

REPORT ON FINANCIAL ACTIVITIES

JULY 1, 2013 – JUNE 30, 2014

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 Hawaiian population. The princess knew that education would be key to

the survival of her people, so in an enduring act of aloha, she left them a precious gift upon her passing – 375,000 acres of ancestral land.

She instructed the trustees of her estate to use the land to educate her people. Today, her endowment supports an educational system that serves thousands of Hawaiian learners.

For the fiscal year ending June 30, 2014, Kamehameha Schools invested \$378 million in its campus- and community-based educational programs. The school's trust spending rate was 4.4 percent based on the five-year average value.

Kamehameha Schools spent \$165 million on campus-based programs and \$112 million on community-focused programs.

Spending highlights include \$15.6 million in Pauahi Keiki Scholarships to 2,272 preschool students and \$3.1 million in Kipona scholarships to 575 students at other K-12 private schools.

More than \$15 million in post-high scholarships was awarded to 2,325 students attending college. A total of \$20.3 million was spent on collaboration efforts with more than 50 community organizations statewide.

In addition, Kamehameha Schools provided \$27.5 million, a 9 percent increase over the previous year, in support of public schools in largely Hawaiian communities, including \$7.5 million in per-pupil funding and support to 4,100 students in 17 Hawaiian-focused start up and conversion public charter schools, \$8.4 million for on-site literacy instruction by Kamehameha Schools' staff in 20 Department of Education schools (K-3 classrooms) statewide, and \$7.1 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, 2014, the overall fair market value of the Kamehameha Schools endowment, which includes Hawai'i real estate and global financial assets, was \$11.0 billion.

The endowment achieved a return of 13 percent during the fiscal year.

The Consolidated Balance Sheet that follows shows total assets to be \$9.0 billion; it records real estate at cost rather than fair market value, and includes endowment, educational, agricultural and conservation assets.

Fiscal year 2014 was the ninth year of the 10-year Kamehameha Schools Education Strategic Plan, adopted in 2005 and based on the Kamehameha Schools Strategic Plan 2000-2015.

The number of children and families served by Kamehameha Schools campus and community programs in fiscal year 2014 was 48,417 learners, including a total of 12,317 parents and caregivers in the prenatal to grade 12 community who received training to support their children.

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

PRENATAL TO 8 YEARS OF AGE

Kamehameha Schools served 9,422 keiki ages 0-8 and their parents and caregivers through 30 KS-center-based preschools, preschool scholarships, literacy instruction and various educational collaborations.

GRADES 4 THROUGH POST-HIGH

Kamehameha Schools served 21,257 learners through its enrichment, campus outreach, collaborations, distance learning and summer school programs such as the Explorations Series, Kamehameha Scholars and Career Post-High Counseling and Guidance.

CAMPUS PROGRAMS

Kamehameha Schools educated 5,421 students, including graduating 697 seniors, at campus programs on Hawai'i, on Maui and at Kapālama. More than 95 percent of these seniors committed to attend college.

Orphan and indigent children comprised approximately 31 percent of the 2014-2015 invited students.

For more, including a copy of Kamehameha Schools audited "Consolidated Financial Statements and Supplemental Schedules" for fiscal year 2014, please visit www.ksbe.edu/annual-reports.

CONSOLIDATED BALANCE SHEET

June 30, 2014
(in thousands)

Assets

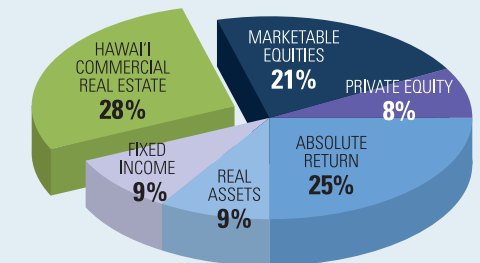
Current assets		
Cash and cash equivalents	\$ 69,187	
Receivables, net	5,284	
Other	3,549	
Total current assets		78,020
Trust investments		
Financial investments	7,774,648	
Amounts receivable for securities sold	147,725	
Interest receivables	13,333	
Real estate investments, net	204,588	8,140,294
Other investments		40,124
Property and equipment, net		705,931
Deferred charges and other		108,269
Total assets		<u>\$ 9,072,638</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 69,969	
Current portion of notes payable	10,786	
Deferred income and other	26,196	
Total current liabilities		106,951
Notes payable		233,762
Accrued pension liability		44,937
Accrued postretirement benefits		47,305
Amounts payable for securities purchased		44,981
Deferred income and other		132,380
Total liabilities		<u>610,316</u>
Commitments and contingencies		
Net assets – unrestricted		8,462,322
Total liabilities and net assets		<u>\$ 9,072,638</u>

KAMEHAMEHA SCHOOLS ENDOWMENT

Kamehameha Schools' mission is fully supported by its endowment. The endowment was valued at \$11.0 billion as of June 30, 2014. A globally diversified financial assets portfolio of \$7.9 billion, and Hawai'i commercial real estate representing \$3.1 billion at fair market value.



KAMEHAMEHA SCHOOLS' LANDS

Commercially zoned lands make up 1 percent of total acreage (363,649) 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 2014, Kamehameha Schools spent \$11 million (net of agricultural rents) to steward agricultural and conservation lands and natural resources.

