

REPORT ON FINANCIAL ACTIVITIES

JULY 1, 2016 – JUNE 30, 2017

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 the well-being of her people.

FORWARDING OUR MISSION

Kamehameha Schools completed the second 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.

In this second year of implementing its strategic plan, KS accelerated the pathway to SP2020 and Vision 2040 by making substantial progress under each of its five goals, including: hiring new leadership and regional teams; completing tri-campus, group tactical, community education, regional, and land plans; engaging new strategic partners; implementing a new code of conduct, student safety measures, policies, procedures and processes, and multi-year financial plans to support the new strategic work; and strengthening outcomes for our keiki in communities through work under these plans, partnerships, networks, and collective impact measures. For the future as we progress under Vision 2040, we will be able to better evaluate our educational spending both by how we deliver programs, scholarships, and investing, as we presently report, and by how we use our resources, collectively with our community partners, to optimize educational success for all of our keiki, in every community.

For this fiscal year, Kamehameha Schools had a total educational spend of \$363 million, which is equal to a 3.6 percent spend rate for this year. The average spend rate was 3.8 percent for the last 5-years and 3.7 percent for last 10-years. Educational spend consists of \$197 million on campus-based programs, \$97 million on scholarships and community-focused programs, and \$69 million on other educational costs primarily capital, debt financing, and support services. Educational spending and students served for this fiscal year include:

- **Preschools:** \$32.9 million serving 1,604 learners at 30 preschool sites.
- **Tri-Campus:** \$164.3 million serving 5,422 learners at K-12 campuses at KS Hawai'i (1,159 enrolled, 138 graduated), KS Maui (1,065 enrolled, 114 graduated), and KS Kapālama (3,198 enrolled, 447 graduated).
- **Scholarships:** \$30.1 million disbursed in serving 4,780 learners, including \$12.8 million in Pauahi Keiki Scholarships to 1,911 learners, \$3.6 million in Kipona Scholarships to 600 learners, and \$12.4 million in post-high scholarships to 2,028 learners.
- **Community Education:** \$40.8 million on programs serving 13,384 learners.
- **Community Investing:** \$25.5 million awarded to 68 organizations through our efforts serving 29,485 learners.

For this fiscal year, Kamehameha Schools also had \$16.6 million on agricultural and conservation lands spending.

For this fiscal year, the investment returns of our Endowment achieved a return of 12.1 percent, with a five-year return at 8.4 percent and 10-year return 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 \$9.1 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, total \$3.5 billion in Hawai'i real estate, the full Endowment is valued at \$11.5 billion as of June 30, 2017.

For more, including a copy of Kamehameha Schools audited “Consolidated Financial Statements and Supplemental Schedules” for fiscal year 2017, 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, 2017 (in thousands)

Assets

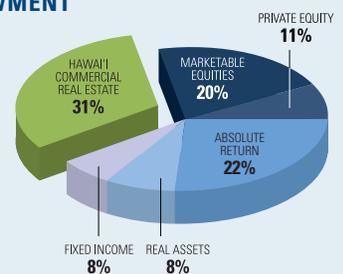
Current assets			
Cash and cash equivalents	\$	56,937	
Short-term investments		29,997	
Receivables, net		7,664	
Other		2,393	
Total current assets			96,991
Trust investments			
Financial investments, net	7,966,142		
Interest receivables	7,189		
Real estate investments, net	255,832		8,229,163
Other investments			39,471
Property and equipment, net			663,392
Deferred charges and other			120,717
Accrued pension assets			552
Total assets			\$ 9,150,286

Liabilities and Net Assets

Current liabilities			
Accounts payable and accrued expenses	\$	48,628	
Current portion of notes payable		14,786	
Deferred income and other		27,779	
Total current liabilities			91,193
Notes payable			244,905
Accrued postretirement benefits			68,420
Accrued pension liability			—
Deferred income and other			182,203
Total liabilities			586,721
Commitments and contingencies			
Net assets – unrestricted			8,563,565
Total liabilities and net assets			\$ 9,150,286

KAMEHAMEHA SCHOOLS ENDOWMENT

Kamehameha Schools' mission is primarily supported by its endowment. The endowment was valued at \$11.5 billion as of June 30, 2017. A globally diversified financial assets portfolio of \$8.0 billion, and Hawai'i commercial real estate representing \$3.5 billion at fair market value comprise the endowment's value.



KAMEHAMEHA SCHOOLS LANDS

Commercially zoned lands make up 1 percent of total acreage (363,627) belonging to Kamehameha Schools. Agricultural and conservation lands comprise 99 percent and are primarily considered sustainability assets, not included in the endowment fund. During fiscal year 2017, Kamehameha Schools spent \$16.6 million (net of agricultural rents) to steward agricultural and conservation lands and natural resources.

