Kamehameha Schools celebrates its fiscal year 2013 accomplishments as it continues to serve the Native Hawaiian community and fulfill the wishes of its founder Ke Ali‘i Bernice Pauahi Bishop.

Making A Difference

Fiscal year 2013 ended with Kamehameha Schools spending $362 million on its campus and community educational programs targeting and impacting nearly 47,500 learners’ abilities to be successful in school, in college and in their communities and building stronger values through connections to place, culture and spirituality.

Much remains to be done to maximize impact and speed progress through greater focus on key learning outcomes, community partnerships in those outcomes and the acquisition of longitudinal data to inform success.

Trusted spending grew by $23 million over the previous year, strengthened by a perpetual endowment which saw its value grow by $900 million.

Impact highlights for the fiscal year included more than two-thirds of KS preschoolers scoring well on tests for personal and social development, a strong gauge of school readiness and KS campus learners exceeding state results in post-secondary enrollment and post-secondary completion, essential to career and lifelong success.

Nearly 47,500 learners were served by Kamehameha Schools programs and services in fiscal year 2013.

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.
Building A Lasting Educational Legacy

A firm foundation is key to constructing a building that will stand the test of time. For nearly 15 years, Kamehameha Schools has strengthened its educational foundation guided by the goals of its 2010-2015 strategic plan.

That plan – developed with mana’o from Kamehameha stakeholders and the community – defines the financial, educational and cultural excellence we strive to achieve. As you will read in this annual report, we have continued to strive for excellence – strengthening our foundation, one milestone at a time.

Last fiscal year our achievements were fueled by the outstanding performance of our endowment. Kamehameha’s endowment, which includes Hawai’i real estate and global financial assets, achieved a return of 13 percent during the fiscal year, bringing its market value to over $10 billion.

This stellar performance helped us serve over 7,000 Hawaiian keiki through our preschool and campus programs and over 40,000 learners in public schools, community programs and at universities across the country.

Along with our achievements came acknowledgement that we are making a positive impact on our haumāna and the community. For the second consecutive year, KS Kapalama High School’s Character Education Program earned national recognition by the Character Education Partnership.

KS Hawai’i chemistry teacher Joel Truesdell was named one of the nation’s top science teachers by the National Science Teachers Association. KS Maui High School’s student newspaper “Ka Leo o Nā Koa,” earned top print and online awards from the Hawai’i Publishers Association.

KS-supported public charter schools – Halau Kū Māna and Kamakapono – were recognized for extraordinary academic achievement by the State Department of Education.

The Hawai’i Conservation Alliance and the Historic Hawai’i Foundation honored us with their top conservation awards, for protecting and preserving cultural landscapes and historical sites.

The National Association of Island Trustees and Office Properties named Kamehameha Schools Member Company of the Year for enriching ‘Oahu communities and also presented Kamehameha Schools a Renovation Award for the beautification of Six Eighty Ala Moana, a residential project in Kaka’ako.

The Hawai’i Chapter of the American Planning Association presented Kamehameha Schools with its Environment and Preservation Award based on the Cultural Resource Management Plan put together by the KS Natural and Cultural Resource Management Department.

Our achievements are a sign of progress, and further strengthen our foundation. They are a fitting tribute to our beloved founder Ke Ali’i Pauahi who charged us with improving the capability and well-being of her people through education.

Kamehameha Schools has made tremendous strides since the start of our current strategic plan. We not only doubled the number of learners and caregivers we serve, but also doubled our investment in community education programs to over $100 million per year.

We have also implemented plans and policies to guide the stewardship of our princess’ legacy lands, including strategic plans that promote sustainable agriculture and protect our wahi kūpuna.

Our accomplishments have laid the groundwork. Confident in its strength, we have begun building a sturdy foundation that will guide us through the year 2040.

The emerging plan envisions a vibrant future for Native Hawaiians and is being shepherded by Dr. Shawn Kana‘iaupuni, director of our Public Education Support Division. Starting in early 2013, we sat among Kamehameha stakeholders – including alumni, employees, parents, students, and community members – to share mana’o on the direction of our strategic plan.

People from all walks of life from farmers to physicians took the time to attend our statewide strategic planning forums. Together, we had conversations about our future destination as a lāhui and pathways that will take us there.

So far, it’s been all hands on deck with eager people wanting to help shape our future – our visions very closely aligned. The final plan – expected to be completed in mid-2014 – will truly be the result of a kākō effort.

We extend a heartfelt mahalo to those who shared their time and mana’o with us during this important strategic planning process. We also extend our gratitude to those past and present who helped strengthen our foundation. Together we will build a lasting educational legacy taking Native Hawaiian vibrancy to new heights.

‘O mai ko iho mō me ka ha’aha’a, Humbled yours,

Trustees
Janeen-Ann Ahulani Olds
Lance Keawe Wilhelm
Robert K.W.H. Nobriga
Corbett A.K. Kalama
Micah A. Kāne

Chief Executive Officer
Dee Jay Mailer
Kamehameha Schools Offers a Comprehensive Education Program for the Whole Child

by Dr. Rod Chamberlain, D.Ed.
KS Vice President of Campus Education

O n Dec. 19, 2012, each of our three campuses completed the year-long commemoration of 125 years of educating Native Hawaiian children—and as we look back on 2012-13, there is much to celebrate.

The Kamehameha Schools campuses on Hawai‘i, Maui, and O‘ahu had 5,392 enrolled students in grades K-12 – making us by far the largest independent school in the country; more than 1,500 students over the next largest school.

In May 2013, 694 seniors from these campuses earned their diploma well-prepared for college and beyond—to be good and industrious men and women, as our founder Ke‘Ale‘i Pauahi directed.

While we recognize these seniors’ success, with more than 95 percent of them continuing their education in the fall at local and continental campuses, our campus programs are much more than academic programs. For example:

- The Hawai‘i campus won another academic decathlon state championship, a team competition where students match their intellects with students from other schools. Students are tested in 10 categories: art, economics, essay, interview, language and literature, mathematics, music, science, social science, and speech.

- The Kapalama campus on O‘ahu was recognized for the second year in a row for its character education program—Ka Pınāwai Ola—from the Character Education Partnership, a coalition of organizations committed to fostering effective character education in schools across the United States.

- The Kapalama campus was awarded two Hiki NŌ awards for best news writing and the best anchor team by PBS Hawai‘i for its student video programming.

- The Maui campus cleaned up in the Hawai‘i Publishers Association high school journalism competition, winning both the print and online divisions (and six of the thirteen subcategories) for their student newspaper, “Ka Leo ‘o Na Koa.”

Recognition such as these in academics, character and arts are reflections of many individual and team successes in other areas such as speech and debate, student art and science.

Kamehameha Schools is also competitive athletically. In 2012-13, our three campuses won 14 varsity league championships (KSH – 6, KSM – 5, KSK – 3) and seven state championships.

These overall results are due to the strong faculty and staff at our campuses, who work together to design and implement a comprehensive education program for the whole child.

One example of this collaboration was the opening of the new middle school at Kapalama in August 2012, a wonderful new facility that successfully weaves together challenging and rigorous 21st century learning with young teen age-appropriate processes, both connected to a Hawaiian world view.

And as students see the power of adult teamwork, they quickly pick up this essential skill.

Faculty continued their growth through many professional activities to ensure that our students have the best instruction available.

KS faculty also made presentations at many local and national professional gatherings, including the Hawai‘i Schools of the Future Conference and the International Society for Technology in Education (ISTE) Conference in Texas.

The successful 1:1 laptop program in place at the Kapalama and Maui campuses was rolled out to the Hawai‘i campus at the high school level in 2012-13 – with plans to move the 1:1 technology programs to the elementary levels at Kapalama and Hawai‘i in 2013-14.

The number of National Board Certified Teachers at our campuses also continues to grow—the number now stands at 33, which is more than any other private school in the country.

The Christian education theme across the campuses in 2012-13 was “E imu i ka wai ola – Drink the life giving water” And our students have grown well academically, artistically, physically, culturally and spiritually due to the nurturing nature of the faculty and staff.

With a strong foundation of 125 years, we celebrate 2012-13 as one more step in improving the capability and well-being of people of Hawaiian ancestry. I mea Kamehameha!
Supporting the Mission of Kamehameha Schools

Kamehameha Schools’ Endowment Fund has produced an annualized return of 8.9 percent since 1999. The long-term results incorporate last year’s robust 13.4 percent return. Years of strong returns like this offset difficult periods such as the recent global financial crisis to stabilize the long-term health of the endowment. This has enabled the endowment to support educational spending, preserve purchasing power, and create a margin of safety for the future.

Since 1999, the endowment has beaten its performance benchmarks. In so doing, the capacity of the endowment to provide for both current beneficiaries and future generations has been strengthened beyond what markets generally provide. With market returns only, the endowment’s purchasing power would have been eroded, potentially hurting future spending.

Active management has added value and played a critical part, both last year and over the long term, in meeting Kamehameha’s long-term goals since 1999.

Financial assets have returned an annualized 7.8 percent since 1999 and 11.3 percent in the past year. These assets comprise a global, diversified portfolio of equities, fixed income, real assets, and absolute return strategies that make up two-thirds of the endowment. The portfolio is structured to provide long-term growth and liquidity, with a measure of inflation and deflation protection.

Hawaii’s commercial real estate has produced an annualized return of 11.9 percent since 1999 and 17.4 percent in the past year. It represents one-third of the endowment, and provides stable income, inflation protection and value creation opportunities.

Kamehameha Schools’ lands – commercial, agricultural, and conservation – represent a tangible connection to our founder, Bernice Pauahi Bishop, and to her family before her.

We manage them for the economic returns that support the educational mission, and we steward them for educational, environmental, community and cultural returns. Overall, we strive to be proactive and strategic with our lands, focusing our efforts where critical mass provides opportunities for impact.

Kamehameha’s lands – commercial, agricultural, and conservation – represent a tangible connection to our founder, Bernice Pauahi Bishop, and to her family before her.

Like those who have come before us, we too strive to manage the resources entrusted to us by Pauahi judiciously and effectively. The intent of this offering is to reap the economic value that has been created to rebalance the endowment and strengthen its ability to support our educational mission in perpetuity. That is, after all, the true work of the endowment: to sustain Pauahi’s mission forever.

Kamehameha is creating a vibrant, urban, live-work-play community in Kaka’ako.

Kamehameha Schools Trust Spending
Fiscal year 2013

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Campus-based Programs</td>
<td>$168 million</td>
</tr>
<tr>
<td>Community Education &amp; Scholarships</td>
<td>$110 million</td>
</tr>
<tr>
<td>Major Repairs, Capital, IT Projects &amp; Other</td>
<td>$84 million</td>
</tr>
<tr>
<td>TOTAL EDUCATIONAL SPENDING</td>
<td>$362 million</td>
</tr>
<tr>
<td>Debt Financing &amp; Other</td>
<td>- $47 million</td>
</tr>
<tr>
<td>TOTAL TRUST SPENDING</td>
<td>$315 million</td>
</tr>
</tbody>
</table>

Kamehameha Schools Investment Returns
Periods Ending June 30, 2013

<table>
<thead>
<tr>
<th></th>
<th>ONE YEAR</th>
<th>THREE YEARS</th>
<th>FIVE YEARS</th>
<th>TEN YEARS</th>
<th>SINCE JULY 1, 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment Fund</td>
<td>13.4%</td>
<td>12.8%</td>
<td>5.3%</td>
<td>10.1%</td>
<td>9.9%</td>
</tr>
<tr>
<td>Composite Benchmark</td>
<td>9.5%</td>
<td>10.1%</td>
<td>2.4%</td>
<td>6.4%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Long-Term Policy Objective (CPI + 5%)</td>
<td>6.8%</td>
<td>7.3%</td>
<td>6.3%</td>
<td>7.4%</td>
<td>7.0%</td>
</tr>
</tbody>
</table>
The intent of this offering is to reap Pauahi judiciously and effectively. Before us, we too strive to manage cultural experience.

A third area of focus is Helumoa in Wai’anae.

There, Kamehameha is offering sale for the buildings at the Royal Hawaiian Center, while retaining the land and the kuleana for its cultural stewardship. The sale would transition the center to a long-term ground lease, similar to the Royal Hawaiian Hotel and many other Kamehameha Schools properties. If completed, the sale and ground lease would be the culmination of decades of inspired effort.

The initial development of the Royal Hawaiian Center in 1979 was a bold step for an organization whose land and the kuleana for its cultural value were paired with engaging athletic and homework requirements that the Board of Education Middle and the Board of Education Middle Schools Athletics program.

Both programs have robust school attendance, course grades and homework requirements that are paired with engaging athletic offerings. Over 300 students from Wai’anae and Nānākuli participated in these programs.

Project-Based Learning: KS/Ka Pua supported the state Department of Education with its implementation of the New Tech initiative for a final year. Both high school principals used the support to work with noted principals’ coach Billie Donnegian. The coaching helped the principals establish the tenets of project based learning at their schools.

KS/Ka Pua also established formal collaborative relationships with MA'O Farms and Ka'ala Farms, two major ‘aina based learning providers on the Wai’anae Coast.

Wrap Around Services: KS/Ka Pua and INPEACE are a part of a consortium on the coast that is planning how improve school and community partnerships in order to ensure coordinated, quality wrap around services at every school on the coast. This collaboration allows INPEACE to organize key community informants to assist in the community schools work and to pilot a data system among a diverse group of 10 community based organizations.

Non-Monetery Collaboratives: KS/Ka Pua convenes the Wai’anae Coast College Success Council once per quarter to plan and report on college success efforts for Wai’anae Coast students. Membership includes complex area superintendent Ann Mahi, principals Nelson Shigeta (Wai’anae High School), Darin Pillaloha (Nānākuli High School), and Racelie Fairbrae (Wai’anae High School), representatives from the UH system, and others from the community.

Major efforts this year included:
- Dual Enrollment - with Leeward Community College at Wai’anae.

Students from Kamehameha’s Nānākuli I preschool. Kamehameha’s Ka Pua Initiative is targeting 25 percent more early learning opportunities for Wai’anae Coast children.
Making A Difference continued from page 1

"This has not been easy as it requires that all those who work on behalf of our mission agree on outcomes and commit to aligning programs to educational success. The silver lining is that we have KS programs re-inventing themselves and community programs and schools sitting with us to write learning goals and targets and sharing data to accomplish them," Maier said.

"With such commitments and more importantly passion to reverse adverse educational trends, we have a chance to change the face of education in our state and critically for Kamehameha Schools, for all of our beneficiaries."

A sample of those educational goals include increasing achievement in preschool for kindergarten readiness; increasing literacy rates by third grade; increasing high school graduation rates and increasing post-secondary enrollment and success.

"All in all, we have set a great foundation to launch from for our new strategic plan that will take us to 2040, beginning next year!" Maier added.

Kamehameha’s ability to reach its current beneficiaries and set aggressive educational goals for its next strategic plan are a direct result of sustained significant educational spend and a strong endorsement that has righted itself from the worldwide economic disaster of five years ago.

This fiscal year, official trust spending rate is reported at $315 million, or 3.74 percent, for the fiscal year, and when factoring in an additional $47 million in debt and reserve activity during the period, the trust’s effective spending rate, at $362 million, was 4.29 percent.

Kamehameha Schools spent $168 million on campus-based programs and $110 million on community-focused programs, including more than $25 million spent on Hawaiian state Department of Education funding and individual contributions to support Native Hawaiian students in the public school system.

As of June 30, 2013, the overall fair value of the Kamehameha Schools endowment was $101.1 billion, up from $92.2 billion the previous year.

The fiscal year also saw Kamehameha Schools conduct a series of staff and community stakeholder meetings where input was gathered in preparation for its new strategic plan for 2040.

Impact and cost studies as well as an organization-wide strengths, weaknesses, opportunities and threats (SWOT) analysis were also completed to inform the plan on the most effective paths forward.

Current work involves research in setting targets and outcomes for Strategic Vision 2040 which include 5-, 10-, 15-, and 20-year milestones to achieve the 25-year vision of generational change. The 2040 plan is expected to be completed by fall 2014.

"Each year as we analyze and reflect on the work of our organization, I am amazed and so grateful for the dedication and determination of Kamehameha Schools’ staff members who put forth their best efforts every day toward accomplishing the mission that Ke Ali‘i Pua‘ala set forth for us,” Maier said.

"There are more than 2,300 employees of Kamehameha Schools across this state – teachers, administrators, researchers, accountants, attorneys, land managers, investment professionals, carpenters, plumbers, bus drivers – from just about everyone that you can imagine who make our success in serving the Hawaiian community possible.

"These people, along with our community collaborators and partners, are the foundation for all that we as Kamehameha Schools achieve each year. I am so proud to be a part of this Kamehameha Schools ‘ohana."

Organizational points of note for the year included:

- The August 2012 selection of Ben Salazar to the position of vice president and chief financial officer.
- The September 2012 appointment of Elizabeth Hokada to the position of vice president of endowment.
- The October 2012 announcement that the first residents were moving into the newly renovated Six Eighty, located at 685 Ala Moana Boulevard. Six Eighty is Kamehameha’s first major construction project coming out of its 15-year Our Kaka‘ako master plan.
- The October 2012 selection of Robert Nobriga to the Kamehameha School Board of Trustees. Nobriga replaced Douglas Ing and began his term on Jan. 1, 2013.
- The November 2012 appointment of Kalei Ka‘ilīhaua to the position of director of community programs for Kamehameha’s Public Education Support division. Ka‘ilīhaua is now responsible for overseeing the Ka Pua Initiative, leading operations and helping to create opportunities and partnerships to support keiki and families on the Wai‘anae Coast.
- The October 2013 opening of Hālau Hō‘oku‘u Ka‘i Kea’s 47-stall parking structure located on the KS Kapalama campus just outside of Kukuihau‘i gymnasium. The facility provides much needed parking for events at Kūnukūkea stadium and at the Kā‘iwalkiōnomoku Hawai‘i Cultural Center.
- The December 2012 announcement by Kamehameha Schools’ chief executive officer Dee Jay Maier that she intended to retire in 2014. Maier, who has led Kamehameha since 2004, is timing her retirement from the school in connection with the unveiling of a new strategic plan expected in 2014.

"What an honor it has been to malama Mr. and Mrs. Bishop’s dear treasures – Pua‘ala’s people, her children, and her lands, all through the perpetuation of our culture and by being ‘good and industrious’ under Ke Aka‘a’s love and guidance," Maier said.

"My heart is perpetually warmed by our work together to help educate and nurture those under our care."

Ka Pua Initiative continued from page 5

team documented an education plan for the Kamehameha Community Learning Center at Mā‘ili (KCLC at Mā‘ili) that garnered trustee approval in December 2012.

The education plan was used to initiate the project’s entitlement work. The development phases for the KCLC at Mā‘ili are the basis for planning, entitlements and design components.

In order to achieve the objective of opening the KCLC at Mā‘ili by fiscal year 2015, the initiative team developed the following phasing strategy: begin with core programming that leverages a core competency of Kamehameha with an urgent need in the community.

Therefore, in phase 1, via a collaborative approach to program delivery and in direct response to an urgent need for preschool classrooms, the team has articulated an aggressive development plan that will result in opening the Kamehameha Community Learning Center by fiscal year 2015.

The KCLC at Mā‘ili will open with 12 new preschool classrooms and an Early Learning Ka‘ahale. Over 1,600 families will be served at this new facility.

Shared Goals

Complex area superintendent Ann Mahi led the Nānākuli-Wai‘anae Complex Area through a planning process that resulted in a set of goals that are vertically articulated elementary to high school.

These goals are called E Pule ʻoka Kākou and have been used to define the plans for the Wai‘anae College Success Council and the Community Schools work on the coast.

Kamehameha Schools is making great progress in serving the Native Hawaiian population in the public school system on the Wai‘anae Coast. There is much yet to be done, and we are committed to this work.

Supporting the Mission continued from page 4

created to rebalance the endowment and strengthen its ability to support our educational mission in perpetuity. That is, after all, the true work of the endowment: to maintain Pua‘ala’s mission forever.

Much has been accomplished this past fiscal year in building on foundations laid by those who went before us, and working with our business and community partners to lay new groundwork.

In all that we do, we are always mindful that our kuleana is to support our educational programs today while protecting Pua‘ala’s gift for generations of her keiki yet to be born.
For the fiscal year ending June 30, 2013, Kamehameha Schools expended $362 million in its campus- and community-based educational programs and services statewide, an increase of $23 million over the previous year. Kamehameha Schools’ official trust spending rate is reported at 4.29 percent for the fiscal year, and when factoring in an additional $47 million in debt for the completion of the 2010 Kapälama campus renovation project – Ke Kupu Mälamalama – and reserve activity during the period, the trust’s effective spending rate, at $362 million, was 4.29 percent based on the five-year-average value.

Kamehameha Schools spent $168 million on campus-based programs and $110 million on community-focused programs over the fiscal year. Spending highlights include more than $15 million awarded in Pauahi Keoki Scholarships to 2,341 preschool students and $2.7 million awarded to 512 students through the Kipona (Pauahi Keoki Scholarships Kindergarten Program) program.

Additionally, more than $15 million in post-high scholarships was awarded to 2,148 students attending college. A total of $17.4 million was spent on collaboration efforts with more than 50 community organizations statewide.

In addition, Kamehameha Schools provided $25.5 million in support of public school transformation in largely Hawaiian communities, including almost $6 million in per-pupil funding and support to 4,100 students in 17 Hawaiian-focused start-up and conversion public charter schools, $6.5 million for on-site literacy instruction by Kamehameha Schools’ staff in 21 DOE schools (K-3 classrooms) statewide and $7.3 million in funding for a variety of programs for students in DOE schools, including tutoring, summer enrichment programs, homework centers, place-based learning, distance learning and the Kamehameha Scholars program.

As of June 30, 2013, the overall fair value of the Kamehameha Schools endowment was $10.1 billion. The Consolidated Balance Sheet below shows total assets to be $3.5 billion at fair value.

The overall fair value of the Kamehameha Schools endowment was $10.1 billion. The Consolidated Balance Sheet below shows total assets to be $3.5 billion at fair value. In July 2013, the overall fair value of the Kamehameha Schools endowment was $3.5 billion at fair value.

In direct service to Pauahi’s mission of educating her beneficiaries, Kamehameha Schools saw the following results in educational achievement.

Prenatal to 8 Years of Age
Kamehameha Schools served 9,988 kūkui ages 0-8 and their parents and caregivers through its 30 K-3 center-based preschools, preschool scholarship, literacy instruction and various educational collaborations.

With Kamehameha Schools’ investments in early education, 60 percent of Hawaiian children have enrolled in early learning programs versus the state average of 50 percent and reading rates have improved by 7 percent in DOE classrooms supported by Kamehameha Schools’ literacy instructors.

Grades 4 Through Post-High
Kamehameha Schools served 16,399 learners through its enrichment, campus outreach, collaborator-based distance learning and student support programs such as the Explorations Series, Kamehameha Scholars, 'Ike Pono and Career Post-High & Guidance Counseling. The Kamehameha Scholars program saw 10 percent of its 137 seniors receive college acceptance letters. A total of 2,126 non-campus learners were enrolled in campus-based summer programs.

Campus Programs
Kamehameha Schools educated 5,392 learners, including graduating 694 seniors, at campus programs on Hawai‘i, on Maui and at Kapälama with 95 percent of seniors continuing their education at colleges and universities in Hawai‘i and across the nation. The goal, however, is not just to have students attend college, but to graduate.

There are nationwide concerns about the low levels of college graduation rates, and Kamehameha Schools is monitoring how many of its college-bound graduates actually graduate from college within six years. In the past fiscal year, Kamehameha Schools’ graduates averaged 59 percent in graduation from college, compared to a 56 percent national rate of students who went to college. Although there may be extenuating circumstances such as economics or family situations which can impact college graduation rates, Kamehameha Schools has set post-secondary success as an essential outcome for its beneficiaries and will continue target future efforts to improve college persistence.

For more, including a copy of Kamehameha Schools audited “Consolidated Financial Statements and Supplemental Schedules” for fiscal year 2013, please visit www.kswb.edu/annualreports.