OFFICE OF HAWAIIAN AFFAIRS
STATE OF HAWAI‘I

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

Year Ended June 30, 2022

N&K CPAs, Inc.
ACCOUNTANTS | CONSULTANTS

999 BISHOP STREET, SUITE 2200 | HONOLULU, HAWAII 96813
T (808) 524-2255 F (808) 523-2090 | nkcpa.com

OFFICE OF HAWAIIAN AFFAIRS
STATE OF HAWAIʻI

TABLE OF CONTENTS

OFFICE OF HAWAIIAN AFFAIRS
STATE OF HAWAI‘I

TABLE OF CONTENTS

To the Board of Trustees of the Office of Hawaiian Affairs

It is my pleasure to present to you, the Financial Statements and Report of Independent Certified Public Accountants of the Office of Hawaiian Affairs (OHA) for the fiscal year ended June 30, 2022. This report has been prepared by *ka Paia Kanaloa Wai*, Resource Management Division. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with OHA. I believe the information, as presented, is fairly stated in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of OHA as measured by the financial activity of its various funds; and that all the information necessary to enable the reader to gain the maximum understanding of OHA's financial affairs has been included.

The report includes the independent auditors' report, management's discussion and analysis, basic financial statements and notes to the financial statements.

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

THE REPORTING ENTITY

Upon statehood in 1959, Section 5(f) of the Admission Act directed the State to hold lands in trust for five purposes, one of which was "the betterment of the conditions of Native Hawaiians," as defined in the Hawaiian Homes Commission Act of 1920. In 1978, a Constitutional Convention reviewed and revised the responsibilities of Hawaiʻi's government. Among the provisions incorporated into the new state constitution was the establishment of the OHA as a public trust with mandates to better the conditions of Native Hawaiians and the Native Hawaiian community in general. Established by the 1979 Hawaiʻi State Legislature, under the provisions of Chapter 10 of the Hawaiʻi Revised Statutes (Act 196), OHA was further defined as a semi-autonomous self-governing body to address the needs of the aboriginal class of people of Hawaiʻi. In 1980, the Hawaiʻi State Legislature approved Act 273, which, in addition to Act 196, initiated the appropriate process to organize and fund the entity.

OHA's aspirational vision is *Hoʻoulu Lāhui Aloha*--to raise a beloved *Lāhui*.
OHA's mission is to *mālama* (protect) Hawaiʻi's people and environmental resources and OHA's assets, toward ensuring the perpetuation of the culture, the enhancement of lifestyle and the protection of entitlements of Native Hawaiians, while enabling the building of a strong and healthy Hawaiian people and Lāhui, recognized nationally and internationally.

According to Hawaiʻi Revised Statutes Chapter 10, OHA is the principal public agency in the State of Hawaiʻi responsible for: the betterment of conditions of Native Hawaiians; the performance, development and coordination of programs and activities relating to Native Hawaiians; assessing the policies and practices of other agencies impacting Native Hawaiians; conducting advocacy efforts for Native Hawaiians; and serving as a receptacle for reparations.

OHA carries out its mission through the strategic allocation of its resources. Consistent with best practices among foundations and endowments, and with the purpose of ensuring the continued viability of its Native Hawaiian Trust Fund (NHTF), OHA's Board of Trustees adopted its first Spending Policy in 2003 and last amended it in 2021. The Spending Policy limits OHA's annual spending up to 5% of the rolling 20 quarter average of the NHTF to ensure sufficient resources are available each year and in perpetuity by not diminishing the corpus.

GASB Statement No. 14, *The Financial Reporting Entity*, establishes standards for defining and reporting on the financial reporting entity. The financial reporting entity consists of OHA as the primary government, as well as other organizations for which the primary government is financially responsible as component units.

PUBLIC LAND TRUST

Since 2006, the interim annual share of the income and proceeds from the public land trust was set by the Hawaiʻi State Legislature at $15,100,000. In June 2022, Governor Ige signed into law Act 226 which enacted the following three key elements from SB2021 SD1 HD2 CD1: 1) Established $21,500,000 as the OHA's interim annual share of the income and proceeds of the public land trust beginning in fiscal year 2022-2023; 2) Appropriated $64,000,000; and 3) Established a working group to determine the pro rata share of income and proceeds from the public land trust annually to the OHA.

LIMITED LIABILITY COMPANIES

OHA is the sole member of two limited liability companies (LLC), Hi`ilei Aloha LLC ( Hi`ilei) and Ho`okele Pono LLC (Ho`okele Pono). Hi`ilei is the sole member of two limited liability companies, Hi`ipaka LLC (Hi`ipaka) and Hi`ikualono LLC (Hi`ikualono). Ho`okele Pono is the sole member of a single limited liability company, Ho`okipaipai LLC (Ho`okipaipai). Based on its relationship with OHA, the LLCs are considered to be a component unit of OHA for financial reporting purposes.

In May 2019, the Board of Trustees (BOT) approved the: 1) Amendment of the Operating Agreement of Hi`ilei to permit persons who are not OHA executives to serve as managers (Managers) of Hi`ilei, and to ratify and approve the decision of the OHA executives who presently serve as Managers of Hi`ipaka to amend the Operating Agreement of Hi`ipaka permitting persons who are not OHA executives to serve as managers of Hi`ipaka; 2) Dissolution of Hi`ikualono; and 3) Dissolution of Ho`okele Pono, following the completion of the Department of Defense Procurement Technical Assistance Center (PTAC) grant to Ho`okipaipai, including the dissolution of Ho`okipaipai prior to the dissolution of Ho`okele Pono. OHA Administration's attention then turned to focused implementation activities with the LLCs.

OHA Administration tracked the completion of the dissolution, operational winddown, funding and reporting, and non-OHA executives Managers' recruitment and seating activities. Such activities were interrupted by COVID-19 and its global, national, community and business operational impacts, primarily to Hiʻipaka. LLCs operate on a calendar year basis, and during the calendar years of 2020 and 2021, OHA executives as LLC Managers, focused on three primary strands of intertwined work: 1) Winddown operations for all LLCs with the exception of Hiʻilei and Hiʻipaka; 2) Hiʻipaka operating responses to COVID-19 (e.g., operating losses, layoffs, cash reserve management, Paycheck Protection Program loan); and 3) Recruitment, selection and seating of non-OHA executives LLC Managers, for Hiʻilei.

Winddown activities included, but was not limited to: interactions with the State of Hawaii Attorney General's office for dissolution activities; review of monthly financial statements and related operational winddown funding; audits and filing of Form 990s; physical office closure, related business lease terminations and transfer of records and work sites; business records transition and retention; transfer of artifacts; filing of final PTAC reports; continuing other grantor reporting requirements; securing of location for on-going operations and continuity of business records; creditor settlements; employee/employment separation; and other related business transitions.

The last task to complete from the May 2019 Board action, was to recruit, select and seat new non-OHA executives as Managers ("Community LLC Managers"). Three new Community LLC Managers, with staggered terms of service—one, two and three years--were approved by the Board in February 2021, and began operating effective April 1, 2021. As a result of common governance structure and financial obligations, regardless of the LLC Managers, the financial results of Hoʻokele Pono and Hiʻilei and its member owned LLCs through December 31, 2021 have been included as business-type activities in the government-wide financial statements of OHA for the year ended June 30, 2022.

ORGANIZATIONAL STRUCTURE – FINANCIAL REPORTING

On June 30, 2021, the Board of Trustees ("BOT" or "Board") approved the OHA Biennium Budget for the Fiscal Biennium Periods 2021-2022 (FY 22) and 2022-2023 (FY 23) which reflected an organizational operating structure that was designed to enable the implementation of strategies and tactics to achieve outcomes outlined in Strategic Plan 2020-2035 and related implementation plans. Administration began with designing a business model , backwards mapping to include: vision; mission and mandate; strategic foundations; strategic outcomes; strategic directions; strategies; tactics; functions; functional classifications and roles; knowledge, aspirations, skills, attitudes and behaviors; and reorganization design principles, elements and considerations.

With a business model designed, Administration then examined the existing "AS IS" organization (e.g., positions, functions, roles, costs); mapped Chapter 10 purposes, mandates and requirements to functional roles and responsibilities; crossmapped functional roles and responsibilities to policy oriented operating framework and related responsibilities; created a functional organization chart; applied reorganization design principles, elements and considerations; created positional organization charts, including positions, reporting and management structures; and identified change elements (e.g., position impacts, compensation impacts, separation costs).

The Board further directed Administration to complete the reorganization by December 30, 2021—this meant a transition from 179 (pre-reorganization) authorized positions to 153 (post reorganization), noting the reorganization did not impact the 29 positions supporting the Board (9 Trustees plus 20 staff positions). Though the organization was still operating remotely due to COVID-19 (since March 2020), with offices closed statewide and in Washington, D.C., Administration initiated the recruitment for open positions in the reorganized structure in August 2021, simultaneously while completing the separation and reorganization activities by December 2021. Recruitment to fill vacant positions and working remotely, continued in the new year, January 2022 to April 2022 when OHA's offices reopened for business with COVID-19 protocols and practices (e.g., vaccination policy, daily check-ins, masks). Like many government departments and agencies, and businesses who were able to re-open, the inability to fill vacant positions, plagued many organizations, including the OHA. As of the March 2023 report date, OHA's vacancy rate is approximately 30% and needed work is being effected via employee overtime and contracted labor.

The information below (e.g., names of operating units) therefore refers to the organizational structure post reorganization and as of June 30, 2022.

A division, for financial reporting purposes is a combination of resources and activities designed to achieve an objective or objectives. OHA prepares biennial budgets and records expenditures separately for each of its divisions. The three division titles below correspond to the financial reporting structure, aggregated and displayed as Governmental Activities; and descriptions of a few of the aggregated programs under each of the Division titles is provided for clarity and improved understanding. The three Division Titles below also comport to general funds program identification (Prog ID) classifications.

The title and objective of each financial reporting division are listed below along with aggregated programs:

Division Title	Division Objectives
1. Board of Trustees *Board of Trustees, Board of Trustees Staff*	To work for the betterment of all Hawaiians by setting strategy and policy in response to the concerns, needs and interest of the beneficiaries, in order to ensure strategic outcomes, including the well being of Native Hawaiians; to protect their rights and entitlements in their homeland; to assist them to achieve self-determination and self-governance; and to nurture and honor their culture.

Division Title	Division Objectives
2. Support Services *Chief Executive Officer, Communications, Beneficiary Services, Chief Operating Officer, Legacy Lands, Palauea Cultural Preserve, Wao Kele o Puna, Ho`omana, Kekaha Armory, Kukaniloko, Pahua Heiau, Waialua Courthouse, Financial Investments, Commercial Properties, Research, Strategy Management, Information Technology, Operations, Chief Financial Officer, Procurement, Financial Services, Corporate Counsel, Human Resources*	To work for the betterment of all Hawaiians by providing leadership, guidance, direction, and executive oversight. OHA seeks to excel among Hawaiʻi's organizations in managing resources, as well as applying technology to streamline processes, and fully integrate all aspects of information sharing and program support, and to coordinate data gathering, planning, research, and development efforts with other Hawaiian agencies. Included in this financial reporting division are OHA commercial property and land operations.
3. Beneficiary advocacy *Grants, Halawa-Luluku Interpretive Development, Native Hawaiian Revolving Loan Fund, Advocacy, Public Policy, Community Engagement, Compliance & Enforcement, WDC Bureau, Papahanaumokuakea, Micro Loans*	To work for the betterment of all Hawaiians by improving access to resources, benefits, and services, particularly in the areas of housing, education, health, and economic development. To advance the rights and interests of Hawaiians through advocacy, public policy development, dialogue, community outreach, and litigation.

PURPOSE OF THE REPORT AND DEFINITIONS

The purpose of the financial audit was to enable the independent auditors to form opinions on the financial statements of the Office of Hawaiian Affairs as of June 30, 2022, and for the year then ended. The auditors' report represents the conclusion of the independent auditors regarding the fairness of the presentations, in conformity with accounting principles generally accepted in the United States of America, set forth in the financial statements and is used to communicate such conclusion to interested parties.

The following is a glossary of certain accounting terms associated with the financial statements.

Appropriations – Authorizations granted by the State Legislature or OHA Board of Trustees permitting the agency within established fiscal and budgetary controls to incur obligations and to make expenditures for specific purposes. An appropriation is usually limited in amount and as to the period during which it may be expended.

Lapse – As applied to appropriations, this term denotes the automatic termination of an appropriation. At the end of the appropriation period, any unexpended or unencumbered balance lapses. This terminated amount is available for appropriation by the authorizing entity in the ensuing fiscal year.

Encumbrances – Commitments related to unperformed (executory) contracts for goods or services.

Expenditures – Decreases in net financial resources. Expenditures include current operating expenses and capital outlays that require the current use of net current assets.

Fund – A fiscal and accounting entity with a self-balancing set of accounts recording cash and other current financial resources, together with all related liabilities and residual equities or balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the basic financial statements is perhaps best understood when considered from the broader perspective of the specific environment within which OHA operates, including events that occur between the time of the financial statements (June 2022) and the report date (March 2023).

COVID-19

Because of continuing impacts and advancements in knowledge and treatments, including vaccinations and variants, COVID-19 continued to stay front and center of attention, as the world, nation, state, island communities and the OHA organization itself, transitioned from a pandemic to endemic state. The OHA physically opened office operations throughout the state in April 2022 with COVID-19 protocols (e.g., vaccination policy, check-in, masks), near the end of the fiscal year. Later in September 2022, previously designated COVID-19 fiscal reserves were repurposed as responses were operationalized within existing budgets.

Sources of Funding

The sources of funding for OHA include State of Hawaiʻi general fund appropriations, income and proceeds from ceded lands, public land trust, federal grants, and miscellaneous other income. Income and proceeds from the annual, interim public land trust is designated for beneficiary and community investments; and operational funding is derived from commercial properties as well as withdrawals made from the NHTF. The goal of the NHTF is to provide targeted investment returns to sustain the mission in perpetuity and to uphold OHA's mission. In this regard, the Board of Trustees established investment and spending policies. Generally, the investment policy targets the growth of the NHTF of at least inflation plus five (5) percent annually, while the spending policy limits the amount of withdrawals that can be made from the fund in any given fiscal year. Withdrawals are limited to five (5) percent of the NHTF's 20-quarter rolling average market value, as defined, to ensure that resources held within the trust are available for future spending.

The beneficiary needs for services is closely tied to the local economy, as is the operations of commercial properties as a resource; while the performance of and resources from the financial assets in the NHTF, are closely tied to the national economy.

State of the Local Economy

Hawaii's economic recovery from the COVID-19 pandemic continues according to the Hawaii Department of Business, Economic Development & Tourism (DBEDT). In 2022, Hawaii's visitors by some measures have recovered to pre-pandemic levels which benefitted the local economy. DBEDT estimates 9.3 million Hawaii visitors in 2022, an increase of 36.7 percent from the 2021 level, and expects an estimated 9.8 million visitors in 2023. Hawaii's Real Gross Domestic Product (GDP) is estimated to have increased by 2.6 percent and at 1.7 percent growth in 2023. Hawaii's consumer inflation rate as measured by the Honolulu Consumer Price Index for All Urban Consumers increased by 6.5 percent in 2022 but is expected to decrease to 3.1 percent in 2023.

Looking forward, the Economic Research Organization at the University of Hawaii (UHERO) forecast global war on inflation is expected to hinder Hawaii's economic growth as rising interest rates, dwindling pandemic-era savings, and the coming U.S. downturn will cause a pause in growth in 2023. Housing affordability has taken a big hit from soaring mortgage interest rates but is starting to impact home prices lower. However, UHERO expects the belated recovery of the Japanese visitor market and surging public sector construction will prevent a recession in Hawaii.

State of the National Economy

2022 turned out to be another difficult year despite widespread vaccination and less lethal strains of COVID-19 allowing most pandemic-weary populations around the world to move back toward normal activity. Ongoing supply chain disruptions, the lingering effect of fiscal stimulus, and Russia's invasion of Ukraine caused inflation to surge to its highest level in 40 years. The Federal Reserve, and other global central banks, hiked interest rates aggressively, triggering sharp selloffs in both fixed-income and equity markets. According to the World Bank Global Economic Prospects Report, US economic activity grew by 2.1 percent in 2022 and is projected to slow to 0.5 percent in 2023. Mid-term elections resulted in a divided government, suggesting little prospect of structural reform to address long-term problems or provide fiscal support should the economy falter. Many economists agree a mild recession in 2023 is likely as the Federal Reserve is expected to end its tightening cycle early this year as inflation starts to ease.

OHA's Financial Asset Investments

OHA's NHTF reported a decline of 6.9 percent net return for the year ending June 30, 2022. Investments decreased to $431,039,438 from $485,416,792. NHTF faced a challenging landscape in its latest fiscal year but outpaced its policy benchmark.

Global stocks and bonds posted double-digit declines as surging inflation prompted major central banks to aggressively raise interest rates, driving recession fears in many countries. The backdrop was further complicated by Russia's invasion of Ukraine, which spurred volatility in energy prices. Relentless strength in the U.S. dollar weighed on non-U.S. stocks and bonds. U.S. stocks lost less ground than most other developed markets. European equities fell sharply as spiking energy prices threatened to thrust the continent into recession. Asian stocks struggled amid an economic slowdown in China. The MSCI ACWI (All Country World Index), which measures global equity markets, declined 15.5 percent. Bonds which can often provide a counterweight to stock market losses posted negative returns. The Bloomberg Aggregate Bond Index, which measures US investment-grade bonds, declined 10.3 percent.

For the fiscal year, the NHTF outperformed its policy benchmark by 3.3 percent, with outperformance coming from private investments, particularly real assets. While it was a challenging year, the success of an investment program for a perpetual trust is measured not in years, but decades. Success is measured by preserving the purchasing power of the NHTF after spending, inflation, and all fees and expenses. Over the last 10 years, the NHTF returned 7.6 percent or 5.2 percent real return, meeting its long-term return objective of the Consumer Price Index (CPI) + 5 percent.

MANA I MAULI OLA
OHA 15-Year Strategic Plan for 2020-2035

OHA's Strategic Plan *"Mana I Mauli Ola"* (MIMO)--Strength to Wellbeing--includes three foundations: *ʻohana* (family), *moʻomeheu* (culture), and *ʻāina* (land and water). OHA recognizes these foundations have the power to affect the wellbeing of Native Hawaiians. Therefore, they are woven into OHA's plans to affect change in the areas of education, health, housing, and economics. These four directions guide OHA's work to better the conditions of Native Hawaiians. Strategies regarding OHA's endowment, consisting of financial, commercial and legacy land assets, are designed to enable the organization to exist in perpetuity. Since 2020, and for the next 15 years, OHA's strategies, are aligned with our foundations and directions to achieve our envisioned outcomes for a thriving and abundant Lāhui.

Administration is responsible for the implementation and operationalization of MIMO.

Strategic Direction: Educational Pathways

Supporting initiatives, leveraging partnerships, engaging in strategies to develop educational pathways that strengthen culture-based education, early education, K-12 and post-secondary education will ensure that Native Hawaiians are grounded in their past while participating in a technologically oriented future.

Outcome: Strengthened and Integrated Community, Culture based Learning Systems

Strategy 1: Support development and use of educational resources for all Hawaiian life-long learners in schools, communities and ʻohana.

Strategy Outcomes:

1.1. Increased number or percent of Native Hawaiian students who enter educational systems ready to learn;

1.2. Increased number or percent of Native Hawaiian students graduating high school who are college, career, and community ready; and

1.3. Increased number of Native Hawaiians engaged in traditional learning systems (i.e., *hale, hālau, hale mua, hale peʻa*) that reestablish/maintain strong cultural foundations and identity.

Strategy 2: Support education through Hawaiian language medium and focused Charter Schools.

Strategy Outcomes:

2.1. Adequately resourced Hawaiian Focused Charter Schools and Hawaiian-medium schools, including funding of transportation, special education, facilities, and meals, and availablity of qualified teachers;

2.2. Increased availability of Hawaiian Focused Charter Schools and Hawaiian-medium schools; and

2.3. Establishment of a Native Hawaiian Charter School and Hawaiian-medium system.

Strategic Direction: Health Outcomes

Supporting initiatives, leveraging partnerships, engaging in strategies to promote healthy and strong families.

Outcome: Strengthened *ʻŌiwi* (Cultural Identity), *Ea* (Self-Governance), *ʻĀina Momona* (Healthy Lands and People), *Pilina* (Relationships), *Waiwai* (Shared Wealth), *Ke Akua Mana* (Spirituality)

Strategy 3: Advance policies, programs and practices that strengthen Hawaiian well-being, including physical, spiritual, mental and emotional health.

Strategy Outcomes:

3.1. Increased availability and access to quality, culturally based, and culturally adapted prevention and treatment interventions in ʻohana, schools, and communities; (E Ola Mau a Mau);

3.2. Establishment of a fully functional, high quality, culturally adapted, primary Native Hawaiian Health System which coordinates effective wellness activities/ programs; (E Ola Mau a Mau);

3.3. Decrease the number /percent of Native Hawaiians in jails and prison; and

3.4. Communities are empowered to take care of iwi kupuna.

Strategy 4: Advance policies, programs and practices that strengthen the health of the ʻāina and moʻomeheu.

Strategy Outcomes:

4.1 Preservation and perpetuation of Hawaiian language, culture, traditions, identity and sense of lāhui;

4.2 Increased community stewardship of Hawaiʻi's natural and cultural resources that foster connection to ʻāina, ʻohana, and communities; and

4.3 Increased restoration of Native Hawaiian cultural sites, landscapes, kulāiwi and traditional food systems.

Strategic Direction: Quality Housing

Leveraging partnerships to ensure Native Hawaiians can obtain affordable rentals as well as homeownership while also engaging in opportunities to affect legislation that support Hawaiian Home Lands, overall housing costs, and housing supply will greatly enhance the ability for Native Hawaiians who so desire to remain in Hawaiʻi.

Outcome: Strengthened Capability for ʻOhana to Meet Living Needs, including Housing; Strengthened Effective Implementation of the Hawaiian Homes Commission Act.

Strategy 5: Advance policies, programs and practices that strengthen Hawaiian resource management knowledge and skills to meet the housing needs of their ʻohana.

Strategy Outcomes:

5.1. Increased numbers/percent of Native Hawaiians who rent housing that meets their ʻohana's financial and well-being needs;

5.2. Increased numbers/percent of Native Hawaiians who own housing that meets their ʻohana's financial and well-being needs; and

5.3. Increased safety, stability, social support networks, and cultural connection in Native Hawaiian communities.

Strategy 6: Support implementation of the Hawaiian Homes Commission Act and other efforts to meet the housing needs of ʻohana.

6.1. Increased affordable non-traditional housing options (accessory dwelling units/tiny homes, large multi-generational lots or homes) in communities of *ʻohana's* choice;

6.2. Increased housing unit supply on Hawaiian Home Lands; and

6.3. Decreased rate of Native Hawaiian *ʻohana* out of state migration.

Strategic Direction: Economic Stability

Engaging in strategies to enhance the economic development and financial empowerment of the lāhui will ensure that Native Hawaiians progress toward a state of economic stability.

Outcome: Strengthened Capability for ʻOhana to Meet Living Needs, including Housing; Strengthened Effective Implementation of the Hawaiian Homes Commission Act

Strategy 7: Advance policies, programs and practices that strengthen ʻohana abilities to pursue multiple pathways toward economic stability.

Strategy Outcomes:

7.1. Increased number / percent of Native Hawaiian ʻohana who are able to provide high quality keiki and kupuna care;

7.2. Increase access to capital and credit for community strengthening Native Hawaiian businesses and individuals;

7.3. Increase number of Native Hawaiian ʻohana who are resource stable (financial, subsistence, other); and

7.4. Increased Native Hawaiian employment rate.

Strategy 8: Cultivate economic development in and for Hawaiian communities.

Strategy Outcomes:

8.1. Increased number of successful, community strengthening Native Hawaiian-owned businesses;

8.2. Establishment of new markets for Native Hawaiian products (eg. kalo, loko iʻa grown fish, etc.) that can provide Native Hawaiian producers a livable wage; and

8.3. Established and operationalized indigenous economic system consistent with Native Hawaiian knowledge, culture, values, and practices.

Endowment Strategy

Outcome: Increased value of, investments in and value from financial, commercial and land resources.

Strategy 9: Steward financial and commercial resources to enable strategic outcomes.

Strategy Outcomes:

9.1. Increased value of the NHTF;

9.2. Increased value of the commercial resources;

9.3. Increased direct investments in Hawaiʻi;

9.4. Increased value derived from the NHTF and commercial resources; and

9.5. Increased strategic granting.

Strategy 10: Steward land resources to fulfill fiduciary responsibilities and enable strategic outcomes.

Strategy Outcomes:

10.1. Protected traditional and customary rights;

10.2. *Auamo kuleana* for land resources;

10.3. Strengthen and elevated cultural resource management;

10.4. Broaden cadre of cultural resource managers; and

10.5. Increase stewarded direct land investments.

SUBSEQUENT EVENTS

Grants and Sponsorships Awarded Post June 30, 2022

The OHA awarded $9,876,170 and $161,000 in grants and sponsorships, respectively, as of June 30, 2022. Since June 30, 2022, an additional $5,200,000 was awarded in grants and sponsorships.

Release of Fiscal Stabilization Fund Amount of $3,000,000

In June 2019, via Act 37 (2019), the release of the FY21 general funds appropriation of $3,037,879, was conditioned by a financial and management audit of the OHA. The State Auditor began and then suspended the audit in July 2019 and December 2019, respectively. As a result of the suspended audit, in June 2020, the Board authorized the use of the Fiscal Stabilization Fund in the amount of $3,000,000, for the anticipated loss of the FY21 general funds.

In April 2021, prior to the end of the 2021 Legislative session, the State Auditor terminated the previously suspended Act 37 (2019) audit. In May 2021, the Governor signed HB204 SD2 CD1 as Act 29 (2021) which included the substitution of the CLA – OHA & LLCs Contract and Disbursement Review – Report, dated December 4, 2019 (CLA Report) for the Act 37 (2019) financial and management audit, allowing the release of the FY21 general funds appropriation which use was extended to June 30, 2022. Act 29 (2021) also provided an additional $200,000, for fiscal year 2021-2022, to conduct or contract for a follow-up contract and disbursement review of the CLA Report (Follow-Up Review).

In September 2022, with the restoration of the FY21 general funds amount of $3,037,879, via Act 29 (2021), the Board approved the reversal of the Fiscal Stabilization Fund amount of $3,000,000, established in June 2020.

Repurposed Operational Reserve

In September 2022, the Board repurposed the remaining balance of the previously designated COVID-19 operational reserve to operational space planning uses at Nā Lama Kūkui, the current organization headquarters.

Completion of Follow-Up Review

With the Act 29 (2021) direction, and $200,000 general funds appropriation, to complete a Follow-Up Review, in July 2021, the OHA formed an Ad-Hoc Committee with the recommendation to engage an independent third party vendor, with experience in forensic, accounting, audit and related type engagements, utilizing standards in accordance with the Statement on Standards for Forensic Services, established by the American Institute of Certified

Public Accountants Council, Forensic and Valuation Services Executive Committee. A request for proposal process was executed with Plante Moran (PM) being the selected and contracted vendor by February 2022. PM completed fieldwork from February 2022 to October 2022, and issued the final Follow-Up Review report in October 2022, meeting the requirements of Act 29 (2021).

Limited Liability Companies

In March 2023, the Board approved the cancellation of purchase orders to complete the May 2019 Board approved reorganization of limited liability companies.

CLOSING COMMENTS

The past fiscal year ending June 30, 2022, including the time to the issuance of the report (March 2023) continued to be operationally challenging for OHA to: support the implementation of the Board's governance and policy frameworks; focus on commercial property activities; recruit and fill open positions; transition to COVID-19 endemic practices; implement expanded beneficiary and community investments through grants; improve financial reporting systems; and address organization and employee fatigue.

I would like to thank the Board of Trustees, Administration of the State of Hawaiʻi and members of the Hawaiʻi State Legislature, for their continuing support of the OHA. I would also like to thank the employees of the OHA, who have navigated through the reorganization and COVID-19, with a continuing commitment to, focus on and service to our beneficiaries and Lāhui. Last, and certainly not least, I thank our beneficiaries and Lāhui for their faith, patience and grace as the OHA continues our efforts to better the conditions of Native Hawaiians and *Hoʻoulu Lāhui Aloha*--to raise a beloved *Lāhui*.

Respectfully submitted,

Sylvia M. Hussey, Ed.D.
Ka Pouhana, Chief Executive Officer
Office of Hawaiian Affairs

N&K CPAs, Inc.
ACCOUNTANTS | CONSULTANTS

999 BISHOP STREET, SUITE 2200
HONOLULU, HAWAII 96813
T (808) 524-2255 F (808) 523-2090

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the Office of Hawaiian Affairs,
State of Hawai'i

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Office of Hawaiian Affairs (OHA), State of Hawai'i, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise OHA's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditor, the accompanying financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of OHA, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Hi'ilei Aloha LLC, which represent 100 percent, 100 percent, and 100 percent, respectively, of the assets, net position, and revenues of the business-type activities as of December 31, 2021. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Hi'ilei Aloha LLC, is based solely on the report of the other auditor.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OHA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about OHA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OHA's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about OHA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 20 through 27 and the schedules of OHA's proportionate share of the net pension liability, contributions (pension), changes in the net OPEB liability and related ratios, and contributions (OPEB) on pages 78 through 84 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Letter from the Chief Executive Officer but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do no express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023 on our consideration of OHA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OHA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OHA's internal control over financial reporting and compliance.

N&K CPAs, INC.

Honolulu, Hawaii
March 29, 2023

As management of OHA, we offer the following narrative overview and analysis to readers of our financial statements. While the financial statements and notes present only the financial activities for the fiscal year ended June 30, 2022, management discussion and analysis will address both this year and the year ended June 30, 2021, including any subsequent events and disclosures that should be made to understand the financial statements between the fiscal year ended June 30, 2022 and the report issuance date of March 29, 2023.

Management's discussion and analysis is provided at the beginning of the financial statements and notes to explain the past and current position of OHA's financial condition in layman's terms. This summary should not be taken as a replacement for the financial statements and notes that immediately follow this narrative.

ECONOMIC OUTLOOK

Economic indicators show that the economy has essentially recovered from the COVID-19 pandemic, although rising inflation coupled with the current geo-political conflict poses risks to the recovery and recession fears. Economic risk factors are continuously monitored, including employment, the housing market, and the global, national, and local economy as a whole. As of the reporting date, OHA has sufficient resources and liquidity to meet its financial obligations and mission spending.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to OHA's basic financial statements. OHA's basic financial statements include four components: 1) Government-wide Financial Statements, 2) Governmental Funds Financial Statements, 3) Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis), General Fund, and 4) Notes to Financial Statements. The first three components are intended to present different financial views of OHA. The fourth component is intended to further explain some of the information in the financial statements and provide more detail. These components are described below.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Government-wide Financial Statements provide a broad view of OHA's operations in a manner similar to a private-sector business. These statements provide both short-term and long-term information about OHA's financial position, which assists in assessing OHA's financial condition at the end of the year.

Statement of Net Position presents all of OHA's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the residual reported as "net position" at a point in time. Over time, increases or decreases in OHA's net position may serve as a useful indicator of whether the financial position of OHA is improving or deteriorating.

Statement of Net Position

Summarized financial information of OHA’s Statement of Net Position as of June 30, 2022 and 2021 is as follows:

	2022	2021
ASSETS		
Capital assets	$ 294,398,403	$ 245,907,242
Other assets	579,273,011	536,210,846
Total assets	873,671,414	782,118,088
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	3,541,247	5,316,091
Deferred outflows of resources related to OPEB	1,119,953	1,542,238
Total deferred outflows of resources	4,661,200	6,858,329
LIABILITIES		
Other liabilities	6,691,062	7,621,347
Long-term liabilities	124,342,030	92,369,435
Total liabilities	131,033,092	99,990,782
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	3,832,825	177,722
Deferred inflows of resources related to OPEB	2,086,977	1,962,432
Deferred inflows of resources related to leases	29,036,305	--
Total deferred inflows of resources	34,956,107	2,140,154
NET POSITION		
Invested in capital assets, net of related debt	234,353,441	224,487,577
Restricted	24,589,699	25,666,278
Unrestricted	453,400,275	436,691,626
Total net position	$ 712,343,415	$ 686,845,481

The assets and deferred outflows of resources of OHA exceeded its liabilities and deferred inflows of resources as of June 30, 2022 by $712,343,415 (presented as “Total net position”). Of this amount, $453,400,275 is reported as “Unrestricted”, while $24,589,699 is reported as “Restricted” federal funds and $234,353,441 is reported as “Invested in capital assets, net of related debt.”

The assets and deferred outflows of resources of OHA exceeded its liabilities and deferred inflows of resources as of June 30, 2021 by $686,845,481 (presented as “Total net position”). Of this amount, $436,691,626 is reported as “Unrestricted”, while $25,666,278 is reported as “Restricted” federal funds and $224,487,577 is reported as “Invested in capital assets, net of related debt.”

Unrestricted net position represents the amount available to be used to meet OHA’s ongoing obligations to beneficiaries and creditors. Restricted assets represent amounts that have legal requirements on their use.

OHA’s total net position, from June 30, 2022 of $712,343,415 and June 30, 2021 of $686,845,481 increased by $25,497,934 (a 3.71% increase) in 2022.

Statement of Activities presents information showing how the government’s net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The governmental activities of OHA include program revenues, i.e., federal grants and lease rents, Public Land Trust income and proceeds from state agencies, revenues from financial investments held in the Native Hawaiian Trust Fund, i.e., investment income and net gains/losses, General Fund Appropriations from the State of Hawaii and other revenues, i.e., newspaper advertisements, donations, and other miscellaneous receipts.

It also includes the results of Business-Type Activities, Ho‘okele Pono LLC and Hi‘ilei Aloha LLC and its wholly-owned subsidiary Hi‘ipaka LLC, through its separate year end, December 31, 2021. Ho‘okele Pono LLC and Hi‘ilei Aloha LLC have been included as blended component units due to the fact that OHA is the sole corporate member of each entity. Based on its relationship with OHA, the LLCs are considered to be a component unit of OHA for financial reporting purposes. As of December 2022, Ho‘okele Pono LLC is dissolved, please refer to Note A to the financial statements.

Statement of Activities

Summarized financial information of OHA’s Statement of Activities for the fiscal years ended June 30, 2022 and 2021 is as follows:

	2022	2021
REVENUES		
Program revenues:		
Charges for services	$ 18,405,116	$ 9,917,931
Operating grants	149,886	257,396
General revenues:		
State allotments, net of lapsed appropriations	2,254,400	2,474,023
Public land trust revenue	79,100,000	15,100,000
Unrestricted contributions	900,240	594,866
Interest and investment earnings (loss)	(34,427,233)	114,995,247
Total revenues	66,382,409	143,339,463
EXPENSES		
Current divisions:		
Board of trustees	2,763,835	2,621,449
Support services	18,478,022	20,245,073
Beneficiary advocacy	13,063,124	14,154,555
Unallocated depreciation and amortization	1,418,176	1,141,776
Hi‘ilei Aloha LLC	5,345,556	4,638,973
Ho‘okele Pono LLC	21,212	47,542
Total expenses	41,089,925	42,849,368
NET TRANSFERS FROM OTHER FUNDS	205,450	211,058
Change in net position	$ 25,497,934	$ 100,701,153

OHA’s Change in net position, decreased by $75,203,219 (a 74.68% decrease) during the year. The key elements of this decrease compared to the prior year are:

A significant decrease in investment and interest earnings of approximately $149 million due to double-digit declines in stocks and bonds, inflation and higher interest rates. Approximately $139 million was due to the market value decrease of the assets in the portfolio with realized gains decreasing approximately $5.9 million between FY 2021 and FY 2022, as well as unrealized gains of $79.2 million in FY 2021 becoming unrealized losses of $53.7 million in FY 2022. OHA’s Native Hawaiian Trust Fund reported a 6.9 percent net return decrease for the year ending June 30, 2022. Additional information regarding OHA’s investments can be found in Note I to the financial statements.

This decrease was offset by the $64 million appropriation from the State of Hawaii, Act 226, Session Laws of Hawaii 2022, signed into law by Governor Ige on June 27, 2022. The enactment of this legislation is to uphold its constitutional obligation and duty to native Hawaiians in light of the information, data and facts provided to the legislature and state agencies since Act 178, Session Laws of Hawaii 2006, more than a decade ago. Another offset to the decrease in net position was the increase of $8.5 million in Charges for services that were mainly due to the increase in Total revenues from Hiʻilei Aloha LLC.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

A "fund" is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. OHA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The governmental funds financial statements focus on individual parts of OHA, reporting OHA's operations in more detail than the government-wide statements. All of the funds of OHA are considered "governmental funds" as opposed to proprietary (operate more like those of commercial enterprises) and fiduciary funds (used to account for resources held for the benefit of parties outside OHA).

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements focus on near-term inflows and outflows of expendable resources. They also focus on the balances of available resources at the end of the year. Such information may be useful in evaluating the government's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of OHA's finances that assist in determining whether there will be adequate financial resources available to meet the current needs of OHA.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are included on pages 32 and 34 of this report.

OHA has two types of governmental funds that are presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. OHA's two types of governmental funds are General Fund and Federal Funds.

The business type activities of blended component units, Hoʻokele Pono LLC and Hiʻilei Aloha LLC and its wholly-owned subsidiaries, have been classified as proprietary funds. Like the government-wide financial statements, the proprietary fund statements report long-term (noncurrent) and short-term (current) financial information. The Statement of Cash Flows for the proprietary funds presents changes in cash and cash equivalents, resulting from operating, noncapital financing, capital and related financing, and investing activities. OHA's proprietary funds are classified as business-type activities in the government-wide financial statements on pages 28 and 29.

At the close of FY22, OHA's governmental funds reported an ending fund balance of $537,310,823. Fund balance was segregated into the following categories: Nonspendable, Restricted, Committed, Assigned and Unassigned.

> Nonspendable fund balance totaled $872,804 or 0.16%, due to amounts related to inventory, prepaid items and security deposits.
>
> Restricted fund balance totaled $24,583,886 or 4.58%, and is comprised of 74.45% for the Native Hawaiian Revolving Loan Fund program, 22.34% represents the long-term portion of notes receivable, and 3.21% restricted for other federal programs administered by OHA.
>
> Committed fund balance totaled $23,058,715 or 4.29%, based on the Board of Trustees' resolution to commit these funds towards the debt service of DHHL-issued revenue bonds.
>
> Assigned fund balance totaled $489,096,401 or 91.03% of fund balance, and is comprised of the following: 3.65% has been encumbered, 0.01% represents the non-current portion of outstanding loans and 96.34% is available for future expenditures, including Board designations.
>
> Unassigned fund balance totaled ($300,983), or (0.06)%.

OHA's governmental funds experienced an increase of $11,406,482 or 2.17% in fund balance during FY22. This is a decrease of $92,999,403 in comparison to the $104,405,885 increase in fund balance during FY21. This decrease is mainly due to the difference between the interest and investment earnings of $149,392,967 from FY22 as compared to FY21, offset by the $64,000,000 from Act 226, Session Laws of Hawaii 2022.

PROPRIETARY FUNDS FINANCIAL ANALYSIS

Proprietary funds' net position totaled $21,316,019 at the end of FY22 compared to $16,992,328 at the end of FY21, representing an increase of $4,323,691 or 25.44%.

Invested in capital assets, net of related debt represents the largest portion of proprietary funds' net position at $15,081,198 or 70.75% and is primarily comprised of capital assets of Hiʻilei Aloha LLC and its wholly-owned subsidiary.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

OHA's investment in capital assets, net of depreciation, amounted to $294,398,403 and $245,907,242, as of June 30, 2022 and 2021, respectively. OHA's capital assets are summarized as follows:

	2022	2021
Land and construction in progress	$ 266,872,086	$ 227,456,731
Buildings and improvements	43,692,695	33,455,906
Furniture, fixtures, equipment, and vehicles	8,264,837	8,049,292
Right to use lease assets	397,073	--
Accumulated depreciation and amortization	(24,828,288)	(23,054,687)
Totals	$ 294,398,403	$ 245,907,242

The 2021 balances have not been restated for the implementation of GASB Statement No. 87, *Leases* .

The increase in capital assets is primarily OHA's purchase of the Iwilei Properties at 500 N. Nimitz Hwy and 501 Sumner Street for approximately $47 million. Additional information regarding OHA's capital assets can be found in Note J to the financial statements.

OHA's long-term liabilities include notes payable, lines of credit, accrued vacation, and lease liabilities. Additional information about OHA's long-term liabilities can be found in Notes K and L to the financial statements.

SUBSEQUENT EVENTS

Act 226 Relating to Increasing the Payment Amount for the Office of Hawaiian Affairs' Pro Rata Share of the Public Land Trust

In June 2022, Governor Ige signed into law Act 226, Session Laws of Hawaii 2022, which enacted the following three key elements from SB2021 SD1 HD2 CD1: 1) Established $21,500,000 (from $15,100,000) as OHA's interim annual share of the income and proceeds of the public land trust beginning in fiscal year 2023; 2) Appropriated $64,000,000; and 3) Established a working group to determine the pro rata share of income and proceeds from the public land trust annually to the OHA.

In July 2022, the Board: 1) Approved the inclusion of the interim annual share of the income and proceeds of the public land trust amount of $21,500,000 in the biennium budgeting process in accordance with the Budget Management Policy beginning in fiscal year 2023; 2) Invested the $64,000,000 general revenues appropriation, for a portion of the income and proceeds from the public land trust, into the Native Hawaiian Trust Fund, consistent with the Investment Policy and related asset allocation; and 3) Activated planning and other activities in preparation for implementation of the working group further described in Section 3 of Act 226, SLH 2022, in calendar year 2023.

REQUEST FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Office of Hawaiian Affairs
Attn: Chief Financial Officer
560 N. Nimitz Hwy, Suite 200
Honolulu, Hawaiʻi 96817

Office of Hawaiian Affairs, State of Hawai‘i
STATEMENT OF NET POSITION
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Petty cash	$ 500	$ --	$ 500
Cash:			
Held in bank	23,953,927	6,353,803	30,307,730
Held by investment managers	6,294,744	--	6,294,744
Held in State Treasury	128,960	--	128,960
Restricted cash	263,956	--	263,956
Accounts receivable, net	73,708,525	285,046	73,993,571
Interest and dividends receivable	45,915	--	45,915
Lease receivables			
Due within one year	3,987,984	160,684	4,148,668
Due after one year	24,964,050	481,099	25,445,149
Inventory, prepaid items and other assets	872,804	218,562	1,091,366
Notes receivable, net:			
Due within one year	965,062	--	965,062
Due after one year	5,547,952	--	5,547,952
Investments	431,039,438	--	431,039,438
Capital assets			
Non-depreciable assets	253,442,353	13,429,733	266,872,086
Depreciable assets, net	25,588,483	1,651,465	27,239,948
Right to use lease assets, net	286,369	--	286,369
Total assets	851,091,022	22,580,392	873,671,414
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	3,541,247	--	3,541,247
Deferred outflows of resources related to OPEB	1,119,953	--	1,119,953
Total deferred outflows of resources	4,661,200	--	4,661,200
LIABILITIES			
Accounts payable and accrued liabilities	5,738,620	652,442	6,391,062
Due to State of Hawaii	300,000	--	300,000
Long-term liabilities:			
Due within one year	700,664	--	700,664
Due after one year	60,587,764	--	60,587,764
Other liabilities due in more than one year:			
Net pension liability	31,908,556	--	31,908,556
Net OPEB liability	31,145,046	--	31,145,046
Total liabilities	130,380,650	652,442	131,033,092
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	3,832,825	--	3,832,825
Deferred inflows of resources related to OPEB	2,086,977	--	2,086,977
Deferred inflows of resources related to leases	28,424,374	611,931	29,036,305
Total deferred inflows of resources	34,344,176	611,931	34,956,107
NET POSITION			
Invested in capital assets, net of related debt	219,272,243	15,081,198	234,353,441
Restricted	24,589,699	--	24,589,699
Unrestricted	447,165,454	6,234,821	453,400,275
Total net position	$ 691,027,396	$ 21,316,019	$ 712,343,415

See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawai‘i
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

		Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Beneficiary advocacy	$ 13,063,124	$ --	$ 149,886	$ (12,913,238)	$ --	$ (12,913,238)
Board of trustees	2,763,835	--	--	(2,763,835)	--	(2,763,835)
Support services	18,478,022	8,920,107	--	(9,557,915)	--	(9,557,915)
Unallocated depreciation and amortization	1,418,176	--	--	(1,418,176)	--	(1,418,176)
	35,723,157	8,920,107	149,886	(26,653,164)	--	(26,653,164)
Business-Type Activities:						
Hi‘ilei Aloha LLC	5,345,556	9,485,009	--	--	4,139,453	4,139,453
Ho‘okele Pono LLC	21,212	--	--	--	(21,212)	(21,212)
Total business-type activities	5,366,768	9,485,009	--	--	4,118,241	4,118,241
Total government-wide	$ 41,089,925	$ 18,405,116	$ 149,886	$ (26,653,164)	$ 4,118,241	$ (22,534,923)
General Revenues:						
Interest and investment earnings				$ (34,427,233)	$ --	$ (34,427,233)
Public land trust revenue				79,100,000	--	79,100,000
State allotments				2,254,400	--	2,254,400
Unrestricted contributions				900,240	--	900,240
Total general revenues				47,827,407	--	47,827,407
Transfers				--	205,450	205,450
Total general revenues and transfers				47,827,407	205,450	48,032,857
Change in net position				21,174,243	4,323,691	25,497,934
Net position at beginning of year				669,853,153	16,992,328	686,845,481
Net position at end of year				$ 691,027,396	$ 21,316,019	$ 712,343,415

See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawai‘i
GOVERNMENTAL FUNDS - BALANCE SHEET
June 30, 2022

	General Fund	Public Land Trust	Federal Grants	Other	Total
ASSETS					
Petty cash	$ --	$ 500	$ --	$ --	$ 500
Cash:					
Held in bank	--	17,213,127	6,295,801	444,999	23,953,927
Held by investment managers	--	6,172,031	122,713	--	6,294,744
Held in State Treasury	--	128,960	--	--	128,960
Restricted cash	--	--	263,956	--	263,956
Accounts receivable, net	5,292,279	68,330,301	30,004	55,941	73,708,525
Lease receivables	--	28,952,034	--	--	28,952,034
Due from other funds	--	4,296,453	--	40	4,296,493
Interest and dividends receivable	--	430	45,485	--	45,915
Inventory, prepaid items and other assets	--	866,991	5,813	--	872,804
Notes receivable:					
Due within one year	--	49,203	915,859	--	965,062
Due after one year	--	55,925	5,492,027	--	5,547,952
Investments	--	419,112,007	11,927,431	--	431,039,438
Total assets	$ 5,292,279	$ 545,177,962	$ 25,099,089	$ 500,980	$ 576,070,310

See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawai‘i
GOVERNMENTAL FUNDS - BALANCE SHEET (Continued)
June 30, 2022

	General Fund	Public Land Trust	Federal Grants	Other	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable and accrued liabilities	$ 124,700	$ 5,467,657	$ 121,471	$ 24,792	$ 5,738,620
Due to other funds	3,402,750	--	87,919	805,824	4,296,493
Due to State of Hawaii	--	--	300,000	--	300,000
Total liabilities	3,527,450	5,467,657	509,390	830,616	10,335,113
Deferred inflows of resources related to leases	--	28,424,374	--	--	28,424,374
Fund balances					
Nonspendable:					
Inventory, prepaid items and other assets	--	866,991	5,813	--	872,804
Restricted for:					
Beneficiary advocacy	--	--	789,454	--	789,454
Long-term portion of notes receivable	--	--	5,492,027	--	5,492,027
Native Hawaiian loan programs	--	--	18,302,405	--	18,302,405
Committed to:					
DHHL-issued revenue bonds	--	23,058,715	--	--	23,058,715
Assigned to:					
Beneficiary advocacy	1,557,826	8,169,432	--	--	9,727,258
Board of trustees	178,350	118,678	--	--	297,028
Support services	--	7,830,964	--	--	7,830,964
Long-term portion of notes receivable	--	55,925	--	--	55,925
Public land trust	--	471,185,226	--	--	471,185,226
Unassigned	28,653	--	--	(329,636)	(300,983)
Total fund balances	1,764,829	511,285,931	24,589,699	(329,636)	537,310,823
Total liabilities, deferred inflows of resources, and fund balances	$ 5,292,279	$ 545,177,962	$ 25,099,089	$ 500,980	$ 576,070,310

See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawaiʻi
RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES
June 30, 2022

Total fund balances - governmental funds		$ 537,310,823
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental funds are not financial resources, and therefore, are not reported in the funds.		279,317,205
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(1,243,466)	
Lease liabilities	(294,962)	
Net pension liability	(31,908,556)	
Net OPEB liability	(31,145,046)	
Deferred outflows of resources related to pension	3,541,247	
Deferred inflows of resources related to pension	(3,832,825)	
Deferred outflows of resources related to OPEB	1,119,953	
Deferred inflows of resources related to OPEB	(2,086,977)	
Note payable	(59,750,000)	(125,600,632)
Net position of governmental activities		$ 691,027,396

See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawaiʻi
GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended June 30, 2022

	General Fund	Public Land Trust	Federal Grants	Other	Total
REVENUES					
Appropriations, net of lapses	$ 2,254,400	$ --	$ --	$ --	$ 2,254,400
Charges for services	--	8,853,475	--	66,632	8,920,107
Donations and other	--	687,643	4,097	208,500	900,240
Interest and investment gain (loss)	--	(34,211,632)	(215,651)	50	(34,427,233)
Intergovernmental revenue	--	--	149,886	--	149,886
Public land trust revenue	--	79,100,000	--	--	79,100,000
Total revenues	2,254,400	54,429,486	(61,668)	275,182	56,897,400
EXPENDITURES					
Beneficiary advocacy	15,936	11,983,987	1,014,911	48,290	13,063,124
Board of trustees	124,700	2,639,135	--	--	2,763,835
Support services	546,049	67,402,338	--	77,087	68,025,474
Total expenditures	686,685	82,025,460	1,014,911	125,377	83,852,433
OTHER FINANCING SOURCES (USES)					
Proceeds from debt	--	59,750,000	--	--	59,750,000
Payment on debt	--	(21,388,485)	--	--	(21,388,485)
Total other financing sources (uses)	--	38,361,515	--	--	38,361,515
Net change in fund balances	1,567,715	10,765,541	(1,076,579)	149,805	11,406,482
FUND BALANCES					
Beginning of year	197,114	500,520,390	25,666,278	(479,441)	525,904,341
End of year	$ 1,764,829	$ 511,285,931	$ 24,589,699	$ (329,636)	$ 537,310,823

See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawaiʻi
RECONCILIATION OF NET CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
Year Ended June 30, 2022

Net change in fund balances - total governmental funds		$ 11,406,482
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives as depreciation expense.		
Expenditures for capital assets	49,557,146	
Current year depreciation, amortization and other changes	(1,263,393)	48,293,753
For leases in which OHA is the lessee, expenditures are reported in the governmental funds for the amount of the present value of future lease payments. However, in the statement of activities, this amount is recognized as a right to use lease asset and amortized over the lease term.		
Current year amortization of right to use lease assets	(110,704)	(110,704)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources.		
Proceeds from long-term debt	(59,750,000)	
Principal payments on long-term debt	21,388,485	(38,361,515)
Certain items reported in the statement of activities do not involve current financial resources and therefore are not reported as revenues or expenditures in governmental funds. These activities are as follows:		
Decrease in other assets	(168,654)	
Increase in compensated absences	(122,220)	
Decrease in lease liabilities	133,291	
Decrease in net pension liability	5,130,620	
Decrease in net OPEB liability	949,967	
Decrease in deferred outflows of resources related to pension	(1,774,844)	
Increase in deferred inflows of resources related to pension	(3,655,103)	
Decrease in deferred outflows of resources related to OPEB	(422,285)	
Increase in deferred inflows of resources related to OPEB	(124,545)	(53,773)
Change in net position of governmental activities		$ 21,174,243

See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawai‘i
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS), GENERAL FUND
Year Ended June 30, 2022

	Budgeted Amounts		Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
State appropriations, net of lapses	$ 2,254,400	$ 2,254,400	$ 2,254,400	$ --
EXPENDITURES				
Beneficiary advocacy	--	--	--	--
Board of trustees	--	--	--	--
Support services	2,254,400	2,254,400	2,254,400	--
	2,254,400	2,254,400	2,254,400	--
Excess of expenses over revenues	$ --	$ --	$ --	$ --

See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawaiʻi
PROPRIETARY FUNDS - STATEMENT OF NET POSITION
June 30, 2022

	December 31, 2021		
	Hiʻilei Aloha LLC	Hoʻokele Pono LLC	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 6,353,803	$ --	$ 6,353,803
Accounts receivable, net	285,046	--	285,046
Lease receivable, due in one year	160,684	--	160,684
Inventory, prepaid items and other assets	218,562	--	218,562
Total current assets	7,018,095	--	7,018,095
Lease receivable, due after one year	481,099	--	481,099
Capital assets - net	15,081,198	--	15,081,198
Total assets	$ 22,580,392	$ --	$ 22,580,392
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current liabilities			
Accounts payable and accrued liabilities	$ 652,442	$ --	$ 652,442
Deferred inflows of resources related to leases	611,931	--	611,931
Net position			
Invested in capital assets	15,081,198	--	15,081,198
Unrestricted	6,234,821	--	6,234,821
Total net position	21,316,019	--	21,316,019
Total liabilities and net position	$ 22,580,392	$ --	$ 22,580,392

See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawai‘i
PROPRIETARY FUNDS - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2022

	December 31, 2021		
	Hi‘ilei Aloha LLC	Ho‘okele Pono LLC	Total
OPERATING REVENUES			
Sales - gift store and other	$ 1,114,191	$ --	$ 1,114,191
Cost of sales	(1,395,597)	--	(1,395,597)
Gross loss	(281,406)	--	(281,406)
Admission and tours	6,804,860	--	6,804,860
Other revenue	2,961,555	--	2,961,555
Total operating revenues	9,485,009	--	9,485,009
EXPENSES			
Program services	4,175,880	21,212	4,197,092
Management and general	1,105,544	--	1,105,544
Fundraising	64,132	--	64,132
Total operating expenses	5,345,556	21,212	5,366,768
Operating income (loss)	4,139,453	(21,212)	4,118,241
NONOPERATING REVENUES AND EXPENSES			
Net transfers from other funds	149,600	55,850	205,450
	149,600	55,850	205,450
Change in net position	4,289,053	34,638	4,323,691
NET POSITION			
Beginning of year	17,026,966	(34,638)	16,992,328
End of year	$ 21,316,019	$ --	$ 21,316,019

See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawaiʻi
PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS
Year Ended June 30, 2022

	December 31, 2021		
	Hiʻilei Aloha LLC	Hoʻokele Pono LLC	Total
Cash flows from operating activities			
Receipts from customers, grantors and funders	$ 9,516,096	$ --	$ 9,516,096
Payments to suppliers, vendors and service providers	(3,146,351)	(1,911)	(3,148,262)
Payments to employees for salaries and benefits	(3,130,017)	(19,772)	(3,149,789)
Receipt of unrelated business income taxes refund	129,040	--	129,040
Net cash provided by (used in) operating activities	3,368,768	(21,683)	3,347,085
Cash flows from noncapital financing activities			
Proceeds from PPP loan	509,472	--	509,472
Cash grants from OHA	149,600	55,850	205,450
Repayments of advances from Hiʻilei Aloha LLC	--	(34,441)	(34,441)
Net cash provided by noncapital financing activities	659,072	21,409	680,481
Cash flows from capital and related financing activities			
Acquisition of property and equipment	(135,160)	--	(135,160)
Net cash used in capital and related financing activities	(135,160)	--	(135,160)
Cash flows from investing activities			
Advances to Hoʻokipaipai LLC	(19,651)	--	(19,651)
Repayments of advances to Hoʻokipaipai LLC	54,092	--	54,092
Net cash provided by investing activities	34,441	--	34,441
Net increase (decrease) in cash and cash equivalents	3,927,121	(274)	3,926,847
Cash and cash equivalents at beginning of the year	2,426,682	274	2,426,956
Cash and cash equivalents at end of the year	$ 6,353,803	$ --	$ 6,353,803

See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawaiʻi
PROPRIETARY FUNDS - STATEMENT OF CASH FLOWS (Continued)
Year Ended June 30, 2022

	December 31, 2021		
	Hiʻilei Aloha LLC	Hoʻokele Pono LLC	Total
Reconciliation of operating income (loss) to net cash used in operating activities			
Operating income (loss)	$ 4,139,453	$ (21,212)	$ 4,118,241
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	246,185	--	246,185
PPP loan forgiveness	(1,203,807)		(1,203,807)
Change in:			
Accounts receivable, net	(76,847)	--	(76,847)
Lease receivable	129,782	--	129,782
Inventory, prepaid items and other assets	9,937	--	9,937
Accounts payable and accrued liabilities	283,699	(471)	283,228
Deferred inflows of resources related to leases	(159,634)	--	(159,634)
Net cash provided by (used in) operating activities	$ 3,368,768	$ (21,683)	$ 3,347,085

See accompanying notes to the basic financial statements.

NOTE A - FINANCIAL REPORTING ENTITY

The accompanying basic financial statements present the financial activity of the Office of Hawaiian Affairs (Primary Government or OHA) and its blended component units, which are legally separate organizations.

As of June 30, 2022, OHA's blended components units are comprised of Hiʻilei Aloha LLC and Hoʻokele Pono LLC, Hawaiʻi limited liability companies (collectively, the Companies). OHA is the sole corporate member of the Companies. The results of the Companies as of and for the year ended December 31, 2021, their year ends, have been included in OHA's basic financial statements. In May 2019, the Board of Trustees, via Resolution, authorized and approved: Amended and Restated Operating Agreements of Hiʻilei Aloha LLC and Hiʻipaka LLC; Proposed Articles of Termination and Plan of Dissolution of Hoʻokele Pono LLC, Hoʻokipaipai LLC and Hiʻikualono LLC; Implementation actions of Managers to complete all operating and dissolution activities in accordance with state and federal requirements and/or to effect the intents of the Resolution; and A position description for Manager of Hiʻilei Aloha LLC and Hiʻipaka LLC, including commencement of recruitment activities for these non-OHA manager positions.

Hoʻokele Pono LLC and its wholly-owned subsidiaries, Hoʻokipaipai LLC and Hiʻilei Aloha LLC and its wholly-owned subsidiaries, Hiʻipaka LLC, Hiʻipoi LLC, and Hiʻikualona LLC are exempt from federal income tax under Sections 501(a) and 501(c)(3) of the Internal Revenue Code. In August 2017, Articles of Termination were processed for Hiʻipoi LLC. Hiʻikualono LLC has been inactive since formation. On December 2, 2022, the administrative termination of Hoʻokele Pono LLC's business registration was completed.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

(1) ***Basis of Presentation*** - OHA's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

(2) ***Governmental Funds Financial Statements*** - The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, OHA considers revenues to be available if they are collected within 60 days of the end of the current year. Principal revenue sources susceptible to accrual include Federal grants, public land trust revenue, and interest and earnings on investments.

Expenditures are generally recorded when a liability is incurred as under accrual accounting. Modifications to the accrual basis of accounting include the employees' accumulated annual leave, workers' compensation, lease liabilities, net pension liability, and net other postemployment benefits (OPEB) liability which are recorded as expenditures when utilized or paid. The amount of accumulated leave unpaid, accrued

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

workers' compensation, lease liabilities, net pension liability, and net OPEB liability as of June 30, 2022 have been reported only in the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is OHA's policy to use restricted funds first, then unrestricted resources as they are needed.

The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise the assets, liabilities, fund balance, revenues and expenditures of the fund. The funds are intended to conform to the State of Hawaiʻi general accounting system and are structured to comply with the requirements of appropriations and allotments authorized by State law.

OHA reports the following funds as major:

General Fund - The general fund of OHA is part of the State of Hawaiʻi General Fund. OHA's general fund financial statements reflect only OHA's appropriations and obligations. The general fund is used to account for all financial resources except those required to be accounted for in another fund, and includes the operating budget of general funds appropriated by the Hawaiʻi State Legislature.

Public Land Trust Fund (PLTF) - Reflects the income and expenditures from the Public Land Trust as defined in Chapter 10, Hawaiʻi Revised Statutes, as well as the proceeds and income of the Native Hawaiian Trust Fund. Expenditures reflect those from the OHA board of trustee appropriations of the Public Land Trust Funds.

Federal Grants Fund - Reflects the interest income earned from the Native Hawaiian Revolving Loan Fund (NHRLF) and the funds earned under other federal grants. Expenditures reflect necessary costs to administer the NHRLF and other federal grants.

(3) ***Proprietary Funds Financial Statements*** - The focus of proprietary fund measurement is upon determination of operating income (loss), changes in net position, and net position. The intent of these funds is to be self-sufficient. The applicable GAAP are those similar to businesses in the private sector.

OHA reports the following funds as major:

Hiʻilei Aloha LLC - Reflects the revenues and expenditures related to the preservation and perpetuation of cultural and natural resources which are primarily generated from managing admissions to Waimea Valley on Oahu and the activities and events held there.

Hoʻokele Pono LLC - Reflects the revenues and expenditures related to community economic development activity in the State of Hawaii which are primarily related to the operation of the Hawaii Procurement Technical Assistance Center. Although this fund does not meet the major fund criteria, management believes this fund is important to financial statement users and has elected to report it as a major fund.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(4) ***Government-wide Financial Statements*** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Resources that are dedicated internally are reported as general revenues rather than as program revenues. Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position.

(5) ***Investments*** - Investments are reported at fair value using a variety of techniques. Mutual funds are actively traded on major stock exchanges, thus fair value is obtained using values from these exchanges, which are based on trades of identical securities available daily on a last trade or official close basis. Certain debt securities, such as U.S. Treasuries, have an active market. These securities can typically be valued using the closing or last traded price on a specific date. Hedge funds, private equity funds, and private debt funds are valued using their net asset value (NAV) and are audited annually. The most significant input into the NAV of such entities is the fair value of its investment holdings. These holdings are valued by the general partners on a quarterly basis, in accordance with GAAP. Commingled funds are valued based upon the NAV determined by the investment managers and are audited annually.

Purchases and sales of investments are recorded on the trade date. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

(6) ***Inventory and Prepaid Items*** - All inventories are stated at the lower of cost (first-in, first-out method) or market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

(7) ***Capital Assets*** - Capital assets include tangible and intangible assets acquired with estimated useful lives greater than one year. Capital assets acquired for general organization purposes are recorded as expenditures in the governmental funds financial statements. Donated fixed assets are recorded at estimated fair value at the time received on the government-wide and proprietary fund financial statements.

Depreciation and amortization expense is recorded in the government-wide financial statements. Buildings, equipment, furniture and fixtures are depreciated on the straight-line method over their estimated useful lives. There is no depreciation recorded for land.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The estimated useful lives of capital assets are as follows:

Buildings	30 Years
Leasehold improvements	Shorter of lease term or useful life
Furniture, fixtures, and equipment	5 Years

(8) ***Leases***

In June 2017, the GASB issued Statement No. 87, *Leases*, to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement resulted in OHA recording leases receivable and deferred inflows of resources of $11,844,402 and right to use lease assets and lease liabilities of $397,073 as of June 30, 2021. The implementation of this Statement resulted in Hiʻilei recording a lease receivable and deferred inflows of resources of approximately $771,565 as of December 31, 2020. The implementation of this Statement had no impact to net position as of June 30, 2021.

<u>Leases as lessee</u>
OHA has a policy to recognize a lease liability and a right to use lease asset (lease asset) in the government-wide financial statements. OHA recognizes lease liabilities with an initial, individual value of $25,000 or more with a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

At the commencement of a lease, OHA initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the State has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Key estimates and judgments related to leases include how OHA determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) the lease term, and (3) lease payments.

- OHA uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, OHA generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that OHA is reasonably certain to exercise.

OHA monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right to use lease assets along with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

Leases as lessor

OHA is a lessor for leases of office and commercial space and land. OHA recognizes leases receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance of the lessee or usage of the underlying asset should not be included in the measurement of the lease receivable.

At the commencement of a lease, OHA initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how OHA determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) the lease term, and (3) lease receipts.

- OHA uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

OHA monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) ***Deferred Outflows of Resources and Deferred Inflows of Resources*** - Deferred outflows (inflows) of resources represent a consumption of (benefit to) net position that applies to a future period. The deferred outflow of resources related to pensions and other postemployment benefits (OPEB) resulted from differences between expected and actual experiences, changes in assumptions, the net difference between projected and actual earnings on pension plan investments, changes in proportion which will be amortized over five years, and OHA's contributions to the pension and OPEB plans subsequent to the measurement date of the actuarial valuations for the plans which will be recognized as reductions of the net pension and net OPEB liabilities in the subsequent year. The deferred inflow of resources related to pensions and OPEB resulted from differences between expected and actual experiences and changes in proportion of the pension plan which will be amortized over five years.

(10) ***Compensated Absences and Compensatory Pay*** - OHA accrues all vacation and compensatory pay at current salary rates; including additional amounts for certain salary-related expenses associated with the payment of compensated absences, in accordance with GASB Codification Section C60, Compensated Absences. The balance at June 30, 2022 includes fringe benefits computed at the rate of 7.65% of accrued vacation and compensatory pay. Accrued vacation is reported as an expense when earned in the government-wide and proprietary fund financial statements, but not reported as an expenditure in the governmental funds financial statements, as current financial resources are not used.

(11) ***Risk Management*** - OHA is exposed to various risks of loss from torts, theft of or damage to assets, errors and omissions, and employee injuries and illnesses.

(12) ***Governmental Funds*** - ***Fund Balance*** - GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) provides guidance on the reporting of stabilization arrangements and changes the classifications and definitions to the following:

<u>Nonspendable Fund Balance</u>
Includes amounts that are (a) not in a spendable form or (b) legally or contractually required to remain intact. Examples include prepaid expenses and security deposits. These balances have been identified for proper presentation in OHA's Governmental Funds - Balance Sheet.

<u>Restricted Fund Balance</u>
Includes amounts restricted to a specific purpose as constraints placed on the use of these resources are either (a) externally imposed (e.g. grantors, creditors, laws, regulations) or (b) imposed by law through constitutional provisions or enabling legislation. Federal grants administered by OHA and specific provisions identified in OHA's general fund appropriation have been presented under "restricted fund balance."

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed Fund Balance
Includes amounts that can only be used for specific purposes based on constraints imposed by formal action of the entity’s highest level of decision-making authority. For OHA purposes, “committed” funds have been identified as constraints imposed by Board of Trustee resolution.

Assigned Fund Balance
Includes amounts that are constrained as to use by the entity’s intent to be used for specific purposes, but are neither “restricted” nor “committed”. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has delegated such authority to assign amounts to be used for specific reasons. These constraints are more easily modified and/or removed. Generally all funding of any fund, other than the General Fund are "assigned." Public Land Trust as presented on OHA’s Governmental Funds - Balance Sheet includes trust fund corpus for which no specific purpose has been defined. Draws from this line item are made annually pursuant to biennium budget approved by the Board of Trustees.

Unassigned Fund Balance
Is the residual classification for the general fund that has not been "restricted", “committed" or "assigned" in any way, however, may be subject to future reclassification. This classification also includes any negative residual balance when actual expenditures exceed available resources of a fund.

Stabilization Arrangements
The Fiscal Stabilization Fund (FSF) was established by an initial, one-time appropriation of $1,500,000 into a separate fund account outside the Native Hawaiian Trust Fund (NHTF) upon adoption of this policy. This appropriation shall be counted toward maximum withdrawal limitation in the Board of Trustees (BOT) Spending Policy. Deposits and withdrawals into the FSF shall follow the requirements of this policy. Upon adoption of this policy, “OHA’s Native Hawaiian Trust Fund Spending Policy’s Fiscal Reserve Management Guidelines” shall terminate. At the discretion of the BOT, additional deposits of up to $3,000,000 may be made in each subsequent year from funds that were budgeted from the NHTF Financial Assets Portfolio that were unspent at the end of previous years. The audited financial statements and audited processes (i.e., lapsing of prior encumbered purchase orders) for each respective year shall be used as the sole basis to determine the eligible deposits into the FSF. Annual deposits shall be counted toward the maximum withdrawal limitations in the BOT Spending Policy. The monies in the FSF may be carried over from year to year, provided that the total amount in the FSF shall not exceed $10,000,000. Funds above and beyond the $10,000,000 cap shall be redeposited into the NHTF. Withdrawals from the FSF shall not be included in the maximum withdrawal limitations in the BOT Spending Policy for the fiscal year in which the withdrawal is made. Temporarily idle monies in the FSF may be invested as directed by the BOT, and the interest earned may be either transferred permanently into the NHTF or may remain in the FSF, at the discretion of the BOT. If the interest remains in the FSF, it may serve to increase the fund balance, but in no event shall the balance of the FSF be allowed to exceed the $10,000,000.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Once established, reserves for contingencies may be designated in the FSF to acknowledge and recognize the responsibilities of the OHA. Such reserves for contingencies may include but not be limited to estimates for legal or other settlements, repatriation, budget stabilization needs and emergencies such as natural disasters.

Funds from the FSF may be withdrawn and used as authorized by the BOT through an Action Item for the following defined purposes only: budget stabilization, emergencies, reserves and contingencies. The maximum withdrawals in any given year, for any combination of authorized uses in section IV, are limited to no more than $3,000,000 annually, and no more than $750,000 per quarter, regardless of the total balance of the FSF. The funds that are withdrawn must be used during the current year, and do not carry over to subsequent years.

As of July 1, 2020, the State of Hawaiʻi did not release the fiscal year 2021 general fund appropriation as conditioned in Act 37, Session Laws of Hawaii (SLH) 2019, Section 8, pending the completion of an audit by the State Auditor, which the State Auditor previously suspended in December 2019. In anticipation of the impact of the State Auditor's suspended work, in June 2020, the BOT approved the use of the FSF in the amount of $3,000,000, to be drawn in quarterly increments of $750,000, to replace the general fund appropriations for the year ended June 30, 2021.

In May 2021, Governor Ige signed into law Act 29, SLH 2021, which included fiscal year 2022 and 2023 general fund appropriations and an amendment to applicable sections of Act 37, SLH 2019. The amendment to Act 37, SLH 2019 related to the release of the 2021 general fund appropriation based on the provision of the CLA - OHA & LLCs Contract and Disbursement Review Report, dated December 4, 2019, in place of the previously required State Auditor report. Act 29, SLH 2021 further extended the 2021 appropriations lapse date to June 30, 2022. Administration will bring to the BOT recommendations regarding the balances and purposes currently authorized in the FSF.

The $3,037,879 fiscal year 2021 general fund appropriation receipts were submitted and paid by June 30, 2022, as stipulated in Act 29, SLH 2021. With the Administration actions completed, the $3,000,000 FSF has been reversed in Action Item RM #22-23C and was ratified by the BOT in September 2022.

(13) ***Encumbrances*** - Encumbrances against budgeted appropriations are recorded upon the execution of contracts or purchase orders. Such encumbrances have been classified by expenditure division (i.e. Board of Trustees, Support Services, Beneficiary Advocacy) by fund balance classification (i.e. Restricted, Committed, Assigned) in the governmental funds financial statements. The related expenditure is reported in the period in which the liability is incurred.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances as of June 30, 2022 consist of the following:

General Fund	$ 1,736,176
Public Land Trust Fund	16,119,074
Federal Grants Fund	789,454
	$ 18,644,704

(14) ***Use of Estimates*** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

(15) ***Notes Receivable*** - Notes receivable consist of notes made to Native Hawaiian-owned businesses and individuals. Management provides an allowance for doubtful accounts equal to the estimated amounts deemed uncollectible by management which it considers outstanding for more than 90 days. Management also provides a general allowance for its notes receivable.

(16) ***Pensions*** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System (ERS) and additions to/deductions from the ERS's fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at their fair value.

(17) ***Postemployment Benefits Other Than Pensions*** - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) and additions to/deductions from EUTF's fiduciary net position have been determined on the same basis as they are reported by EUTF. For this purpose, EUTF recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for investments in commingled and money market funds, which are reported at net asset value (NAV). The NAV is based on the fair value of the underlying assets held by the respective fund less its liabilities.

(18) ***Recent Accounting Pronouncements*** - The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Management has not yet determined the effect this Statement will have on OHA's financial statements.

The GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Management has not yet determined the effect this Statement will have on OHA's financial statements.

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are not applicable to OHA.

The GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The GASB issued Statement No. 100, *Accounting Changes and Error Corrections.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Management has not yet determined the effect this Statement will have on OHA's financial statements.

The GASB issued Statement No. 101, *Compensated Absences,* which is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. Management has not yet determined the effect this Statement will have on OHA's financial statements.

NOTE C - BIENNIAL BUDGET

Because it is not a part of the executive branch, OHA's budget is considered by the Hawaiʻi State Legislature to be separate from the State Administration's submittal, and its development follows a different procedure. The budgetary data reflected in the basic financial statements is established as follows:

The Budget - In the fall of each odd-numbered fiscal year, OHA's Administration drafts the program and budget recommendations that will be the basis for OHA's biennium budget request. Once approved by OHA's Board of Trustees, the general funds budget is submitted directly to the State Legislature prior to its convening. The Budget is composed of amounts for personnel, operations and provisions for social, education and legal services, and includes the matching Trust Funds for those purposes.

Legislative Review - Once the budget is submitted to the State Legislature, the review process follows that which is applied to the executive branch, with the budget being reviewed by House Finance Committee, Senate Ways and Means Committee, and the respective subject matter committees in the House and Senate. The State Legislature may request provisos and may require financial analysis and evaluation of those programs funded with general funds, but has no discretion over trust fund allocations.

Program Execution - Except as limited by policy decisions of OHA's Board of Trustees, provisions of the State Legislature, and other provisions of law, OHA's Administration is responsible for the proper management of the programs. Appropriation changes and transfers can be authorized by OHA's Board of Trustees; those impacting general funds are reported to the State Legislature.

The budget is adopted for the general fund and is prepared on a basis other than GAAP. The actual results of operations are presented on the budgetary basis in the statement of revenues and expenditures - budget and actual to provide a meaningful comparison of actual results to the legislative budget.

The major differences between the budgetary basis and GAAP basis are that (1) encumbrances are recorded as the equivalent of expenditures under the budgetary basis; and (2) revenue is recognized when received under the budgetary basis.

NOTE C - BIENNIAL BUDGET (Continued)

Adjustments necessary to reconcile the results of operations for the year ended June 30, 2022 from the budgetary basis to GAAP basis are as follows:

		Amount
Excess of revenues over expenditures - actual (budgetary basis)	$	--
Reserve for encumbrances at June 30, 2022		1,736,176
Prior year reserve for encumbrances		(197,114)
Expenditures for liquidation of prior-year encumbrances		28,653
Revenue over expenditures - actual (GAAP basis)	$	1,567,715

NOTE D - APPROPRIATIONS

OHA is authorized to transfer appropriation amounts and staffing positions between programs for operating purposes, provided that a report of all transfers are made to the State Legislature prior to convening of the next legislative session. Act 29, SLH 2021 authorized a total of $2,254,400 in general fund appropriations for the year ended June 30, 2022 and there were no lapsed appropriations for the same period.

NOTE E - CASH

The State maintains a cash pool that is used by all agencies. OHA’s portion of this pool is presented on the accompanying financial statements as “Cash Held in State Treasury.” The Hawai‘i Revised Statutes (HRS) authorizes the Director of Finance to invest in obligations of, or guaranteed by, the U.S. Government, obligations of the State, federally-insured savings and checking accounts, time certificates of deposit, and repurchase agreements with federally-insured financial institutions. OHA has elected not to receive any earnings from this cash pool.

OHA’s cash included in State pooled funds is fully collateralized with securities held by third-party agents in the State’s name, as required by the HRS, Section 38-8. As of June 30, 2022, OHA’s cash held in the State Treasury totaled $128,960. OHA holds cash in banking institutions held outside of the State Treasury to maximize investment returns in accordance with HRS Section 10-5.

As of December 31, 2021, Hi‘ilei Aloha LLC had a cash and cash equivalents balance of $6,353,803. Hi‘ilei Aloha LLC and its wholly-owned subsidiary, Hi‘ipaka LLC maintain separate legal entity cash accounts with a financial institution in the State of Hawai‘i. Balances are insured up to $250,000 per account holder by the FDIC. Balances may at times, however, exceed the FDIC’s insurance limits. As of December 31, 2021, Ho‘okele Pono LLC did not have bank balances that exceed FDIC insurance limits. Balances may at times, however, exceed the FDIC’s insurance limits.

NOTE F - INVENTORY, PREPAID ITEMS AND OTHER ASSETS

As of June 30, 2022, OHA's governmental funds had inventory, prepaid items and other assets totaling $872,804. As of December 31, 2021, Hi'ilei had inventory, prepaid items, and other assets of $218,562.

NOTE G - LEASES RECEIVABLE

OHA leases land, office, and commercial space to tenants. OHA's leases receivable consists of agreements with others for the right to use of the underlying assets at various locations. The terms of the agreements range from 1 to 45 years. The calculated interest rates used vary depending on the length of the lease. For the year ended June 30, 2022, OHA recognized approximately $7,457,000 in lease revenue and $732,000 in interest revenue. In addition, OHA recognized approximately $3,135,000 in lease revenue for variable payments not previously included in the measurement of leases receivable.

A summary of changes in OHA's leases receivable for the year ended June 30, 2022 is as follows:

Balance July 1, 2021 (as Restated)	Additions	Deductions	Balance June 30, 2022	Due within One Year	Due in More Than One Year
$ 11,844,402	$ 20,456,288	$ (3,348,656)	$ 28,952,034	$ 3,987,984	$ 24,964,050

Future minimum payments on OHA's leases receivable are summarized as follows:

Year Ending June 30,	Principal	Interest	Total
2023	$ 3,987,985	$ 772,930	$ 4,760,915
2024	3,563,967	665,158	4,229,125
2025	3,056,180	568,350	3,624,530
2026	3,040,642	481,227	3,521,869
2027	2,600,520	397,735	2,998,255
2028 - 2032	6,935,679	1,311,728	8,247,407
2033 - 2037	2,680,177	588,392	3,268,569
2038 - 2042	2,740,267	260,062	3,000,329
2043	346,617	2,125	348,742
	$ 28,952,034	$ 5,047,707	$ 33,999,741

A summary of Hi'ilei's lease receivable for the year ended December 31, 2021 is summarized as follows:

Balance January 1, 2021 (as Restated)	Additions	Deductions	Balance December 31, 2021	Due within One Year	Due in More Than One Year
$ 771,565	$ --	$ (129,782)	$ 641,783	$ 160,684	$ 481,099

NOTE G - LEASES RECEIVABLE (continued)

Future minimum payments on Hi‘ilei’s lease receivable are summarized as follows:

Year Ending December 31,	Principal	Interest	Total
2022	$ 160,684	$ 16,316	$ 177,000
2023	165,356	11,644	177,000
2024	170,165	6,835	177,000
2025	145,578	1,922	147,500
	$ 641,783	$ 36,717	$ 678,500

NOTE H - NOTES RECEIVABLE

At June 30, 2022, notes receivable bear interest from 0% to 12.50%, mature on various dates through November 2029, and consists of the following:

	Amount
Notes receivable (of which $5,987 is guaranteed by the Department of Hawaiian Home Lands (DHHL))	$ 5,987
Native Hawaiian Revolving Loan Fund	7,180,436
Other	173,264
Total	7,359,687
Less allowance for doubtful accounts	(846,673)
Notes receivable, net	6,513,014
Amounts due within one year	(965,062)
Amounts due after one year	$ 5,547,952

NOTE I - INVESTMENTS

Under the HRS Chapter 10, OHA’s Board of Trustees may collect, receive, deposit, withdraw, and invest money and property to further the mission of OHA. On May 29, 2003, OHA’s Board of Trustees adopted the Native Hawaiian Trust Fund Investment Policy Statement (NHTF investment policy), and updated August 12, 2021. OHA’s Board of Trustees maintain responsibility for setting the investment policy guidelines, asset allocation constraints, and monitoring the advisors to ensure they act prudently and follow the investment policy.

The NHTF investment policy provides objectives, guidelines, and procedures as to the type of investments, asset allocations, long-term targets, asset diversification, benchmark, performance objectives, and provides for the optimal investment returns to sustain the beneficiaries of the Trust in perpetuity and to uphold the mission of the NHTF. The NHRLF investment policy is restricted to investments in government-backed securities which strive for higher rates of return with the potential for greater principal stability than longer term fixed income investments.

NOTE I - INVESTMENTS (Continued)

Investments as of June 30, 2022 and their maturities were as follows:

			Investment maturities (in years)	
Investment type	Fund	Reported Value	Less than one	One through five
U.S. Treasuries	NHRLF	$ 11,927,431	$ 3,308,733	$ 8,618,698
Mutual funds	NHTF	$ 200,385,252		
Commingled funds	NHTF	76,415,486		
Alternative investments				
Private equity	NHTF	89,048,358		
Hedge funds	NHTF	49,358,958		
Private debt	NHTF	3,903,953		
Subtotal - NHTF		419,112,007		
Total investments		$ 431,039,438		

OHA invests in various types of investment securities in public and private markets. These investments are exposed to various risks, such as market, interest rate, credit, illiquidity, and concentration risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Investments are generally pooled and managed under various asset diversification strategies, depending upon the investment objectives, to manage the risks noted above.

Foreign currency, interest rate, credit and concentration of credit risks for OHA's investments are as follows:

(1) ***Foreign Currency Risk*** - To diversify the NHTF portfolio against market fluctuations, OHA's investment policy allows for investments in foreign countries. As of June 30, 2022, OHA's foreign currency risks are as follows:

Investment Type	Currency	Value (US Dollar)
Private equity funds	Euro	$ 1,618,948

(2) ***Interest Rate Risk*** - As a means to limit the amount of exposure to fair market value losses attributed to rising interest rates, OHA's NHRLF investment policy for the liquidity portfolio limits investments to the following maximum maturities:

Type of Investment	Maximum Maturity
U.S. Treasuries	5 Years

The duration of the investment portfolio, under normal market conditions, range between plus or minus 50% of the investment policy benchmark.

NOTE I - INVESTMENTS (Continued)

(3) ***Credit Risk*** - Pursuant to 45 C.F.R. 1336.72(a), "any portion of the revolving loan fund that is not required for expenditure must be invested in obligations of the United States or in obligations guaranteed or insured by the United States." At June 30, 2022, credit rates for all securities of government agencies were rated at least Aa (Moody's) or AA (Standard & Poor's).

(4) ***Concentration of Credit Risk*** - The NHRLF investment policy states that except for U.S. Treasury securities, fixed income securities will be limited to not more than 5% of the total portfolio, at the time of purchase, in any one issue. OHA is in compliance with this policy.

(5) ***Fair Value Measurements*** - OHA holds significant amounts of investments that are measured on a recurring basis. OHA is required to provide the following information according to the three tier fair value hierarchy which is based on the observability of the inputs used in the valuation techniques to measure the fair value of certain financial assets and liabilities. The three tier hierarchy ranks the quality and reliability of the information used to determine fair values and is summarized as follows:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that OHA can access at the time of measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the related assets or liabilities.

Level 3 Inputs that are unobservable for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

The fair value of mutual funds and U.S. Treasury obligations is obtained by using the closing price reported on active markets.

The valuation of private equity, commingled funds, hedge funds, and private debt are obtained by using the NAV, and are excluded from the fair value measurement table below.

NOTE I - INVESTMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, assets measured at fair value on a recurring basis as of June 30, 2022.

	Fund	Level 1	Level 2	Level 3	Total
Mutual funds					
Global equities	NHTF	$ 132,792,495	$ --	$ --	$ 132,792,495
Fixed income	NHTF	60,876,930	--	--	60,876,930
Absolute return	NHTF	6,715,827	--	--	6,715,827
Total mutual funds		200,385,252	--	--	200,385,252
U.S. Treasuries	NHRLF	11,927,431	--	--	11,927,431
Total investments at fair value		212,312,683	--	--	212,312,683
Investments held at NAV					
Commingled funds					76,415,486
Alternative investments					
Private equity					89,048,358
Hedge funds					49,358,958
Private debt					3,903,953
Total investments at NAV					218,726,755
Total investments					$ 431,039,438

The valuation method for investments measured using the NAV per share (or its equivalent) is presented in the following table.

	Fair Value	Unfunded Commitments	Redemption Frequency	Required Redemption Notice
Investments measured at NAV				
Commingled funds				
Global equity	$ 41,113,240	None	Monthly/Quarterly	Various up to trade date
Real assets	25,592,657	None	Monthly/Quarterly	Various up to trade date
Domestic fixed income	9,709,589	None	Monthly/Quarterly	Various up to trade date
Alternative investments				
Marketable alternatives	49,358,958	None	Monthly/Quarterly	Various up to trade date
Illiquid alternatives	92,952,311	25,396,174	Upon realization	Not applicable
Total investments measured at NAV	$ 218,726,755			
Invested securities lending collateral				
Money market fund	$ 6,172,031			Same as trade date

The preceding measurements described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The market volatility of equity-based investments is expected to substantially impact the value of such investments at any given time. It is likely that OHA’s investments have fluctuated since June 30, 2022.

NOTE I - INVESTMENTS (Continued)

The following is a summary of OHA's investment categories, including redemption restrictions, if any:

- ***Global equity*** - This investment category includes public equity investments in mutual funds, long-only commingled funds, and passive index funds. As of June 30, 2022, approximately 100%, respectively, of the value of the investments in this category can be redeemed within 30 days.

- ***Domestic fixed income*** - This investment category includes public fixed-income investments in mutual funds, long-only commingled funds, and passive index funds. As of June 30, 2022, approximately 100%, respectively, of the value of the investments in this category can be redeemed within 30 days.

- ***Real assets*** - This investment category includes public equity investments in mutual funds, long-only commingled funds, and passive index funds in real estate, natural resources, and other hard assets. As of June 30, 2022, approximately 100%, respectively, of the value of the investments in this category can be redeemed within 30 days.

- ***Marketable alternatives*** - This category includes investments in stable income and low to medium beta funds. Management of these funds seeks low correlation to broad equity markets by investing in assets that exhibit low volatility, deep discounts, and/or hedges against market downturns. As of June 30, 2022, approximately 83% of the value of the investments in this category can be redeemed within 1 year.

- ***Illiquid alternatives*** - This category includes private equity buyouts, venture, debt, real assets, and special situations funds. These investments cannot be redeemed at the request of the organization. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 10 years.

- ***Money market funds*** - State Street Institutional U.S. Government Money Market Fund - primary objective is to maximize current income, to the extent consistent with the preservation of capital and liquidity and the maintenance of a stable $1.00 per share net asset value ("NAV").

(6) ***Risks and Uncertainties*** - Financial instruments that potentially subject OHA to significant concentrations of credit risk consist principally of cash and cash equivalents and investments. While the majority of cash and cash equivalent amounts exceed available depository insurance limits, management does not anticipate non-performance by their financial institutions and regularly reviews the viability of these institutions. The OHA also attempts to limit its risk in investments by maintaining a diversified investment portfolio. In addition to credit risk, the NHTF and other investments are exposed to interest rate, market, and geographic risk.

NOTE J - CAPITAL ASSETS

OHA's capital assets of governmental activities during the year ended June 30, 2022 are as follows:

	Balance July 1, 2021 (as Restated)	Additions	Deductions	Balance June 30, 2022
Nondepreciable assets				
Land	$ 213,961,981	$ 37,919,556	$ --	$ 251,881,537
Construction in progress	65,017	1,560,816	(65,017)	1,560,816
Total nondepreciable assets	214,026,998	39,480,372	(65,017)	253,442,353
Depreciable assets				
Buildings	23,708,949	9,918,038	--	33,626,987
Leasehold improvements	6,404,231	32,867	--	6,437,098
Furniture, fixtures and equipment	6,810,771	315,178	(124,292)	7,001,657
	36,923,951	10,266,083	(124,292)	47,065,742
Accumulated depreciation	(20,213,866)	(1,307,472)	44,079	(21,477,259)
Total depreciable assets	16,710,085	8,958,611	(80,213)	25,588,483
Right to use lease assets				
Buildings	397,073	--	--	397,073
Accumulated amortization	--	(110,704)	--	(110,704)
Total right to use lease assets	397,073	(110,704)	--	286,369
Governmental activities capital assets, net	$ 231,134,156	$ 48,328,279	$ (145,230)	$ 279,317,205

Hiʻilei Aloha LLC's capital assets activities during the year ended December 31, 2021 are as follows:

	Balance January 1, 2021	Additions	Deductions	Balance December 31,
Nondepreciable assets				
Land	$ 13,429,733	$ --	$ --	$ 13,429,733
Depreciable assets				
Buildings and improvements	3,531,705	96,905	--	3,628,610
Furniture, fixtures and equipment	949,063	26,737	(13,596)	962,204
Vehicles	289,458	11,518	--	300,976
	4,770,226	135,160	(13,596)	4,891,790
Accumulated depreciation	(3,007,736)	(246,185)	13,596	(3,240,325)
Total depreciable assets	1,762,490	(111,025)	--	1,651,465
Capital assets, net	$ 15,192,223	$ (111,025)	$ --	$ 15,081,198

NOTE K - LONG-TERM LIABILITIES

On August 14, 2012, OHA entered into a $21,370,000 long-term note payable with a bank, with interest at 3.35%, to finance the purchase of Na Lama Kukui. On July 26, 2013, the agreement was modified to increase the interest rate to 3.6% and include certain financial covenants. The note had an original due date of September 1, 2022 and was collateralized by a mortgage lien on the property, assignment of OHA's right, title and interest as landlord in and to any rents under tenant leases and rental agreements on Na Lama Kukui and security interest in all furniture, fixtures, and equipment. This note payable was re-financed and has been paid off in full on March 15, 2022.

On June 28, 2013 OHA entered into a $6,758,000 line of credit to finance the renovation of Na Lama Kukui, which had an original due date of June 28, 2023. On January 28, 2015, OHA entered into a $5,000,000 line of credit to finance OHA's governance planning initiative and other projects, which had an original due date of February 3, 2024. The lines of credit were re-financed and have been paid off in full on March 15, 2022.

On March 15, 2022, OHA entered into two notes payable with a bank to re-finance the above note payable and line of credit facilities. The notes are collateralized by the Na Lama Kukui property, assignment of OHA's right, title and interest as landlord in and to any rents under tenant leases and rental agreements on Na Lama Kukui and security interest in all furniture, fixtures, and equipment.

The first note payable amounted to $17,560,832, includes interest at 2.85%, and matures in March 2032. The note payable includes monthly interest-only payments from April 2022 through March 2025, monthly principal and interest payments of $81,912 beginning in April 2025, with the remaining balance due on March 5, 2032. The outstanding balance on the note payable was $17,560,832 on June 30, 2022.

The second note payable amounted to $6,939,168, includes interest at 2.50%, and matures in March 2032. The note payable includes monthly interest-only payments from April 2022 through March 2025, monthly principal and interest payments of $31,131 beginning in April 2025, with the remaining balance due on March 5, 2032. The outstanding balance on the note payable was $6,939,168 on June 30, 2022.

In September 2021, OHA entered into a $35,250,000 note payable with a bank to finance the purchase of two properties (1) 500 N. Nimitz Hwy., a retail property with three national chain tenants; and (2) 501 Sumner Street, an industrial property (the Iwilei properties). The note payable includes interest at 2.85% from September 2021 through July 2022 and then increases to 3.10% thereafter. The credit facility provides for monthly interest-only payments from October 2021 through September 2024, monthly principal and interest payments of $164,422 beginning on October 2024, with the remaining balance due on September 27, 2031. The note is collateralized by a mortgage lien on the Iwilei properties, assignment of OHA's right, title and interest as landlord in and to any rents under tenant leases and rental agreements on the Iwilei properties. The outstanding balance on the note payable was $35,250,000 on June 30, 2022.

NOTE K - LONG-TERM LIABILITIES (Continued)

As of June 30, 2022, OHA's future principal and interest payments from direct borrowings for the notes payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	$ --	$ 1,756,572	$ 1,756,572
2024	--	1,768,463	1,768,463
2025	841,391	1,757,689	2,599,080
2026	1,609,933	1,719,647	3,329,580
2027	1,658,038	1,671,542	3,329,580
Thereafter	55,640,638	6,802,822	62,443,460
	$ 59,750,000	$ 15,476,735	$ 75,226,735

In the past, long-term liabilities have generally been paid by the Public Land Trust Fund.

Changes in long-term liabilities for governmental activities during the year ended June 30, 2022 were as follows:

	Balance July 1, 2021 (as Restated)	Additions	Deductions	Balance June 30, 2022	Amount due within one year	Amount due after one year
Compensated absences	$ 1,121,246	$ 130,587	$ (8,367)	$ 1,243,466	$ 588,691	$ 654,775
Lease liabilities	428,253	--	(133,291)	294,962	111,973	182,989
Notes payable	17,908,916	59,750,000	(17,908,916)	59,750,000	--	59,750,000
Lines of credit	3,479,569	--	(3,479,569)	--	--	--
Total	$ 22,937,984	$ 59,880,587	$ (21,530,143)	$ 61,288,428	$ 700,664	$ 60,587,764

In April 2020 and March 2021, Hi'ipaka obtained loans under the Paycheck Protection Program (PPP) in the amounts of $694,335 and $509,472, respectively. The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act, provided for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. During the year ended December 31, 2021, both PPP loans were forgiven in full and are presented on the accompanying proprietary funds - statement of revenues, expenses, and changes in net position as part of other revenue.

NOTE L - LEASES PAYABLE

OHA leases office space and equipment under various noncancelable leases. OHA's leases payable include leases for office space in Lihue, Hilo, and Washington D.C., which expire on various dates from November 2023 through March 2027.

NOTE L - LEASES PAYABLE (continued)

Principal and interest payments on OHA's leases payable to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	$ 111,973	$ 6,717	$ 118,690
2024	73,074	3,905	76,979
2025	47,221	2,432	49,653
2026	43,154	1,073	44,227
2027	19,540	191	19,731
	$ 294,962	$ 14,318	$ 309,280

NOTE M - EMPLOYEE BENEFITS

(1) Defined Benefit Pension Plan

Pension Plan Description - Generally, all full-time employees of the State and counties are required to be members of the Employees' Retirement System of the State of Hawai‘i (ERS), a cost-sharing multiple-employer defined benefit pension plan that administers the State's pension benefits program. The employees of Hi‘ilei Aloha LLC and Ho‘okele Pono LLC are excluded from the ERS plans. Benefits, eligibility, and contribution requirements are governed by HRS Chapter 88 and can be amended through legislation. The ERS issues publicly available annual financial reports that can be obtained at the ERS website: https://ers.ehawaii.gov/resources/financials.

Benefits Provided - The ERS Pension Trust is comprised of three pension classes for membership purposes and is considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability and death benefits with three membership classes known as the noncontributory, contributory and hybrid retirement classes. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% to 2.25%) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

Each retiree's original retirement allowance is increased on each July 1 beginning the calendar year after retirement. Retirees first hired as members prior to July 1, 2012 receive a 2.5% increase each year of their original retirement allowance without a ceiling. Retirees first hired as members after June 30, 2012 receive a 1.5% increase each year of their original retirement allowance without a ceiling. The annual increase is not compounded.

NOTE M - EMPLOYEE BENEFITS (Continued)

The following summarizes the provisions relevant to the largest employee groups of the respective membership class. Retirement benefits for certain groups, such as police officers, firefighters, some investigators, sewer workers, judges, and elected officials, vary from general employees.

Noncontributory Class

Retirement Benefits - General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with ten years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.

Disability Benefits - Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.

Death Benefits - For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or dependent children, no benefit is payable.

Ordinary death benefits are available to employees who were active at time of death with at least ten years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/reentry into a new reciprocal beneficiary relationship) and dependent children (up to age 18) receive a benefit equal to a percentage of the member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension and the dependent children receive a percentage of the member's accrued maximum allowance unreduced for age.

Contributory Class for Employees Hired prior to July 1, 2012

Retirement Benefits - General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with 5 years of credited service are eligible to retire at age 55.

Disability Benefits - Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.

NOTE M - EMPLOYEE BENEFITS (Continued)

Death Benefits - For service-connected deaths, the designated beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation to the surviving spouse/reciprocal beneficiary until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributory Class for Employees Hired After June 30, 2012

Retirement Benefits - General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 60.

Disability and Death Benefits - Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service is required for ordinary disability.

Death benefits for contributory members hired after June 30, 2012 are generally the same as those for contributory members hired June 30, 2012 and prior.

Hybrid Class for Employees Hired Prior to July 1, 2012

Retirement Benefits - General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.

Disability Benefits - Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.

NOTE M - EMPLOYEE BENEFITS (Continued)

Death Benefits - For service-connected deaths, the designated surviving spouse/ reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least five years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 150%, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Hybrid Class for Employees Hired After June 30, 2012

Retirement Benefits - General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60.

Disability and Death Benefits - Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least ten years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributions - Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rate for fiscal year 2022 was 24%. Contributions to the pension plan from OHA were $1,933,747 for the year ended June 30, 2022.

The employer is required to make all contributions for noncontributory members. Contributory members hired prior to July 1, 2012, are required to contribute 7.8% of their salary. Contributory members hired after June 30, 2012, are required to contribute 9.8% of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

NOTE M - EMPLOYEE BENEFITS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2022, OHA reported a liability of $31,908,556 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OHA's proportion of the net pension liability was based on a projection of OHA's long-term share of contributions to the pension plan relative to projected contributions of all participants, actuarially determined. At June 30, 2021, OHA's proportion was 0.32% as compared to its proportion measured as of June 30, 2020 of 0.35%.There were no changes between the measurement date, June 30, 2021, and the reporting date, June 30, 2022, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the year ended June 30, 2022, OHA recognized pension expense of $2,233,074. At June 30, 2022, OHA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 753,754	$ 49,907
Changes in assumptions	716,942	291
Net difference between projected and actual earnings on pension plan investments	--	3,621,541
Changes in proportion and differences between OHA contributions and proportionate share of contributions	136,804	161,086
OHA's contributions subsequent to the measurement date	1,933,747	--
	$ 3,541,247	$ 3,832,825

The $1,933,747 reported as deferred outflows of resources related to pensions resulting from OHA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

NOTE M - EMPLOYEE BENEFITS (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2023	$ (472,510)
2024	(446,803)
2025	(536,222)
2026	(780,016)
2027	10,226
	$ (2,225,325)

Actuarial Assumptions - The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, adopted by the ERS Board of Trustees on August 12, 2019, based on the 2018 Experience Study for the five-year period from July 1, 2013 through June 30, 2018:

Inflation	2.50%
Payroll growth rate	3.50%
Investment rate of return	7.00% compounded annually including inflation

There were no changes to ad hoc postemployment benefits including cost of living allowances.

Post-retirement mortality rates are based on the 2019 Public Retirees of Hawaii mortality table with adjustments based on generational projections of the BB projection table for 2019 and full generational projections in future years. Pre-retirement mortality rates are based on multiples of Pub-2010 mortality table based on the occupation of the member.

The long-term expected rate of return on pension plan investments was determined using a “top down approach” of the Client-Constrained Simulation-based Optimization Model (a statistical technique known as “re-sampling with a replacement” that directly keys in on specific plan-level risk factors as stipulated by the ERS Board of Trustees) in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE M - EMPLOYEE BENEFITS (Continued)

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Strategic Allocation (Risk-Based Classes)	Target Allocation	Long-Term Expected Rate of Return	Long-Term Expected Real Rate of Return*
Broad growth	63.0%	8.00%	5.90%
Diversifying strategies	37.0%	5.10%	3.00%
	100.0%		

* Uses an expected inflation rate of 2.10%

Discount Rate - The discount rate used to measure the net pension liability at June 30, 2021 was 7.00%, consistent with the rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the State will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of OHA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents OHA's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what OHA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
OHA's proportionate share of the net pension liability	$ 43,552,756	$ 31,908,556	$ 22,308,462

Pension Plan Fiduciary Net Position - The pension plan's fiduciary net position is determined on the same basis used by the pension plan. The ERS's financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

NOTE M - EMPLOYEE BENEFITS (Continued)

There were no significant changes after the report measurement date. Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report. ERS's complete financial statements are available at https://www.ers.ehawaii.gov/resources/financials.

Payables to the Pension Plan - At June 30, 2022, the amount payable to the ERS was $-0-.

(2) ***Postemployment Health Care and Life Insurance Benefits***

Plan Description - The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the State contributes to the EUTF, an agent multiple-employer defined benefit plan. The EUTF was established to provide single delivery system of health benefits for state and county workers, retirees, and their dependents. The EUTF issues an annual financial report that is available to the public at https://eutf.hawaii.gov/reports/.

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with ten years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than ten years of credited service. A retiree can elect a family plan to cover dependents.

For employees hired after June 30, 1996, but before July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For employees retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. A retiree can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage, but must pay the difference.

Employees Covered by Benefit Terms - At July 1, 2021, the following number of plan members of the State were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	38,534
Inactive plan members entitled to but not yet receiving benefits	7,539
Active plan members	49,700
Total plan members	95,773

NOTE M - EMPLOYEE BENEFITS (Continued)

Contributions - Contributions are governed by HRS Chapter 87A and may be amended through legislation. Employer contributions to the EUTF from OHA were $852,290 for the year ended June 30, 2022. OHA is required to make all contributions for members.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2022, OHA reported a net OPEB liability of $31,145,046. The net OPEB liability was measured as of July 1, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. At June 30, 2022, OHA's proportionate share of the State's net OPEB liability was 0.0798%, which was a decrease of 0.17% from its proportionate share of 0.25% at June 30, 2021.

There were no changes between the measurement date, July 1, 2021, and the reporting date, June 30, 2022, that are expected to have a significant effect on OHA's proportionate share of the State's net OPEB liability.

For the year ended June 30, 2021, OHA recognized OPEB expense of $449,152. At June 30, 2022, OHA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ --	$ 1,934,168
Changes in assumptions	267,663	116,971
Net difference between projected and actual earnings on OPEB plan investments	--	35,838
OHA's contributions subsequent to the measurement date	852,290	--
	$ 1,119,953	$ 2,086,977

The $852,290 reported as deferred outflows of resources related to OPEB resulting from OHA's contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023.

NOTE M - EMPLOYEE BENEFITS (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2023	$ (425,124)
2024	(423,339)
2025	(412,597)
2026	(462,819)
2027	(95,173)
Thereafter	(262)
	$ (1,819,314)

Actuarial Assumptions - The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF's Board of Trustees on January 13, 2020, based on the experience study covering the five-year period ended June 30, 2018:

Inflation	2.50%
Payroll growth rate	3.50% to 7.00%, including inflation
Investment rate of return	7.00%

Healthcare cost trend rates:

PPO*	Initial rate of 7.25%; declining to a rate of 4.70% after 12 years
HMO*	Initial rate of 7.25%; declining to a rate of 4.70% after 12 years
Contribution	Initial rate of 5.00%; declining to a rate of 4.70% after 9 years
Dental	4.00%
Vision	2.50%
Life insurance	0.00%

* Blended rates for medical and prescription drug.

Mortality rates are based on system-specific mortality tables utilizing scale BB to project generational mortality improvement.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE M - EMPLOYEE BENEFITS (Continued)

The target allocation and best estimates of arithmetic real rates of return for each asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. equity	16.00%	6.09%
Private equity	12.50%	10.19%
Non-U.S. equity	11.50%	7.12%
Real assets	10.00%	6.16%
Trend following	10.00%	2.01%
Private credit	8.00%	5.83%
U.S. microcap	6.00%	7.62%
Long treasuries	6.00%	1.06%
Global options	5.00%	4.33%
TIPS	5.00%	-0.07%
Alternative risk premia	5.00%	1.46%
Reinsurance	5.00%	4.44%
	100.00%	

Single Discount Rate - The discount rate used to measure the net OPEB liability was 7.00%, based on the expected rate of return on OPEB plan investments of 7.00%. Beginning with the fiscal year 2019 contribution, the State's funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. In July 2020, the Governor's office issued the Tenth Proclamation related to the COVID-19 Emergency, allowing employers of the EUTF to suspend Act 268 contributions for the year ending June 30, 2021 and instead limit their contribution amounts to the OPEB benefits due. This relief provision related to OPEB funding was extended to fiscal years 2022 and 2023, by Act 229, SLH 2021. The OPEB plan's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB Plan Fiduciary Net Position - The OPEB plan's fiduciary net position has been determined on the same basis used by the OPEB plan. The EUTF's financial statements are prepared using the accrual basis of accounting under which revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the cash flows. Employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded on a trade-date basis. Administrative expenses are financed exclusively with investment income.

NOTE M - EMPLOYEE BENEFITS (Continued)

There were no significant changes after the report measurement date. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued EUTF financial report. EUTF's complete financial statements are available at https://eutf.hawaii.gov/reports/.

Changes in OHA's Proportionate Share of the State's Net OPEB Liability - The following table represents a schedule of changes in OHA's proportionate share of the State's net OPEB liability. The ending balances are as of the measurement date, July 1, 2021.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2021	$ 38,938,580	$ 6,843,567	$ 32,095,013
Changes for the year:			
Service cost	188,701	--	188,701
Interest on the total OPEB liability	626,402	--	626,402
Contributions - employer	--	983,690	(983,690)
Net investment income	--	515,666	(515,666)
Benefit payments	(286,254)	(286,254)	--
Administrative expense	--	(263)	263
Difference between expected and actual experience	(265,870)	--	(265,870)
Other	--	107	(107)
Net changes	262,979	1,212,946	(949,967)
Balance at June 30, 2022	$ 39,201,559	$ 8,056,513	$ 31,145,046

Sensitivity of OHA's Proportionate Share of the State's Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates - The following table represents OHA's proportionate share of the State's net OPEB liability calculated using the discount rate of 7.00%, as well as what OHA's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current discount rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
OHA's proportionate share of the net OPEB liability	$ 38,524,766	$ 31,145,046	$ 25,322,366

NOTE M - EMPLOYEE BENEFITS (Continued)

The following table represents OHA's proportionate share of the State's net OPEB liability calculated using the assumed healthcare cost trend rate, as well as what OHA's net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
OHA's proportionate share of the net OPEB liability	$ 25,008,036	$ 31,145,046	$ 39,072,251

Payables to the OPEB Plan - OHA's employer contributions payable to the EUTF as of June 30, 2022, was $-0-.

(3) ***Deferred Compensation*** - The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

All plan assets are held in a trust fund to protect them from claims of general creditors. The State has no responsibility for loss due to the investment or failure of investment of funds and assets in the plan, but does have the duty of due care that would be required of an ordinary prudent investor. Accordingly, the assets and liabilities of the State's deferred compensation plan are not reported in the State's nor OHA's financial statements.

(4) ***Hiʻilei Aloha LLC and Hoʻokele Pono LLC Retirement Plan*** - Hiʻilei Aloha LLC and Hoʻokele Pono LLC offer 401(k) profit sharing plans. Employees become eligible upon six months of employment and may contribute to the plan to the extent allowed by law. Hiʻilei Aloha LLC and Hoʻokele Pono LLC match employees' contributions up to a specified percentage of salary. For the year ended December 31, 2021, contribution expense amounted to $66,108 and $-0- for Hiʻilei Aloha LLC and Hoʻokele Pono LLC, respectively.

(5) ***Sick Leave*** - Accumulated sick leave amounted to approximately $2,728,000 as of June 30, 2022. Sick leave accumulates at the rate of 14 hours for each month of service, as defined, without limit. Sick pay can be taken only in the event of illness and is not convertible to pay upon termination of employment. Employees who retire or leave government service in good standing with sixty or more unused sick days are entitled to additional service credit in the ERS. Accordingly, no liability for sick leave is recorded in the accompanying basic financial statements.

NOTE N - NON-IMPOSED EMPLOYEE FRINGE BENEFITS

Payroll fringe benefit costs for employees of OHA whose payroll are funded by state appropriations (general fund) are assumed by the State and are not charged to OHA's operating funds. These costs are generally reported as revenues of OHA's general fund. However, as discussed in Notes B12 and D, the general fund appropriation for the year ended June 30, 2021 was withheld as the result of Act 37, SLH 2019. While the general fund appropriations were eventually released pursuant to Act 29, SLH 2021, in July 2021, OHA had already processed its payroll for the year ended June 30, 2021 without the general fund appropriation and as such, could not record any non-imposed fringe benefits for the payroll fringe benefit costs of OHA funded staff payroll expense covered by the state appropriations for the year ended June 30, 2021.

Act 29, SLH 2021, which included fiscal year 2022 and 2023 general fund appropriations did not include a carve out of the appropriation for payroll, therefore, there were no non-imposed employee fringe benefits available as an offset to the expense.

NOTE O - RISK MANAGEMENT AND CONTINGENT LIABILITIES

(1) ***Workers' Compensation and Other Self-Insurance Liabilities*** - As a state agency, the Office of Hawaiian Affairs (OHA) participates in the State's risk management program. The State maintains certain insurance coverage to satisfy bond indenture agreements, cover liability and property exposures as well as for other risk mitigation purposes, but is substantially self-insured for many perils. The State records a liability for risk financing and insurance related losses, including incurred but not reported, if it is determined that a loss has been incurred and the amount can be reasonably estimated. The State retains various risks and insures certain excess layers with commercial insurance companies. In addition to the coverages provided by the State under the State's risk management program, the OHA purchases public officials and employment practices liability insurance, bankers' professional liability insurance, property coverage and general and excess liability coverage for property owned or required by lease agreements entered into.

The State is self-insured for workers' compensation. Accordingly, the OHA is liable for workers' compensation claims filed by its employees to the extent not otherwise covered by insurance. Liabilities for workers' compensation claims are established if information indicates that it is probable that liabilities have been incurred and the amount of those claims can be reasonably estimated. Beginning in fiscal year 2013 OHA began purchasing a third party workers' compensation policy, but was still liable for outstanding claims related to periods in which the OHA was self-insured. As of June 30, 2022, there are no outstanding claims for which OHA is liable.

NOTE O - RISK MANAGEMENT AND CONTINGENT LIABILITIES

(2) ***Quiet Title Litigation*** - Under Haw. Rev. Stat. Section 669-3(e), OHA is required to be statutorily joined as a defendant in any action to quiet title to an interest in kuleana if an owner of an inheritable interest in the kuleana died intestate or partially intestate and without any heirs or other takers. OHA typically responds in these actions by answering the complaint, seeking discovery and information, reviewing the evidence to determine whether OHA has an escheat interest in the kuleana, and participating in the litigation as necessary. OHA retains outside counsel for quiet title litigation. As of June 30, 2022, OHA is currently evaluating its potential interest in several quiet title actions. OHA continues to monitor these actions for any potential escheated interest.

(3) ***Litigation*** - OHA is a party to administrative and court proceedings that arise in the ordinary course of business. Although occasional adverse decisions (or settlements) may occur, OHA believes that the final disposition of such matters will not have a material adverse effect on the financial position or changes in the financial position of OHA.

NOTE P - RELATED PARTY TRANSACTIONS

OHA receives a portion of Public Land Trust (PLT) revenues from various state agencies. In June 2006, Act 178 was passed which laid the foundation for a quarterly guaranteed PLT revenue stream of $3,775,000, totaling $15,100,000 per year. In June 2022, Act 226 was passed which established a new interim annual share of PLT revenues of $21,500,000 beginning in fiscal year 2023; appropriated $64,000,000 to OHA for fiscal year 2022, and established a working group to determine the pro rata share of the proceeds from the PLT due annually to OHA.

PLT revenue of $79,100,000 is reported as of June 30, 2022, of which, $67,646,040 is included in accounts receivable, net in the PLTF.

Besides property leased from DLNR, Executive Order 3724 granted OHA a set aside of land located in Kekaha, Kaua‘i (Kekaha Armory), to be used for Hawaiian cultural and educational purposes in which OHA would control and manage the property. OHA is responsible for all maintenance costs associated with the property. Upon cancellation of the Executive Order and/or in the event of non-use for a continuous period of one year, for purposes described above, the property will revert back to DLNR, free of all liens and encumbrances. Unless sooner terminated, OHA leases the Kekaha Armory to a not-for-profit organization for a maximum period of 65 years commencing on November 2000, to utilize such property for purposes in accordance with the Executive Order.

In December 2008, OHA and DHHL mutually agreed to a collaborative financing arrangement to provide funds for DHHL for use in the planning, design and construction of infrastructure for homesteads for native Hawaiians on properties owned and controlled by DHHL, in fulfillment of OHA’s mission to better the conditions of Native Hawaiians. OHA’s commitment under the agreement was to pay DHHL an annual fee not to exceed $3,000,000 for 23 years. Payments to DHHL are presented as beneficiary advocacy expenditures in the PLTF; governmental funds - statement of revenues, expenditures, and changes in fund balances. As of June 30, 2022, OHA has approximately $30,000,000 in future payments committed to DHHL.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

Office of Hawaiian Affairs, State of Hawai‘i
SCHEDULE OF OHA’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last Ten Years *

Measurement Period Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a %age of Covered Payroll	Plan Fiduciary Net Position as a %age of the Total Pension Liability
June 30, 2021	0.35%	$ 31,908,556	$ 8,953,558	356.38%	54.80%
June 30, 2020	0.35%	$ 37,039,176	$ 8,362,878	442.90%	54.80%
June 30, 2019	0.37%	$ 34,499,547	$ 8,810,968	391.55%	54.80%
June 30, 2018	0.41%	$ 32,698,545	$ 9,008,205	362.99%	54.80%
June 30, 2017	0.41%	$ 31,892,391	$ 10,027,875	318.04%	54.80%
June 30, 2016	0.42%	$ 32,669,717	$ 10,033,406	325.61%	51.28%
June 30, 2015	0.43%	$ 21,773,504	$ 9,966,952	218.46%	62.42%
June 30, 2014	0.42%	$ 20,332,122	$ 9,270,781	219.31%	63.92%
June 30, 2013	0.43%	$ 22,136,982	$ 9,028,381	245.19%	57.96%

* GASB 68 was implemented in 2014. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

See accompanying notes to the required supplementary information.

Office of Hawaiian Affairs, State of Hawaiʻi
SCHEDULE OF CONTRIBUTIONS (PENSION)
Last Ten Years *

Year Ended	Statutorily Required Contribution	Contributions in Relation to Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2022	$ 1,933,747	$ 1,933,747	$ --	$ 8,057,279	24.00%
June 30, 2021	$ 2,134,887	$ 2,134,887	$ --	$ 8,953,558	23.84%
June 30, 2020	$ 1,846,492	$ 1,846,492	$ --	$ 8,362,878	22.08%
June 30, 2019	$ 1,663,734	$ 1,663,734	$ --	$ 8,810,968	18.88%
June 30, 2018	$ 1,694,776	$ 1,621,477	$ 73,299	$ 9,008,205	18.81%
June 30, 2017	$ 1,633,906	$ 1,633,906	$ --	$ 10,027,875	16.29%
June 30, 2016	$ 1,705,768	$ 1,634,903	$ 70,865	$ 10,033,406	17.00%
June 30, 2015	$ 1,644,547	$ 1,644,547	$ --	$ 9,966,952	16.50%
June 30, 2014	$ 1,483,325	$ 1,483,325	$ --	$ 9,270,781	16.00%

* GASB 68 was implemented in 2014. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

See accompanying notes to the required supplementary information.

There were no changes of assumptions or other inputs that significantly affected the measurement of the total pension liability since the measurement period June 30, 2016.

Amounts reported in the schedule of the proportionate share of the net pension liability as of the measurement period ended June 30, 2016 (fiscal year ended June 30, 2017) were significantly impacted by the following changes of actuarial assumptions:

- The investment return assumption decreased from 7.65% to 7.00%
- Mortality assumptions were modified to assume longer life expectancies as well as to reflect continuous mortality improvement

Prior to the measurement period ended June 30, 2016 (fiscal year ended June 30, 2017), there were no other factors, including the use of different assumptions that significantly affect trends reported in these schedules.

Office of Hawaiian Affairs, State of Hawaiʻi
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
Last Ten Years*

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	$ 188,701	$ 622,313	$ 638,464	$ 631,702	$ 510,265
Interest on the total OPEB liability	626,402	1,998,401	2,012,496	1,955,895	1,549,389
Difference between expected and actual experience of the total OPEB liability	(265,870)	(1,829,616)	(16,757)	(578,349)	--
Change in assumptions	--	(149,804)	161,749	350,035	--
Benefit payments	(286,254)	(919,089)	(963,777)	(952,352)	(766,044)
Net change in total OPEB liability	262,979	(277,795)	1,832,175	1,406,931	1,293,610
Total OPEB liability - Beginning	38,938,580	39,216,375	37,384,200	35,977,269	34,683,659
Total OPEB liability - Ending	$ 39,201,559	$ 38,938,580	$ 39,216,375	$ 37,384,200	$ 35,977,269
Plan fiduciary net position					
Contributions - employer	$ 983,690	$ 2,053,803	$ 2,125,953	$ 1,881,695	$ 1,523,372
Net investment income	515,666	109,657	193,288	216,804	152,522
Benefit payments	(286,254)	(919,089)	(963,777)	(952,352)	(766,044)
Administrative expense	(263)	(774)	(1,328)	(710)	(391)
Other	107	689	447,738	--	12,248
Net change in plan fiduciary net position	1,212,946	1,244,286	1,801,874	1,145,437	921,707
Plan fiduciary net position - Beginning	6,843,567	5,599,281	3,797,407	2,651,970	1,730,263
Plan fiduciary net position - Ending	$ 8,056,513	$ 6,843,567	$ 5,599,281	$ 3,797,407	$ 2,651,970
Net OPEB liability	$ 31,145,046	$ 32,095,013	$ 33,617,094	$ 33,586,793	$ 33,325,299
Plan fiduciary net position as a percentage of the total OPEB liability	20.55%	17.58%	14.28%	10.16%	7.37%
Covered payroll	$ 8,953,558	$ 8,362,878	$ 8,810,968	$ 9,008,205	$ 10,027,875
Net OPEB Liability as a Percentage of Covered Payroll	347.85%	383.78%	381.54%	372.85%	369.94%

* The schedule is intended to present information for ten years for each respective fiscal year. Additional years will be built prospectively as information becomes available.

See accompanying notes to the required supplementary information.

Office of Hawaiian Affairs, State of Hawai‘i
SCHEDULE OF CONTRIBUTIONS (OPEB)
Last Ten Years*

Year Ended	Actuarially Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2022	$ 852,290	$ 852,290	$ --	$ 8,057,279	10.58%
June 30, 2021	$ 983,690	$ 983,690	$ --	$ 8,953,558	10.99%
June 30, 2020	$ 2,144,512	$ 2,053,803	$ 90,709	$ 8,362,878	25.64%
June 30, 2019	$ 2,125,952	$ 2,048,768	$ 77,184	$ 8,810,968	24.13%
June 30, 2018	$ 2,123,100	$ 1,881,695	$ 241,405	$ 9,008,205	23.57%
June 30, 2017	$ 1,523,372	$ 1,523,372	$ --	$ 10,027,875	15.19%

* The data is presented for the years for which information is available.

See accompanying notes to the required supplementary information.

NOTE A - SIGNIFICANT METHODS AND ASSUMPTIONS

The actuarially determined contribution for the fiscal year ended June 30, 2022 was developed in the July 1, 2019 valuation. The following summarizes the significant methods and assumptions used to determine the actuarially determined contribution for the year ended June 30, 2022:

Actuarial valuation date	July 1, 2019
Actuarial cost method	Entry Age Normal
Amortization method*	Level percent, closed
Remaining amortization period	23 years as of June 30, 2022
Actuarial assumptions	
Inflation rate	2.50%
Investment rate of return	7.00%
Payroll growth	3.50%
Salary increases	3.50% to 7.00% including inflation
Demographic assumptions	Based on the experience study covering the five year period ending June 30, 2018 as conducted for the ERS
Mortality	System-specific mortality tables utilizing scale BB to project generational mortality improvement
Participation rates	98% healthcare participation assumption for retirees that receive 100% of the Base Monthly Contribution (BMC). Healthcare participation rates of 25%, 65%, and 90% for retirees that receive 0%, 50%, or 75% of the BMC, respectively. 100% for life insurance and 98% for Medicare Part B
Healthcare inflation rates	
PPO**	8.00% initial, declining to 4.86% after 12 years
HMO**	8.00% initial, declining to 4.86% after 12 years
Part B	5.00% initial, declining to 4.70% after 11 years
Dental	5.00% for the first 2 years, then to 4.00% for all future years
Vision	0.00% for the first 2 years, then 2.50% for all future years

** Blended rates for medical and prescription drug

NOTE A - SIGNIFICANT METHODS AND ASSUMPTIONS (Continued)

Prior to the fiscal year ended June 30, 2022, there were no other factors, including the use of different assumptions that significantly affected trends in the amounts reported in the schedule of changes in the net OPEB liability and related ratios or the schedule of contributions (OPEB).