500 *keiki* at 77 preschools now benefit from this partnership.

Accreditation from the National Association for the Education of Young Children assures that a preschool meets well-regarded national educational standards.

Scholarship support

The Pauahi Keiki Scholars program helped increase preschool attendance among *keiki* statewide.

Kamehameha awarded approximately \$1.6 million in need-based preschool scholarships to 325 three- and four-year-olds during the 2004-2005 school year. The annual scholarships were provided to *keiki* attending accredited preschools approved by Kamehameha Schools. In an effort to boost the number of children who would qualify for the scholarships, Kamehameha partnered with the Hawai'i Association for the Education of Young Children to help preschools earn their national accreditation.

Arts education

In a continuing effort to integrate Hawaiian culture, values, and lifestyle themes into its curriculum, Kamehameha's ECE Division participated in an arts education program featuring lessons by local performing artists. Funding came from Kamehameha's 'Ike Hawai'i Arts Consortium. Maui-based *kumu hula*

Pono Murray helped Hawaiian culture come alive for *keiki* through interactive I Ka Wā Kahiko (Once Upon a Time) sessions. Storytelling expert Mauiola Cook taught teachers how to bring Hawaiian literature to life through the use of song, dance, props, and costumes. And performers from 'Ōhi'a Productions imparted to children the importance of protecting Hawai'i's natural environment with an emphasis on the Hawaiian concepts of *mālama* (to care for) and *kuleana* (responsibility).

Teacher training

The ECE Division helped enhance overall early childhood education in Hawai'i by opening its teacher training sessions to more than 130 educators including faculty and staff of private preschools, the Hawai'i State Department of Education, and the University of Hawai'i. The sessions featured presentations by nationally renowned educators on topics including: teaching children of generational poverty, teaching preschool boys, and the moral development and understanding of child behavior. The sharing of resources opened doors to future educational collaborations.

KAPĀLAMA CAMPUS



Located at Kapālama on the island of O‘ahu, the 600-acre Kamehameha Schools Kapālama Campus is the oldest and largest of the schools’ three K-12 campuses. During the 2004-2005 school year, it enrolled 3,194 students and employed more than 600 teachers, administrators, and support staff. The campus served an additional 2,500 students through its summer school program – nearly 1,100 of those students were non-Kamehameha *haumāna* (students).

Since its inception in 1887, this campus has graduated more than 20,600 young men and women. Of the schools’ nearly 450 graduates in 2005, 100 percent were accepted to two- and four-year colleges nationwide.

The Kapālama Campus maintained the excellence of its K-12 programs in fiscal year 2005, and extended its educational reach even further by hosting Hawaiian-focused cultural and educational events for the community.



Fiscal Year 2005 Highlights

Curriculum mapping

The Kapālama Campus elementary school has charted a course toward educational excellence by implementing curriculum mapping in its classrooms. The school successfully trained 79 percent of its faculty in this process, a critical initiative which allows teachers and administrators to see the connections and alignment between and across grade levels. The process allows for more efficient use of time by enabling teachers to decrease overlap between grade levels. It also enhances the advancement of curriculum throughout the elementary school.

High-tech education

Technology continued to play a key role in teaching and learning at the Kapālama Campus middle school. One hundred percent of the school’s interdisciplinary teaching teams had active Web sites and 75 percent of faculty maintained active Web pages. More than 50 percent of teachers began using a new online grading system that encourages communication among parents, teachers and students. Full participation was anticipated during the 2005-2006 school year. In addition, tech-savvy students integrated computer use into school projects in countless ways including presentations and movie-making. The school celebrated the talents of its top movie-makers by showcasing their works at a year-end movie festival.



Accreditation achieved

After an intensive two-year, self-study process, the Kapālama Campus high school was awarded a six-year accreditation by the Hawai'i Association of Independent Schools and the Western Association of Schools and Colleges. The six-year accreditation indicates that the school is a well-organized, well-managed institution of learning, with clear purposes and plans for improvement. The self-study process was a campuswide collaborative effort, involving the *mana'o* (thoughts) and contributions of every faculty and staff member.

A cultural connection

The Hawaiian Cultural Center Project, which is laying the groundwork for a cultural facility at the Kapālama Campus, was renamed Ka'iwakiloumoku, an epithet given to King Kamehameha I. In its continuing efforts to promote Hawaiian cultural education, practices, and traditions, Ka'iwakiloumoku hosted a series of cultural events for the community. More than 2,500 people participated in the 11 events which included panel discussions on *hula*, *kanikapila* (music-making) sessions, and some priceless talk-story time with noted Hawaiian treasures such as Nona Beamer and Eddie Kamae.



Building stronger families

Strengthening families was the focus of a day-long summit organized by the Kapālama Campus Parents and Alumni Relations (PAR) Department in January 2005. More than 300 parents and children took part in the third annual Kamehameha Schools Family Summit, which featured workshops and interactive activities. Hōkū Award-winning musician Brother Noland shared his *mana'o* on strengthening families during his keynote address. The summit was part of the campus' ongoing efforts to build stronger families. Those efforts include partnering with public and private schools to offer parent workshops on topics such as understanding adolescents and building resilient families.

HAWAI'I CAMPUS



The 312-acre Kamehameha Schools Hawai'i Campus is located in the lush, forested region of Kea'au, with views of majestic Mauna Loa and Mauna Kea. During the 2004-2005 school year, it enrolled 967 students in grades K-11 and employed more than 190 teachers, administrators, and support staff. The Hawai'i Campus was founded in 1996 and will celebrate its first graduating class in the year 2006.

Hawai'i Campus *keiki* flourished in the areas of character, cultural, and career education. The campus also educated Hawaiian children not enrolled at Kamehameha Schools through successful summer outreach and community partnership programs.

Fiscal Year 2005 Highlights

Character education

Honesty, respect, responsibility, empathy, and civic duty – character traits essential to the healthy development of children – are being woven into lessons throughout the curriculum by the Hawai'i Campus elementary school. The school has implemented the Tribes program, which

helps build character in *keiki* by encouraging community building, cooperation, and the sharing and conservation of resources in the classroom. The goal of the program is to equip children with the skills necessary to be successful in an ever-changing world. The program is part of Kamehameha's systemwide effort to cultivate character education in the classroom.

A journey of discovery

The perpetuation of *'ike Hawai'i* (Hawaiian knowledge and understanding) is an emphasis throughout the Kamehameha Schools system. The Hawai'i Campus middle school broadened *'ike Hawai'i* opportunities for students through service learning projects. The projects included a visit to the culturally significant Kahuwai Village located on Kamehameha Schools land in Puna. The Native Hawaiian village remains virtually undisturbed since it was last inhabited during the early 1900s. During their day-long journey of discovery, the students learned the skills and traditions that shaped the lives of ancient Hawaiians, and experienced firsthand how to *laulima* (work together) to *mālama* (care for) the land.

Career exploration

The Hawai'i Campus Career Academy Program took flight, giving juniors and seniors the chance to make initial career choices, become more career-focused, and discover the real-world relevance of their academic studies. The program combines liberal arts and technical preparatory studies to provide students with skills development and career orientation in the following fields: arts and communication, business and leadership, engineering and design, science and natural resources, and social and government services. Prior to graduation, students have the opportunity to garner hands-on experience in their chosen fields through job internships at area businesses and community organizations.





MAUI CAMPUS

Summer outreach

In its ongoing efforts to extend its educational reach into the community, the Hawai'i Campus opened its doors to all Hawai'i island students as part of its summer school program. During its third year of operation, the program served over 1,100 students in grades K-8. More than 550 of those served were non-Kamehameha students. The program offered a broad spectrum of academic courses and special summer camps in robotics, sports, and band. The summer school program was staffed by teachers from the Kamehameha Schools faculty as well as the Hawai'i community.

Pāhoā Community Tutoring Center

The Hawai'i Campus formed an educational partnership with the Hawai'i State Department of Education and the Queen Lili'uokalani Children's Center to offer after-school tutoring support to East Hawai'i students. Plans were laid for the creation of the Pāhoā Community Tutoring Center, scheduled to open in early 2006. The purpose of the pilot program is to improve student achievement through assistance in reading, mathematics and study skills. The center will serve students in grades K-12 and will operate out of Keonepoko Elementary School Cafeteria.

The 180-acre Kamehameha Schools Maui Campus is situated on the gentle slopes of Maui's spectacular dormant volcano, Haleakalā. During the 2004-2005 school year it enrolled 966 students in grades K-11 and employed more than 190 teachers, administrators, and support staff. Founded in 1996, the Maui Campus will celebrate its first graduating class in the year 2006.

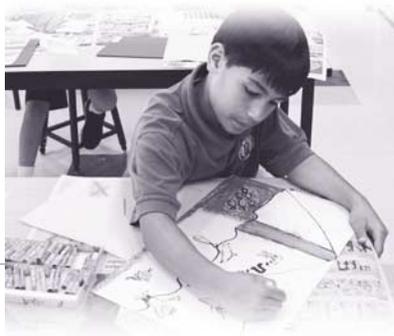


Maui Campus students sharpened their academic and athletic skills as part of the campus' popular after-school programs. The year culminated with the completion of high school construction and the cultivation of a community partnership to serve at-risk Hawaiian children.

Fiscal Year 2005 Highlights

After-school program

Studies suggest that students participating in after-school programs show improved achievement in math, reading, and other academic subjects. The Maui Campus elementary school launched its first after-school program to give its students an academic edge, and to provide a safe, nurturing environment for campus *keiki*. The program provides students with support in the areas of academics, arts, and other enrichment activities. By the end of the 2004-2005 school year, nearly one-third of elementary school children were enrolled in the extended-day program.



Co-curricular activities

The Maui Campus middle school has its own separate faculty once again, thanks to the addition of new high school buildings. Prior to the addition, middle school faculty and facilities were shared among middle school as well as high school students. The change strengthened the teaching teams throughout the middle school and allowed for growth in areas such as co-curricular programs. These optional after-school programs encourage socialization, promote sportsmanship and help students refine their existing academic skills. Subjects include performing arts, sports and yearbook. By the end of the school year, more than 75 percent of Maui middle schoolers were enrolled in co-curricular activities.

Campus construction

The Maui Campus high school celebrated the completion of six major construction projects. Students are flourishing in the new facilities which include: two career academy buildings, an administration building, a gymnasium and a 2,200-seat stadium complex. Plans are underway for a community gathering place to be housed on the high school campus. The multi-purpose facility will include spaces for performing arts and chapel services and will accommodate about 600 people.

Summer outreach

In its ongoing effort to extend its educational reach into the community, Kamehameha Schools Maui opened its campus to all Maui students as part of its Summer of Opportunities summer school program. During its third year of operation, the program served more than 600

students in grades K-8. More than 450 of those served were non-Kamehameha students. The program offered a broad spectrum of courses including math, language arts, science, technology, sports, Hawaiian culture and the arts. Summer of Opportunities was staffed by teachers from the Kamehameha Schools faculty as well as the Maui community.

An educational partnership

The Maui Campus developed and piloted an innovative partnership with the Hawai'i State Department of Education (DOE) to serve at-risk children from predominantly Hawaiian communities. Twenty middle school students, identified by public schools as being at risk for school failure, attended the four-week summer program entitled Ka Lei O Ka Lanakila (the banner of victory). The partnership focused on building Hawaiian cultural skills and knowledge in the students while developing the professional teaching skills of DOE instructors. Kamehameha and DOE teachers teamed up to develop culturally relevant curriculum and teaching strategies to help the students succeed in school. The DOE teachers have incorporated the curriculum and strategies into their classrooms and are sharing them with other instructors as well. The program received high marks from participants as well as parents, and will continue in the summer of 2006.

COMMUNITY OUTREACH EDUCATION



Kamehameha Schools reaches beyond its campus-based programs to provide quality educational opportunities for Hawaiian learners. Collaborations with Native Hawaiian organizations, the Hawai'i State Department of Education, post-high institutions, businesses and community organizations enable Kamehameha to deliver more services to Hawaiians.

Great strides were made in community outreach education especially in the support of Hawaiian-focused charter schools. Other outreach programs enabled Kamehameha to serve Hawaiian learners of all ages on O'ahu, Kaua'i, Maui, Hawai'i and Moloka'i.

Fiscal Year 2005 Highlights

Community collaborations

Kamehameha Schools' nine Extension Education Division departments served more than 13,100 learners.* The key to EED's success was the division's successful collaboration with community organizations to deliver more services to Hawaiians. They included:

- The formation of a community consortium to offer online career planning opportunities to Hawaiian communities
- A partnership with the Wai'ākea Settlement YMCA to provide homework tutors for after-school programs at Kapi'olani and Keaukaha elementary schools in Hilo
- Collaborations with the Hawai'i State Department of Education to provide literacy teaching for grades K-3, Hawaiian cultural presentations for grades 4 and 7, and supplemental learning materials for all students
- Partnerships with the Foster Parent Association, Child and Family Services, Hawai'i Juvenile Justice Project, Pacific Resources for Education and Learning, and Hawai'i Coalition for Dads on projects including the development of culturally appropriate professional development training for agency staff and the creation of curricula to support substance abuse and violence prevention
- Collaborations with Kamehameha alumni, Hawaiian civic clubs and other community groups to offer workshops on Hawaiian culture, career education, and Hawaiian issues for learners on the mainland

* Some keiki and their families may have received multiple services.



EDUCATIONAL SUPPORT

Charter school support

Kamehameha Schools views charter schools as a promising educational alternative for Hawaiian students and demonstrates its support through its Ho‘olako Like department. Ho‘olako Like (to enrich together) provides financial support to charter schools that emphasize Hawaiian values, culture and language. Twelve charter schools on O‘ahu, Kaua‘i, and Hawai‘i received more than \$1.5 million in funding through the program during fiscal year 2005. The schools operate in predominantly Hawaiian communities and serve approximately 1,100 students, 90 percent of whom are of Hawaiian ancestry. In addition to funding, the program also provided assistance with curriculum, program evaluation, professional staff development, accreditation, and consultation on other funding opportunities.

Kamehameha also supports charter schools serving Hawaiian communities by contributing to the Ho‘okāko‘o Corporation, an independent, nonprofit organization that operates public schools that have converted to charter schools. The corporation received more than \$1.65 million in funding during fiscal year 2005 to cover the cost of administrative support and to assist two charter schools: Waimea Middle School on the island of Hawai‘i and Kualapu‘u Elementary School on Moloka‘i. The schools serve a combined 850 students, 60 percent of whom are of Hawaiian ancestry.

In addition to its campus-based and outreach programs, Kamehameha Schools provides services that help make education and learning materials more accessible to Native Hawaiians.

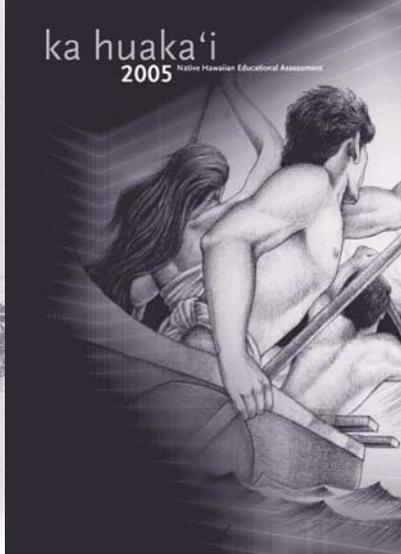
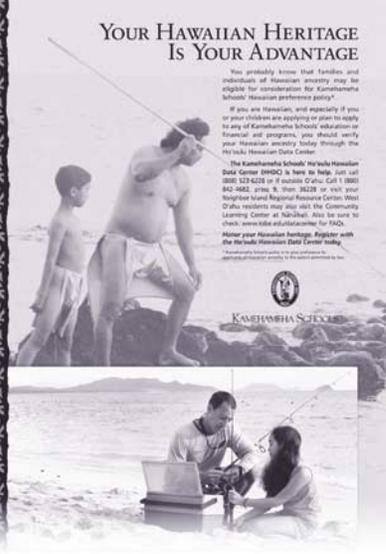
The educational barriers of affordability and Hawaiian ancestry verification were lifted for thousands of Hawaiian families during the 2005 fiscal year. Countless other learners are benefiting from historical, cultural and research materials published and distributed by the schools.

Fiscal Year 2005 Highlights

Financial aid & scholarship opportunities

Fulfilling Kamehameha’s educational mission includes lending support to families with financial need. During the 2005 fiscal year, Kamehameha Schools awarded more than \$23 million in financial aid and scholarships to nearly 9,000 recipients. The awards included:

- More than \$531,000 in financial aid to approximately 600 Kamehameha preschoolers
- More than \$5.6 million in financial aid to approximately 2,500 Kamehameha Schools students in grades K-12
- More than \$866,000 in summer school and enrichment program financial aid to approximately 2,900 Kamehameha and non-Kamehameha students
- More than \$1.6 million in pre-K scholarships to 325 non-Kamehameha preschoolers, and
- More than \$14.8 million in post-high scholarships to 2,660 Kamehameha and non-Kamehameha Schools graduates



Hawaiian ancestry verification

Kamehameha Schools gives preference to program applicants of Hawaiian ancestry to the extent permitted by law. To facilitate the ancestry verification process for families, Kamehameha developed the Ho'oulu Hawaiian Data Center in 2003. The center verifies the Hawaiian ancestry of program applicants who wish to be considered under the schools' preference policy. During the 2005 fiscal year, the center received a total of 19,200 ancestry verification applications. Since its inception, the center has reviewed over 42,000 applications resulting in the verification of nearly 26,000 Hawaiian learners.

Kamehameha Schools Press

Kamehameha Schools Press publishes educational and cultural materials including Hawaiian history reference books, biographies, collections of Hawaiian folklore, and Hawaiian language publications. During fiscal year 2005, Kamehameha Schools Press published 11 new titles including the first three books of its *Pauahi Readers* series aimed at children in preschool through early elementary school. Two of the press' books received awards during the fiscal year: *Ke Aupuni Mō'ī* received the Historic Preservation Publication Award from the Historic Hawai'i Foundation, and *Explorations! Ho'omāka'ika'i* (third edition) received an Excellence in Children's Hawaiian Culture Award from the Hawai'i Book Publishers Association.



Pauahi Publications

Kamehameha Schools produces and disseminates research publications, references, and teacher resources for Native Hawaiian education through Pauahi Publications. During the 2005 fiscal year, Pauahi Publications published *Ka Huaka'i: 2005 Native Hawaiian Educational Assessment*. Written and researched by Kamehameha Schools' Policy Analysis & System Evaluation (PASE) Department, the 428-page publication documents the educational, social, health, and cultural well-being of the Hawaiian population. Also published was the second volume of *Hūlili: Multidisciplinary Research on Hawaiian Well-Being*, which includes articles on research and trends in the Hawaiian community.

Strengthening the Endowment

MANAGING OUR ASSETS



Kamehameha Schools' endowment provides significant financial support for its educational programs. Extending the schools' educational reach to more Hawaiians can only happen if these assets are managed wisely. Kamehameha's Endowment Group is dedicated to ensuring the long-term stabilized financial performance of the endowment. The goal of the group is to maximize the value of Kamehameha's present assets, in support of its mission. In fiscal year 2005, the market value of the endowment increased by more than \$600 million over the previous year, to \$6.8 billion.

Five divisions comprise the Endowment Group:

- Financial Asset Division
- Commercial Asset Division – Asset Management and Operations
- Commercial Asset Division – Development and Planning
- Land Asset Division
- Residential Asset Division

Together, they work to strengthen Pauahi's endowment to help support her educational vision into perpetuity. Many factors helped boost the market value of the endowment during the 2005 fiscal year including solid and prudent investment management, property management, development, planning, and sales.

Fiscal Year 2005 Highlights

Endowment Fund investment performance

Kamehameha Schools' endowment assets are globally diversified across a broad array of investments. Pauahi's legacy of Hawaiian real estate comprises the core. Equity investments such as stocks, private equity, and venture capital provide real growth over time, while bonds protect the endowment against deflation. Absolute return investments emphasize investment manager skill, while energy and other inflation hedge investments protect against inflation shocks to the economy.

With this fiscal year's strong investment performance, the endowment has exceeded its long-term objective of the Consumer Price Index plus five percentage points since June 30, 1999, the inception of current performance measurement practices. As shown in the following table, Kamehameha's returns compared well both with market benchmarks and with other endowments. In a broad universe of endowments, Kamehameha ranked in the top quartile for the one (fiscal year 2005), three (fiscal years 2003-2005), and five years (fiscal years 2001-2005). Even in earlier years, when financial markets were challenged, Kamehameha's returns outperformed the benchmarks.

Kamehameha Schools Investment Returns				
Periods ending June 30, 2005				
	One Year	Three Years*	Five Years*	Since June 30, 1999*
Kamehameha Schools Endowment	13.2%	11.5%	7.7%	8.8%
Market Benchmark	9.6%	9.3%	5.0%	5.7%
CPI + 5%	7.5%	7.7%	7.5%	7.7%
Median Endowment**	10.8%	10.2%	4.5%	NA

* Annualized

** Source: Cambridge Associates
(performance of more than 300 endowed organizations)



Real estate highlights

Commercial Asset Division – Asset Management and Operations

In the course of the 2005 fiscal year, the Asset Management and Operations Division, which manages over 2.8 million square feet of space-lease properties and 270 ground-lease properties, took the following actions: completed the demolition of the Kona Lagoon Hotel, completed the assignment of Kona Village Resort, sold the Maui Islander hotel, and received the first installment of proceeds from the City and County of Honolulu in partial payment for the condemnation of Queen's Beach in East Honolulu. The division's activities generated \$130 million in revenue with a net income of \$90 million before depreciation.

Commercial Asset Division – Development and Planning

The Development and Planning Division made significant progress on its major revitalization and master-planning projects. Construction commenced on the \$84 million revitalization of the Royal Hawaiian Shopping Center in Waikīkī. The project's theme is *pili ʻāina*, "to create a harmonious bond with the land." Kamehameha also embarked on a Strategic Implementation Master Plan for its 51 acres of commercial property in Kakaʻako. Two catalyst projects were identified for the area and interest was solicited from local and national developers. In addition, conceptual renovation plans for Windward Mall in Kāneʻohe were drawn up. The proposed renovation will help to stimulate growth and returns for the mall's tenants and make it fresh and appealing to shoppers.

Land Asset Division

The Land Asset Division (LAD) manages 347,415 acres of mostly agriculture and conservation land on the islands of Hawai'i, Maui, Moloka'i, O'ahu and Kaua'i. During the 2005 fiscal year, gross revenues from these assets totaled approximately \$7 million. LAD's ʻĀina Ulu initiative provided place- and culture-based educational programs to more than 13,000 learners through active engagement in the care and management of the natural and cultural resources. Conservation strategies for the restoration of native species and control of invasive species on more than 100,000 acres was implemented through the division's Mālama ʻĀina environmental stewardship program. LAD also completed 12 regional asset plans identifying strategies to balance economic, educational, cultural, environmental, and community returns.

Residential Asset Division

The Residential Asset Division (RAD) manages more than 3,100 Kamehameha-owned single- and multi-family residential leasehold properties in Hawai'i, most of which are available for purchase by lessees. At the close of the 2005 fiscal year, these assets had a combined value of approximately \$335 million. The properties generated \$101.5 million in gross revenue, with a net income of \$100.8 million. RAD completed the sales of more than 800 leasehold properties, yielding \$87 million in proceeds. Lease rent revenue totaled \$10.9 million. The division also helped guide Kamehameha Schools as it joined forces with the Queen Lili'uokalani Trust, other Hawaiian organizations, and small residential landowners to successfully persuade the Honolulu City Council to repeal its multi-family condemnation ordinance, Chapter 38.

INVESTING IN EDUCATION



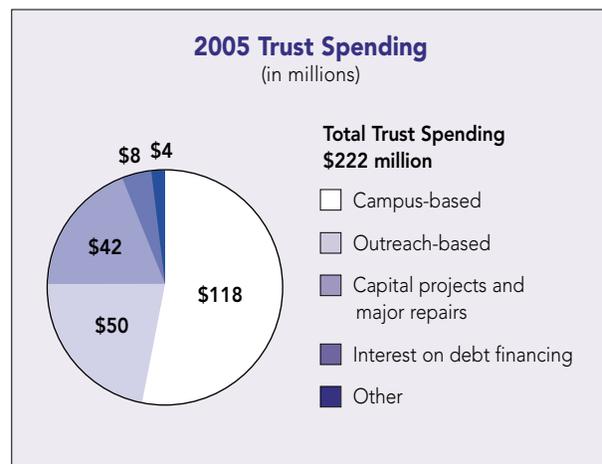
Princess Pauahi intended her endowment to be perpetual. The Kamehameha Schools trustees have the responsibility of managing the endowment to ensure that the educational programs continue to serve Hawaiians for many years to come. This includes the prudent management of trust spending.

Trust spending is calculated on a cash basis and represents spending for campus and outreach programs, capital and major repairs, allocated support costs, and debt and reserve activities. Kamehameha Schools targets an annual trust spending rate of four percent of the average market value of its endowment over the last 20 quarters to be spent annually on its educational mission. The spending policy was established to ensure that our educational programs and services can continue into perpetuity. For the year ended June 30, 2005, Kamehameha spent approximately \$222 million on educational programs.

The strength and stability of Pauahi's endowment over the past five fiscal years has enabled Kamehameha Schools to increase its investment in educational outreach programs. Over this time, base spending, before capital expenditures, increased by 55 percent or \$66 million. Approximately \$27 million of this amount was invested in community outreach programs which focus on serving more Hawaiians through preschool, extension education and financial aid and scholarship

opportunities. Approximately \$39 million of this amount was invested in campus-based programs, primarily to fund the growth of permanent Maui and Hawai'i campuses.

Prudent management of endowment assets and educational spending will help assure that Pauahi's legacy lives into perpetuity.



A detailed account of Kamehameha Schools' Endowment Fund assets, educational spending and financial results for fiscal year 2005, including an auditors' report, is available online at www.ksbe.edu or upon request by calling (808) 534-3973.



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