



**OFFICE OF HAWAIIAN AFFAIRS
STATE OF HAWAII**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

Year Ended June 30, 2024



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STATE OF HAWAI'I**

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Office of Hawaiian Affairs, State of Hawai'i
LETTER FROM THE CHIEF EXECUTIVE OFFICER - UNAUDITED
June 30, 2024

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, 2024. 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 and accurately 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 fiscal 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 Hawai'i'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 Hawai'i State Legislature, under the provisions of Chapter 10 of the Hawai'i 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 Hawai'i. In 1980, the Hawai'i 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 *Ho'oulu Lāhui Aloha*--to raise a beloved *Lāhui*.

OHA's mission is to *mālama* (protect) Hawai'i'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 Hawai'i Revised Statutes Chapter 10, OHA is the principal public agency in the State of Hawai'i 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.

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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 2024. 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 Hawai'i 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

Hi'ipaka LLC ("Hi'ipaka") was established on December 6, 2007, and began operations in February 2008. Hi'ipaka's purpose is to preserve and perpetuate the human, cultural and natural resources of Waimea Valley, O'ahu for future generations through education and stewardship. Hi'ipaka is a limited liability company with Hi'ilei Aloha LLC ("Hi'ilei") as its sole member. Hi'ilei is a limited liability company with OHA as its sole member. Hi'ipaka's governing body previously consisted of three "Managers" who were senior management officials of OHA. In 2019, OHA approved amending the Hi'ipaka's Operating Agreement to state that the Managers shall not be OHA employees. Non-OHA employee Managers replaced the existing Managers in 2021. Since the Company is a limited liability company, no member, manager, agent, or employee of Hi'ipaka shall be personally liable for debts, obligations, or liabilities of Hi'ipaka whether arising in contract, tort, or otherwise for the acts or omissions of any other member, director, manager, agent, or employee of Hi'ipaka, unless the individual has signed a specific personal guarantee. The duration of Hi'ipaka is perpetual. Revenues are generated primarily from sales of admission to Waimea Valley and the activities and events (hikes, education programs, tours, gift shop sales, facility use charges, etc.) held there, as well as grants and donations. Hi'ipaka is a component unit of Hi'ilei which in turn is a component unit of OHA for financial reporting purposes.

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ORGANIZATIONAL STRUCTURE – FINANCIAL REPORTING

The Office of Hawaiian Affairs operates under the governance of a nine-member Board of Trustees, who set strategy and policy to address the needs of Native Hawaiian beneficiaries. To implement the Board's policies and carry out the agency's operational work, OHA relies on its executive leadership team, division directors, and a broad range of functional and programmatic staff.

In November 2024, the Board hired a new Chief Executive Officer (CEO)/Ka Pouhana to lead the agency in fulfilling its ambitious 15-year strategic plan, *Mana i Maui Ola*. Upon assuming the role, the new CEO conducted a comprehensive organizational assessment and identified OHA's limited ability to fully implement its strategic plan. These gaps included the absence of dedicated internal expertise to develop and drive strategic implementation efforts in, as well as a lack of formalized structures to ensure Native Hawaiian cultural values, perspectives, and sense of place were consistently embedded across OHA's systems, policies, and programs.

Over fiscal year 2024, OHA experienced significant workforce instability in the wake of the COVID-19 pandemic. Following the repeal of the State of Hawai'i's emergency proclamation and the Board's 2024 directive for staff to return to the office, the agency saw a series of retirements and resignations, further exacerbating an already high vacancy rate of approximately 30%. These vacancies affected multiple levels of the organization, including executive leadership, program management, and technical staff. In response, the new CEO implemented targeted recruitment and hiring strategies to address critical vacancies while simultaneously leading a process to recalibrate the agency's structure to better align with the strategic plan and ensure the right functional expertise was in place to support both day-to-day operations and long-term strategic outcomes.

To directly address these identified gaps, OHA formally established two new pāia in December 2024: Strategy & Implementation and Hawaiian Cultural Affairs. The Strategy & Implementation division is responsible for transforming strategic objectives into actionable, measurable plans, and ensuring their effective execution across the agency. The Hawaiian Cultural Affairs division serves as OHA's cultural piko, grounding the agency's work in Native Hawaiian values, worldview, and cultural practices. This division also strengthens cultural competency within the organization and ensures that programs, services, and decisions are culturally anchored and reflective of Native Hawaiian identity. Together, these structural enhancements, along with ongoing efforts to recruit and retain qualified staff, have positioned OHA to more effectively fulfill its fiduciary responsibilities, enhance operational effectiveness, and advance the strategic outcomes envisioned in *Mana i Maui Ola*.

The information below (e.g., names of operating units) therefore refers to the organizational structure as of June 30, 2024.

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

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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 – OHA 150, 160, 175) classifications.

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

Division Title	Division Objectives
<p>1. Board of Trustees (OHA150)</p> <p><i>Board of Trustees, Board of Trustees Staff</i></p>	<p>The Office of Hawaiian Affairs’ Board of Trustees, supported by their dedicated staff, works for the betterment of all Hawaiians by setting strategy and policy that directly responds to the concerns, needs, and interests of OHA’s beneficiaries. With a clear fiduciary responsibility, the Board ensures that all decisions advance strategic outcomes that promote the well-being of Native Hawaiians, protect their rights and entitlements in their homeland, support their pursuit of self-determination and self-governance, and nurture and honor Native Hawaiian culture.</p>

Division Title	Division Objectives
<p>2. Executive Officers & Operational Services (OHA 160)</p> <p><i>Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Corporate Counsel, Senior Director of Cultural Affairs, Senior Director of Strategy and Implementation, Endowment Director, Commercial Properties, Communications, Finance, Investments, Human Resources, Legal, Legacy Lands (Palauea Cultural Preserve, Wao Kele o Puna, Ho`omana, Kekaha Armory, Kukaniloko, Pahua Heiau, Waialua Courthouse), Operations Support, Procurement, Research & Evaluation, Strategy & Implementation, Technology Services</i></p>	<p>OHA’s executive officers provide leadership, guidance, direction, and executive oversight to advance the agency’s strategic priorities and ensure alignment with the Board of Trustees’ vision for the betterment of Native Hawaiians. Supporting this work, OHA’s operational divisions deliver the essential administrative infrastructure that enables effective program delivery and organizational performance. Together, the executive leadership team and operational divisions work in seamless partnership to achieve excellence in resource management, technological innovation, streamlined processes, and integrated information sharing. This collaborative approach enhances program support, strengthens coordination with Hawaiian-serving agencies, and ensures sound stewardship of OHA’s financial resources, commercial properties, and land assets to sustain and grow the Native Hawaiian Trust for future generations.</p>

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3. Beneficiary Advocacy (OHA175)

Advocacy, Beneficiary Services, Community Engagement, Compliance & Enforcement, Consumer Micro Loans, Grants, Halawa-Lulukū Interpretive Development, Native Hawaiian Revolving Loan Fund, Papahānaumokuākea, Public Policy, Research & Evaluation

OHA provides critical beneficiary advocacy and support to advance the betterment of all Hawaiians by improving access to essential resources, benefits, and services with a focus on housing, education, health, and economic development. OHA advocates for the rights and interests of Hawaiians through public policy development, stewardship of ancestral lands, cultural preservation, community outreach, dialogue, and strategic litigation. These efforts reflect OHA's commitment to uplifting Native Hawaiians, protecting cultural and natural resources, and ensuring that Hawaiians have a strong voice in decisions that shape their future.

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, 2024, and for the year then ended. The auditor's 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.

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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 2024) and the report date (March 2025).

Sources of Funding

The sources of funding for OHA include State of Hawai'i 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 and uphold the mission of OHA in perpetuity. 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 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 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 are closely tied to the local economy, as is the operations of commercial properties as a resource; while the performance of resources from the financial assets in the NHTF, are closely tied to the national economy.

State of the Local Economy

As of early 2025, Hawai'i's economy continues to see moderate growth, driven by construction, real estate, and tourism, according to the State of Hawai'i's Department of Business, Economic Development, and Tourism (DBEDT). Construction activity remains strong, and tourism recovery is boosting visitor spending. However, inflation remains a significant concern, with Honolulu's Consumer Price Index rising to 4.2% in September 2024, 2.0 percentage points higher than the previous year and 1.8 basis points above the national rate of 2.4%. Rising housing and living costs are straining residents, particularly low-income households and Native Hawaiian communities.

The re-election of President Trump introduces new economic uncertainties for Hawai'i. Proposed import tariffs and stricter immigration policies could increase costs for businesses and consumers, fueling inflation and supply chain disruptions. According to the University of Hawai'i Economic Research Organization (UHERO), federal spending cuts may reduce funding for local programs and military investments, key economic drivers in the state. Native Hawaiians, who already face economic disparities, are especially vulnerable to rising costs and potential reductions in federal support. While Hawai'i's economy remains on a growth path, adapting to inflationary pressures and federal policy shifts will be essential for long-term stability and resilience.

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State of the National Economy

The U.S. economy remains resilient but faces growing uncertainties under President Trump's administration. Unemployment is steady at 4%, and inflation has moderated, yet new tariffs and federal spending cuts introduce risks. Tariffs could escalate trade tensions, raise consumer prices, and disrupt supply chains, while spending cuts may slow growth by reducing federal support for key programs. The Federal Reserve has signaled patience before further rate cuts, awaiting clarity on tariff impacts, deregulation, and tax policies. This uncertainty has contributed to financial market volatility, with investors closely watching the Fed's response to inflation risks.

These domestic challenges are unfolding against a backdrop of global economic uncertainty. Trade tensions, geopolitical risks, and shifting monetary policies continue to shape global markets. China has threatened retaliatory tariffs, the European Union faces slowing growth and energy concerns, and emerging markets struggle with currency pressures and rising debt costs. Central banks worldwide remain cautious, balancing inflation control with economic stability in an increasingly complex environment.

Looking ahead, U.S. growth is projected at 2.3% for 2025, though higher inflation and interest rate uncertainty could dampen expansion. Trade policies, supply chain shifts, and regulatory changes will be key economic drivers. Globally, growth is expected to slow, requiring businesses and investors to adapt to evolving economic conditions and heightened policy uncertainty.

OHA's Financial Asset Investments

The NHTF delivered a 12.2% net return for the fiscal year ending June 30, 2024, increasing total financial assets by \$66.1 million, from \$520.9 million to \$587.0 million, driven by investment gains. While the portfolio performed well in absolute terms, it underperformed its policy portfolio benchmark, primarily due to the rapid rise of public markets and more muted returns from private investments.

Fiscal 2024 was another strong year for global markets, with diversified portfolios posting double-digit gains for the second consecutive year. U.S. equities led the rally, fueled by mega-cap tech stocks, while global markets rebounded as inflation eased and the Fed signaled rate cuts. Growth stocks outperformed value, and large caps outpaced small caps. Fixed income markets saw a steepening yield curve and tightening credit spreads, benefiting high-yield bonds and leveraged loans. Real assets had mixed results; energy equities surged on strong demand, while REITs struggled due to commercial real estate concerns. Private equity rebounded in the second half, and hedge funds capitalized on broad market strength.

The NHTF portfolio is a globally diversified, multi-asset class portfolio designed to support OHA's mission for generations. With a strategic emphasis on equities and equity-oriented investments, the portfolio is structured to achieve long-term growth while managing risk. The asset allocation is designed to outperform across market cycles (rolling 10- to 15-year periods), ensuring the trust's value grows beyond inflation while maintaining liquidity and protecting against major equity market downturns.

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Success is measured over decades, with a focus on preserving purchasing power after spending, inflation, fees, and expenses. Over the past decade, NHTF's 6.6% annualized return lagged its policy portfolio benchmark and CPI +5% objective, as persistently high inflation in recent years created strong headwinds for financial markets.

Looking ahead, a long-term perspective and disciplined diversification remain essential. While geopolitical risks and monetary policy shifts may drive short-term volatility, a globally diversified portfolio helps manage risk and seize opportunities across asset classes. This approach supports sustainable long-term growth, enhances resilience through market cycles, and safeguards purchasing power for future generations.

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

OHA's Strategic Plan "*Mana I Maui Ola*" (MIMO)--Strength to Wellbeing--includes three foundations: *'ohana* (family), *mo 'omeheu* (culture), and *'āina* (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 *'ohana*.

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 pe'a*) that reestablish/maintain strong cultural foundations and identity.

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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 availability of qualified teachers;
- 2.2. Increase availability of Hawaiian Focused Charter Schools and Hawaiian-medium schools; and
- 2.3. Establishment of a Native Hawaiian Charter School and Hawaiian-medium learning system.

Strategic Direction: Health Outcomes

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

Outcome: Strengthened ‘ōiwi (cultural identity), ea (self-governance), ‘āina 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. Increase availability and access to quality, culturally based, and culturally adapted prevention and treatment interventions in ‘ohana, schools, and communities; (E Ola Mau a Mau);
- 3.2. Establish 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. Empower communities to take care of iwi kūpuna.

Strategy 4: Advance policies, programs and practices that strengthen the health of the ‘āina and mo‘omeheu.

Strategy Outcomes:

- 4.1 Preservation and perpetuation of Hawaiian language, culture, traditions, identity and sense of lāhui;
- 4.2 Increase community stewardship of Hawai‘i’s natural and cultural resources that foster connection to ‘āina, ‘ohana, and communities; and
- 4.3 Increase restoration of Native Hawaiian cultural sites, landscapes, kulāiwi and traditional food systems.

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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 Hawai'i.

Outcome: Strengthened capability for 'ohana 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 'ohana.

Strategy Outcomes:

- 5.1. Increase numbers/percent of Native Hawaiians who rent housing that meets their 'ohana's financial and well-being needs;
- 5.2. Increase numbers/percent of Native Hawaiians who own housing that meets their 'ohana's financial and well-being needs; and
- 5.3. Increase 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 'ohana.

- 6.1. Increase affordable non-traditional housing options (e.g., accessory dwelling units/tiny homes, large multi-generational lots or homes) in communities of 'ohana's choice;
- 6.2. Increase housing unit supply on Hawaiian Home Lands; and
- 6.3. Decrease rate of Native Hawaiian 'ohana 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 economic capabilities and resilience for 'ohana, Native Hawaiian communities, and Hawaiian-owned Businesses to build and sustain generational wealth and economic systems that are regenerative, sustainable and reflective of 'ike kūpuna.

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

Strategy Outcomes:

- 7.1. Increase number/percent of Native Hawaiian 'ohana who are able to provide high quality keiki and kūpuna care;

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

7.3. Increase number of Native Hawaiian 'ohana who are resource stable (e.g., financial, subsistence, other); and

7.4. Increase Native Hawaiian employment rate.

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

Strategy Outcomes:

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

8.2. Establishment of new markets for Native Hawaiian products (e.g., kalo, loko i'a grown fish) that can provide Native Hawaiian producers a livable wage; and

8.3. Establish and operationalize an 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. Increase value of the Native Hawaiian Trust Fund (NHTF);

9.2. Increase value of the commercial resources;

9.3. Increase direct investments in Hawai'i;

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

9.5. Increase strategic granting.

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

Strategy Outcomes:

10.1. Protect traditional and customary rights;

10.2. Deepen sense to auamo kuleana for land resources;

10.3. Strengthen and elevate cultural resource management practices;

10.4. Broaden cadre of cultural resource managers; and

10.5. Increase stewarded direct land investments.

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SUBSEQUENT EVENTS

Office of Hawaiian Affairs: Advancing our Mission and Expanding Impact

The Office of Hawaiian Affairs continues to make significant strides in its mission to better the conditions of Native Hawaiians across the pae 'āina. Through strategic investments, organizational growth, strengthened partnerships, and innovative new programs, OHA is working to fulfill the legislative mandates set forth in HRS Chapter 10 and 10H, while centering the voices, needs, and aspirations of our lāhui. This period reflects bold action in grants and community investments, internal restructuring to increase operational effectiveness, a historic biennium budget request, and expanded outreach efforts designed to create greater transparency and accountability with beneficiaries.

Board of Trustees Leadership, Governance Restructuring and Compensation

Following the 2024 elections, OHA welcomed a new Board Chairperson and reaffirmed its leadership team:

- Kaiali'i Kahele elected as Hawai'i Island Trustee (August 2024) and selected by his fellow trustees as Board Chairperson (December 2024)
- Reelected Trustees: Dan Ahuna (Kaua'i/Ni'ihau), Keli'i Akina (At-Large), and Luana Alapa (Moloka'i/Lāna'i)

As part of the Board's efforts to enhance governance efficiency, OHA restructured its standing committees to better align with the agency's core functions and strategic priorities. The new committees are:

- Investments and Land Management Committee responsible for oversight of OHA's investment portfolio, commercial properties, and land assets.
- Budget and Finance Committee responsible for reviewing and recommending approval of OHA's biennium budget, financial policies, and fiscal oversight.
- Beneficiary, Advocacy, and Empowerment Committee responsible for oversight of programs, advocacy efforts, community engagement, and beneficiary services.

This restructuring creates greater clarity and focus for each committee, ensuring that OHA's governance structure is strategically aligned with the organization's evolving responsibilities and its long-term Mana i Maui Ola Strategic Plan.

On January 29, 2025, the OHA Salary Commission unanimously approved a long-overdue trustee salary adjustment—raising trustee pay to \$91,560 annually, with the Board Chair earning \$100,308. This adjustment begins to correct years of stagnant compensation, which left OHA Trustees as the lowest-paid elected officials in the State of Hawai'i, despite the significant fiduciary, policy, and oversight responsibilities they hold.

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Additionally, Summer Sylva began her new role as Chief of Staff to the Board of Trustees on March 1, 2025, filling a position that had remained vacant for over a year. This key leadership role will support the Board in carrying out its policy and oversight duties while helping to streamline internal coordination between the Trustees and OHA's administration.

Building Administrative Leadership Capacity Through Critical Hires

Recognizing the need to strengthen OHA's capacity and stabilize the agency with filling critical leadership roles and establishing clearer strategic oversight and deeper cultural grounding, the following positions were hired:

- Senior Director of Strategy & Implementation (October 2024)
- Director of Economic and Business Resilience (October 2024)
- Director of Communications (November 2024)
- Director of Advocacy (November 2024)
- Director of Community Engagement (January 2025)

Expanding Community Engagement and Advocacy

OHA launched a Mea 'Ai and Mana'o series, holding island-specific follow-up meetings in fall 2024 and spring 2025 to reconnect with beneficiaries and respond to issues raised during the summer Board of Trustees island meetings.

Additionally, OHA strengthened its advocacy and cultural stewardship efforts by convening community meetings on Kaua'i focused on iwi kūpuna protection. The Kūkū Kaiaulu: Nā Iwi Kūpuna o Nāue gathering brought together state and county agencies, cultural practitioners, and community members to address persistent issues of burial site disturbances and desecration. This direct, transparent engagement reflects OHA's ongoing commitment to accountability, advocacy, and cultural stewardship, ensuring beneficiaries' voices guide OHA's priorities and actions.

Biennium Budget Request to the State of Hawai'i

On January 6, 2025, OHA presented its FY26-FY27 Biennium Budget Request to the State Senate Ways and Means and House Finance Committees. OHA is requesting \$4.8 million in FY26 and \$4.9 million in FY27, reflecting critical adjustments for inflation and expanded programmatic needs. This request supports the Mana i Maui Ola Strategic Plan and helps close a longstanding funding gap caused by cost-of-living increases not previously factored into OHA's budget. It also seeks funding for the newly established 13-member Strategy & Implementation Team, critical to achieving OHA's statutory mandates.

Office of Hawaiian Affairs, State of Hawai'i
LETTER FROM THE CHIEF EXECUTIVE OFFICER - UNAUDITED
June 30, 2024

On March 5, 2025, OHA's budget bill passed the House Finance Committee and is advancing to the Senate Ways and Means Committee. OHA remains optimistic about receiving full legislative support.

CLOSING COMMENTS

As I reflect on the fiscal year ending June 30, 2024, and the period leading up to this report's issuance in March 2025, the Office of Hawaiian Affairs stands at a pivotal and invigorating juncture. With renewed energy and a refined focus on fulfilling our statutory mandates through the implementation of Mana i Maui Ola, our 15-year strategic plan, we are witnessing a harmonious collaboration between new leadership within both the Administration and the Board of Trustees. This unified effort is steadfastly directed toward achieving the agency's ambitious goals and uplifting the conditions of Native Hawaiians.

Significant progress has been made in addressing previous staffing challenges, notably reducing our vacancy rate from approximately 30% to 24%, with more work to be done. This achievement has been instrumental in enhancing our capacity to engage more boldly and frequently with the community, providing robust advocacy, and fostering collaborations with governmental entities, community organizations, and other stakeholders. These partnerships are crucial as we collectively undertake the substantial task of improving the wellbeing of Native Hawaiians.

While much work remains, OHA is now better positioned and poised to accomplish our mission. Our unwavering commitment to serving our beneficiaries and the broader Lāhui guides our efforts as we continue to focus on initiatives that drive meaningful change.

I extend my heartfelt mahalo to our Trustees, dedicated staff, beneficiaries, and community partners. Their support and collaboration are invaluable as OHA continues its endeavors to enhance the conditions of Native Hawaiians and strive for Ea, sovereignty and self-determination.

Respectfully submitted,



Stacy Ferreira
Ka Pouhana, Chief Executive Officer
Office of Hawaiian Affairs

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, 2024, 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, 2024, and the respective changes in financial position and, where applicable, cash flows thereof 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'ipaka LLC, a component unit of Hi'ilei Aloha LLC, a component unit of OHA, which represents 100 percent, 100 percent, and 100 percent, respectively, of the assets, net position, and revenues of the business-type activities as of December 31, 2023. 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'ipaka 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 21 through 29, the budgetary comparison schedule - general fund 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 financial 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 not 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 28, 2025 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 28, 2025

Office of Hawaiian Affairs, State of Hawai'i
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

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, 2024, management discussion and analysis will address both this year and the year ended June 30, 2023, including any subsequent events and disclosures that should be made to understand the financial statements between the fiscal year ended June 30, 2024 and the report issuance date of March 28, 2025.

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.

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, and 3) Notes to Financial Statements. The first two components are intended to present different financial views of OHA. The third component is intended to further explain some of the information in the financial statements and provide more detail. These components are described below. This report also contains supplementary information required by GASB and other supplementary information in addition to the basic financial statements themselves.

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.

Office of Hawaiian Affairs, State of Hawai'i
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

Statement of Net Position

Summarized financial information of OHA's Statement of Net Position as of June 30, 2024 and 2023 is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
ASSETS						
Capital assets, net	\$ 276,505,868	\$ 278,110,381	\$ 16,340,915	\$ 15,539,934	\$ 292,846,783	\$ 293,650,315
Other assets	664,067,217	598,767,263	13,718,681	10,901,609	677,785,898	609,668,872
Total assets	<u>940,573,085</u>	<u>876,877,644</u>	<u>30,059,596</u>	<u>26,441,543</u>	<u>970,632,681</u>	<u>903,319,187</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	3,484,058	3,423,179	--	--	3,484,058	3,423,179
Related to OPEB	2,664,715	1,630,107	--	--	2,664,715	1,630,107
Total deferred outflows of resources	<u>6,148,773</u>	<u>5,053,286</u>	<u>--</u>	<u>--</u>	<u>6,148,773</u>	<u>5,053,286</u>
LIABILITIES						
Other liabilities	10,382,637	4,714,598	513,393	563,391	10,896,030	5,277,989
Long-term liabilities	123,464,893	123,107,065	--	--	123,464,893	123,107,065
Total liabilities	<u>133,847,530</u>	<u>127,821,663</u>	<u>513,393</u>	<u>563,391</u>	<u>134,360,923</u>	<u>128,385,054</u>
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	609,733	1,897,202	--	--	609,733	1,897,202
Related to OPEB	3,104,990	3,518,311	--	--	3,104,990	3,518,311
Related to leases	30,233,955	27,664,638	358,344	541,718	30,592,299	28,206,356
Total deferred inflows of resources	<u>33,948,678</u>	<u>33,080,151</u>	<u>358,344</u>	<u>541,718</u>	<u>34,307,022</u>	<u>33,621,869</u>
NET POSITION						
Invested in capital assets, net of related debt	217,349,630	217,875,735	16,340,915	15,539,934	233,690,545	233,415,669
Restricted	24,844,356	24,339,083	182,190	--	25,026,546	24,339,083
Unrestricted	536,731,664	478,814,298	12,664,754	9,796,500	549,396,418	488,610,798
Total net position	<u>\$ 778,925,650</u>	<u>\$ 721,029,116</u>	<u>\$ 29,187,859</u>	<u>\$ 25,336,434</u>	<u>\$ 808,113,509</u>	<u>\$ 746,365,550</u>

The assets and deferred outflows of resources of OHA exceeded its liabilities and deferred inflows of resources as of June 30, 2024 by \$808,113,509 (presented as Total net position). Of this amount, \$549,360,264 is reported as Unrestricted, while \$25,062,700 is reported as "Restricted" federal funds and \$233,690,545 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, 2023 by \$746,365,550 (presented as "Total net position"). Of this amount, \$488,610,798 is reported as "Unrestricted", while \$24,339,083 is reported as "Restricted" federal funds and \$233,415,669 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 for their use.

Office of Hawaiian Affairs, State of Hawai'i
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

OHA's total net position, from June 30, 2024 of \$808,113,509 and June 30, 2023 of \$746,365,550 increased by \$61,747,959 (an 8.27% increase) in 2024. The increase was mainly due to the \$68.1 million increase in Other Assets from the Native Hawaiian Trust Fund (NHTF), the value increasing from \$520.9 million to \$587.0 million, a 12.7% increase. Fiscal 2024 was another strong year for global markets, with diversified portfolios posting double-digit gains for the second consecutive year. The stock market contributed to the increase in realized and market value gains. Additional information regarding OHA's investments can be found in Note I to the financial statements.

Statement of Activities presents information showing how the government's net position changed during the fiscal 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, Hi'ilei Aloha LLC and its wholly-owned subsidiary Hi'ipaka LLC, through its separate year end, December 31, 2023. Hi'ilei Aloha LLC has been included as a blended component unit due to the fact that OHA is the sole corporate member of the entity and is considered to be a component unit of OHA for financial reporting purposes.

Statement of Activities

Summarized financial information of OHA's Statement of Activities for the fiscal years ended June 30, 2024 and 2023 is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
REVENUES						
Program revenues:						
Charges for services	\$ 10,126,797	\$ 10,834,087	\$ 10,952,612	\$ 9,809,119	\$ 21,079,409	\$ 20,643,206
Operating grants	440,446	421,680	--	--	440,446	421,680
General revenues:						
State allotments, net of lapsed appropriations	2,724,445	2,254,400	--	--	2,724,445	2,254,400
Public land trust revenue	21,500,000	21,500,000	--	--	21,500,000	21,500,000
Capital contributions	--	--	434,350	--	434,350	--
Unrestricted contributions	762,875	498,336	--	--	762,875	498,336
Interest and investment earnings	68,301,578	38,305,711	195,027	--	68,496,605	38,305,711
Total revenues	<u>103,856,141</u>	<u>73,814,214</u>	<u>11,581,989</u>	<u>9,809,119</u>	<u>115,438,130</u>	<u>83,623,333</u>
EXPENSES						
Current divisions:						
Beneficiary advocacy	19,369,363	17,801,035	--	--	19,369,363	17,801,035
Board of trustees	3,552,718	2,744,430	--	--	3,552,718	2,744,430
Support services	21,604,218	21,537,793	--	--	21,604,218	21,537,793
Unallocated depreciation and amortization	1,433,308	1,729,236	--	--	1,433,308	1,729,236
Hi'ilei Aloha LLC	--	--	7,730,564	5,788,704	7,730,564	5,788,704
Total expenses	<u>45,959,607</u>	<u>43,812,494</u>	<u>7,730,564</u>	<u>5,788,704</u>	<u>53,690,171</u>	<u>49,601,198</u>
Change in net position	57,896,534	30,001,720	3,851,425	4,020,415	61,747,959	34,022,135
NET POSITION AT BEGINNING OF FISCAL YEAR	<u>721,029,116</u>	<u>691,027,396</u>	<u>25,336,434</u>	<u>21,316,019</u>	<u>746,365,550</u>	<u>712,343,415</u>
NET POSITION AT END OF FISCAL YEAR	\$ <u>778,925,650</u>	\$ <u>721,029,116</u>	\$ <u>29,187,859</u>	\$ <u>25,336,434</u>	\$ <u>808,113,509</u>	\$ <u>746,365,550</u>

Office of Hawaiian Affairs, State of Hawai‘i
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2024

OHA’s change in net position increased from \$34,022,135 to \$61,747,959, a \$27,725,824 increase (81.49%) during fiscal year 2024. The key elements of this increase compared to the prior year are the interest and investment earnings from the NHTF of \$30.0 million, offset by \$1.6 million from beneficiary advocacy from the Maui Wildfire Disaster Relief grant and the 13th Festival of Pacific Arts and Culture sponsorship with State of Hawai‘i - Department of Business, Economic Development & Tourism and \$1.9 million from Hi‘ilei Aloha LLC, cost of sales.

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 fiscal 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 35 and 37 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 Special Revenue Funds.

Office of Hawaiian Affairs, State of Hawai'i
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

The business type activities of the blended component unit, Hi'ilei Aloha LLC and its wholly-owned subsidiary, have been classified as a proprietary fund. 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 restricted cash, resulting from operating, capital and related financing, and investing activities. OHA's proprietary fund is classified as business-type activities in the government-wide financial statements on pages 30 through 32.

At the close of fiscal year 2024, OHA's governmental funds reported an ending fund balance of \$624,693,729. Fund balance was segregated into the following categories: Nonspendable, Restricted, Committed, Assigned and Unassigned.

Nonspendable fund balance totaled \$1,956,023 or 0.31%, due to amounts related to inventory, prepaid items and other assets.

Restricted fund balance totaled \$24,844,356 or 3.98%, and is comprised of 60.99% for the Native Hawaiian Revolving Loan Fund program, 35.97% represents the long-term portion of notes receivable, and 3.04% restricted for other federal programs administered by OHA.

Committed fund balance totaled \$19,315,402 or 3.09%, based on the Board of Trustees' resolution to commit these funds towards the debt service of Department of Hawaiian Home Lands issued revenue bonds.

Assigned fund balance totaled \$578,577,948 or 92.62% of fund balance, and is comprised of the following: 4.21% has been encumbered, 0.01% represents the non-current portion of outstanding loans and 95.78% is available for future expenditures, including Board designations.

OHA's governmental funds experienced an increase of \$56,576,202 or 9.96% in fund balance during fiscal year 2024. This is an increase of \$25,769,498 in comparison to the \$30,806,704 increase in fund balance during fiscal year 2023. This increase is mainly due to an increase of \$30.0 million in investment gains from fiscal year 2024 as compared to fiscal year 2023.

PROPRIETARY FUND FINANCIAL ANALYSIS

Proprietary fund net position totaled \$ 29,187,859 at the end of 2023 compared to \$25,336,434 at the end of 2022, representing an increase of \$3,851,425 or 15.20%.

Invested in capital assets, net of related debt represents the largest portion of proprietary funds' net position at \$16,340,915 or 55.99% and is comprised of the capital assets of Hi'ilei Aloha LLC's wholly-owned subsidiary.

GENERAL FUND BUDGETARY ANALYSIS

The general fund revenues on a budgetary basis were \$2,724,445, which was \$275,555 or 9.19%, less than the final budget. The negative variance was attributed to \$275,555 in funds recorded as deferred revenue as of fiscal year end. There were no changes between the original and final budget.

Office of Hawaiian Affairs, State of Hawai'i
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

CAPITAL ASSETS AND LONG-TERM DEBT

OHA's governmental activities investment in capital assets, net of depreciation and amortization, amounted to \$276,505,868 and \$278,110,381, as of June 30, 2024 and 2023, respectively. OHA's business-type activities investment in capital assets, net of depreciation, amounted to \$16,340,915 and \$15,539,934, as of December 31, 2023 and 2022, respectively. OHA's capital assets are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Nondepreciable assets						
Land	\$ 251,881,537	\$ 251,881,537	\$ 13,429,733	\$ 13,429,733	\$ 265,311,270	\$ 265,311,270
Construction in progress	541,416	1,489,280	--	--	541,416	1,489,280
Artwork	10,000	10,000	--	--	10,000	10,000
Depreciable assets						
Buildings and improvements	40,749,261	40,262,155	4,768,062	4,049,207	45,517,323	44,311,362
Furniture, fixtures, equipment, and vehicles	6,719,274	6,903,501	1,742,357	1,565,534	8,461,631	8,469,035
Right-to-use lease assets	566,208	636,594	--	--	566,208	636,594
Accumulated depreciation and amortization	(23,961,828)	(23,072,686)	(3,599,237)	(3,504,540)	(27,561,065)	(26,577,226)
Totals	\$ 276,505,868	\$ 278,110,381	\$ 16,340,915	\$ 15,539,934	\$ 292,846,783	\$ 293,650,315

The decrease in capital assets of \$804 thousand is due to additions to leasehold improvements at the commercial properties and Hi'ilei Aloha LLC, offset by certain amounts previously included in construction in progress that have been determined to no longer be feasible and depreciation and amortization expense. Additional information regarding OHA's capital assets can be found in Note J to the financial statements.

OHA's long-term debt is comprised of notes payable. Additional information about OHA's long-term liabilities can be found in Notes K to the financial statements.

SUBSEQUENT EVENTS

Grants and Sponsorships Awarded Post June 30, 2024

OHA awarded \$19,700,000 in grants and paid \$131,000 in sponsorships, as of June 30, 2024. Since June 30, 2024, an additional \$17,500,000 has been awarded in grants and \$271,000 paid in sponsorships. Additionally, OHA extended its Kanaaho Maui Wildfire Disaster Aid Relief program to the end of fiscal year 2025, ensuring continued support for impacted families. To date, this program has disbursed \$3,791,000 to 660 homeowners and renters in Lahaina and Kula.

Native Hawaiian Trust Investments

The NHTF increased by 12.74 percent net for the fiscal year ending June 30, 2024. Total financial assets increased by \$66,300,000, from \$520,500,000 to \$586,800,000, driven by investment returns and returns on the \$64,000,000 appropriated from Act 226, Session Laws of Hawaii, 2022 SB2021 SD1 HD2 CD1 in fiscal year 2023. With the recent market gains and the \$64,000,000 appropriation integrated into the 20-quarter market value moving average spending calculation, a positive trajectory is anticipated for future spending on OHA's programs and beneficiary services. This increase in spending reflects the ongoing growth and stability of NHTF, enhancing the support and resources available for the Native Hawaiian community.

Office of Hawaiian Affairs, State of Hawai'i
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

As for OHA's commercial properties in Hawaii, the national commercial property market values have been impacted by the increase in interest rates over the last few years, which has heightened refinancing risks for many owners. However, OHA took proactive measures to secure advantageous long-term fixed-rate financing before the rate hikes. This has benefited two of our commercial properties in the long term. With low-fixed rates locked in, a stable tenant base, and built-in provisions for inflation rent escalation, OHA's commercial properties can sustain stable cash flows that positively contribute to program spending and the growth of the NHTF.

Investment Policy Statement

On October 31, 2024, the Board of Trustees adopted an updated Native Hawaiian Trust Fund Investment Policy Statement (IPS). The IPS replaces the outdated Manager of Managers model, which no longer aligns with OHA's governance, performance, and risk management requirements. Most public sector fiduciary asset owners now utilize Non-discretionary Investment Consultants alongside internal staff to implement and manage the IPS effectively. A key update to the IPS is the clear assignment of the NHTF governance to the Board of Trustees including Hawai'i real estate investments in the NHTF asset allocation, with a 20% maximum exposure.

Key Points of the IPS:

- The IPS formalizes the policies and guidelines governing the management of fiduciary assets.
- The Board of Trustees should periodically review and update the IPS to ensure it reflects any necessary revisions, changes, or additions. This regular review ensures that the document remains aligned with organizational needs.
- The Board of Trustees should rely on input from staff, consultants, and other service providers to develop and adapt the IPS over time. This ensures that the asset portfolio serves the organization's broader needs as defined by its governing body.
- The IPS should clearly define the organization's investment objectives, constraints, and guiding principles. It must also incorporate best practices from other institutional investors and current market theories and opportunities.

**Office of Hawaiian Affairs, State of Hawai'i
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024**

Trustees and Chairperson Salary Proposed Salary Increase

On January 29, 2025, the 2024 OHA Salary Commission approved new salaries for the OHA Trustees and Chairperson in the amounts of \$91,560 and \$100,308, effective on January 29, 2025 and increasing by 5% on July 1 of each of the following three fiscal years, as reflected in the following table:

Table 1: Salary Recommendations for OHA Trustees				
State Fiscal Year (FY)	Starting	Ending	Chairperson	Trustees
FY 2025	January 29, 2025	June 30, 2025	\$100,308	\$91,560
FY 2026	July 1, 2025	June 30, 2026	\$105,324	\$96,144
FY 2027	July 1, 2026	June 30, 2027	\$110,592	\$100,956
FY 2028	July 1, 2027	June 30, 2028	\$116,124	\$105,996
<p>Formula for FY 2026 – July 1 2025 to June 30, 2026: Trustee salaries will begin with a base salary of \$100,308 for the Chairperson and \$91,560 for each of the other Trustees and will increase by 5%.</p> <p>Formula for FY 2027 – July 1, 2026 to June 30, 2027: Trustee salaries will increase by 5%.</p> <p>Formula for FY 2028 – July 1, 2027 to June 30, 2028: Trustee salaries will increase by 5%.</p> <p>Note: July 1, 2028 is the date the 2028 OHA Salary Commission recommendations go into effect.</p>				

The table above was taken from the Final Report of the 2024 OHA Salary Commission, available at <https://dhrd.hawaii.gov/state-employees/classification-and-compensation/oha-salary-commission/>.

Pursuant to Hawaii Revised Statutes section 10-9.5, the increases to Trustee salaries are effective as of the date of the OHA Salary Commission's approval of the salary recommendations (i.e., January 29, 2025) unless disapproved by the State of Hawaii legislature through the adoption of a concurrent resolution before sine die of the Legislative Session (i.e., May 2, 2025).

Office of Hawaiian Affairs, State of Hawai'i
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

Direct Federal Grants

Overall, OHA's direct federal funding exposure is not expected to be highly vulnerable to future efforts to pause or suspend funding to diversity, equity, and inclusion (DEI) initiatives or climate change funding. The most vulnerable federal grant funding is for the USDA Forest Service: Hawaii Landowner Cost Share Payment Program with approximately \$500,000 in federal funds recently awarded. Due to funding through the Biden Administration's Inflation Reduction Act, which has been targeted broadly by the Trump Administration for a funding pause and evaluation by the Office of Management and Budget, these funds are currently uncommitted by OHA but vulnerable to funding loss. The next most vulnerable funding is for the Native Hawaiian language research from the Administration for Native Americans (ANA), with a little more than \$100,000 in federal funds remaining, but with the expected draw down to be completed in March 2025.

The remainder of OHA federal funding has either largely been drawn or are for land management activities that do not specifically rely on a benefit to Native Hawaiians or a Biden-Administration funding measure.

The ANA will probably continue its operations, as it was established by an Act of Congress and provides services to other native peoples (e.g., federal Indian tribes, Alaska Native, and American Pacific Islanders), most of whom have a political relationship, either through trust or treaty, with the United States. However, the ANA is a part of the Department of Health and Human Services and therefore will likely be subject to federal staffing and funding reductions that are expected under the Trump Administration. A reduction in ANA's staffing or support will likely affect the Native Hawaiian Revolving Loan Fund operations that still require the oversight of ANA.

To date, OHA has not received any stop work orders or requests for information from its federal funders, actions that have been taken by some federal agencies with other federal Hawai'i grantees.

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, Hawai'i 96817

Office of Hawaiian Affairs, State of Hawai'i
STATEMENT OF NET POSITION
June 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Petty cash	\$ 400	\$ 500	\$ 900
Cash held in bank	12,752,115	6,984,189	19,736,304
Cash held by investment managers	175,102	--	175,102
Restricted cash	297,056	--	297,056
Accounts receivable, net	6,009,220	294,688	6,303,908
Interest and dividends receivable	165,576	--	165,576
Inventory, prepaid items and other assets	1,956,023	300,875	2,256,898
Lease receivables - due within one year	6,053,823	191,798	6,245,621
Notes receivable, net - due within one year	<u>1,469,030</u>	<u>--</u>	<u>1,469,030</u>
Total current assets	28,878,345	7,772,050	36,650,395
Noncurrent assets			
Lease receivables - due after one year	25,739,025	166,546	25,905,571
Notes receivable, net - due after one year	8,972,779	--	8,972,779
Restricted cash	--	182,190	182,190
Investments	600,477,068	5,597,895	606,074,963
Capital assets			
Non-depreciable assets	252,432,953	13,429,733	265,862,686
Depreciable assets, net	23,653,220	2,911,182	26,564,402
Right-to-use lease assets, net	<u>419,695</u>	<u>--</u>	<u>419,695</u>
Capital assets, net	<u>276,505,868</u>	<u>16,340,915</u>	<u>292,846,783</u>
Total noncurrent assets	<u>911,694,740</u>	<u>22,287,546</u>	<u>933,982,286</u>
Total assets	<u>940,573,085</u>	<u>30,059,596</u>	<u>970,632,681</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	3,484,058	--	3,484,058
Deferred outflows of resources related to OPEB	<u>2,664,715</u>	<u>--</u>	<u>2,664,715</u>
Total deferred outflows of resources	\$ <u>6,148,773</u>	\$ <u>--</u>	\$ <u>6,148,773</u>

See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawai'i
STATEMENT OF NET POSITION (Continued)
June 30, 2024

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 5,639,175	\$ 513,393	\$ 6,152,568
Due to State of Hawaii	3,300,000	--	3,300,000
Compensated absences - due within one year	489,661	--	489,661
Lease liabilities - due within one year	105,121	--	105,121
Long-term debt - due within one year	<u>848,680</u>	<u>--</u>	<u>848,680</u>
Total current liabilities	10,382,637	513,393	10,896,030
Noncurrent liabilities			
Compensated absences - due after one year	672,550	--	672,550
Lease liabilities - due after one year	321,783	--	321,783
Long-term debt - due after one year	57,880,654	--	57,880,654
Net pension liability	34,816,615	--	34,816,615
Net OPEB liability	<u>29,773,291</u>	<u>--</u>	<u>29,773,291</u>
Total noncurrent liabilities	<u>123,464,893</u>	<u>--</u>	<u>123,464,893</u>
Total liabilities	<u>133,847,530</u>	<u>513,393</u>	<u>134,360,923</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	609,733	--	609,733
Deferred inflows of resources related to OPEB	3,104,990	--	3,104,990
Deferred inflows of resources related to leases	<u>30,233,955</u>	<u>358,344</u>	<u>30,592,299</u>
Total deferred inflows of resources	<u>33,948,678</u>	<u>358,344</u>	<u>34,307,022</u>
NET POSITION			
Invested in capital assets, net of related debt	217,349,630	16,340,915	233,690,545
Restricted			
Beneficiary advocacy	728,914	--	728,914
Capital projects	--	182,190	182,190
Long-term portion of notes receivable	8,936,625	--	8,936,625
Native Hawaiian loan programs	15,151,714	--	15,151,714
Support services	27,103	--	27,103
Unrestricted	<u>536,731,664</u>	<u>12,664,754</u>	<u>549,396,418</u>
Total net position	<u>\$ 778,925,650</u>	<u>\$ 29,187,859</u>	<u>\$ 808,113,509</u>

See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawai'i
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2024

Functions / Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Beneficiary advocacy	\$ 19,369,363	\$ --	\$ 240,625	\$ (19,128,738)	\$ --	\$ (19,128,738)
Board of trustees	3,552,718	--	--	(3,552,718)	--	(3,552,718)
Support services	21,604,218	10,126,797	199,821	(11,277,600)	--	(11,277,600)
Unallocated depreciation and amortization	1,433,308	--	--	(1,433,308)	--	(1,433,308)
	<u>45,959,607</u>	<u>10,126,797</u>	<u>440,446</u>	<u>(35,392,364)</u>	<u>--</u>	<u>(35,392,364)</u>
Business-Type Activities:						
Hi'ilei Aloha LLC	7,730,564	10,952,612	--	--	3,222,048	3,222,048
Total business-type activities	<u>7,730,564</u>	<u>10,952,612</u>	<u>--</u>	<u>--</u>	<u>3,222,048</u>	<u>3,222,048</u>
Total government-wide	<u>\$ 53,690,171</u>	<u>\$ 21,079,409</u>	<u>\$ 440,446</u>	<u>(35,392,364)</u>	<u>3,222,048</u>	<u>(32,170,316)</u>
General Revenues:						
Interest and investment earnings				68,301,578	195,027	68,496,605
Public land trust revenue				21,500,000	--	21,500,000
State allotments, net of lapses				2,724,445	--	2,724,445
Capital contributions				--	434,350	434,350
Unrestricted contributions				762,875	--	762,875
Total general revenues				<u>93,288,898</u>	<u>629,377</u>	<u>93,918,275</u>
Transfers				<u>--</u>	<u>--</u>	<u>--</u>
Total general revenues and transfers				<u>93,288,898</u>	<u>629,377</u>	<u>93,918,275</u>
Change in net position				57,896,534	3,851,425	61,747,959
Net position at beginning of fiscal year				<u>721,029,116</u>	<u>25,336,434</u>	<u>746,365,550</u>
Net position at end of fiscal year				<u>\$ 778,925,650</u>	<u>\$ 29,187,859</u>	<u>\$ 808,113,509</u>

See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawai'i
GOVERNMENTAL FUNDS - BALANCE SHEET
June 30, 2024

	<u>General Fund</u>	<u>Public Land Trust</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
ASSETS					
Petty cash	\$ --	\$ 400	\$ --	\$ --	\$ 400
Cash:					
Held in bank	2,130,641	9,399,084	631,124	591,266	12,752,115
Held by investment managers	--	71,334	103,768	--	175,102
Restricted cash	--	--	297,056	--	297,056
Accounts receivable, net	--	5,666,147	30,869	17,896	5,714,912
Lease receivables:					
Due within one year	--	6,053,823	--	--	6,053,823
Due after one year	--	25,739,025	--	--	25,739,025
Due from other funds	1,030,450	5,321,634	40,445	--	6,392,529
Interest and dividends receivable	--	202	165,374	--	165,576
Inventory, prepaid items and other assets	200,000	1,756,023	--	--	1,956,023
Notes receivable, net:					
Due within one year	--	8,561	1,554,418	--	1,562,979
Due after one year	--	36,154	8,936,625	--	8,972,779
Investments	--	586,848,541	13,628,527	--	600,477,068
Total assets	\$ <u>3,361,091</u>	\$ <u>640,900,928</u>	\$ <u>25,388,206</u>	\$ <u>609,162</u>	\$ <u>670,259,387</u>

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See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawai'i
GOVERNMENTAL FUNDS - BALANCE SHEET (Continued)
June 30, 2024

	<u>General Fund</u>	<u>Public Land Trust</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable and accrued liabilities	\$ 275,555	\$ 5,277,411	\$ 86,209	\$ --	\$ 5,639,175
Due to other funds	1,512,041	4,722,846	157,641	--	6,392,528
Due to State of Hawaii	--	3,000,000	300,000	--	3,300,000
Total liabilities	<u>1,787,596</u>	<u>13,000,257</u>	<u>543,850</u>	<u>--</u>	<u>15,331,703</u>
Deferred inflows of resources related to leases	<u>--</u>	<u>30,233,955</u>	<u>--</u>	<u>--</u>	<u>30,233,955</u>
Fund balances					
Nonspendable:					
Inventory, prepaid items and other assets	200,000	1,756,023	--	--	1,956,023
Restricted for:					
Beneficiary advocacy	--	--	728,914	--	728,914
Long-term portion of notes receivable	--	--	8,936,625	--	8,936,625
Native Hawaiian loan programs	--	--	15,151,714	--	15,151,714
Support services	--	--	27,103	--	27,103
Committed to:					
DHHL-issued revenue bonds	--	19,315,402	--	--	19,315,402
Assigned to:					
Beneficiary advocacy	1,373,495	13,621,709	--	14,020	15,009,224
Board of trustees	--	321,364	--	--	321,364
Long-term portion of notes receivable	--	36,154	--	--	36,154
Public land trust	--	554,154,915	--	--	554,154,915
Support services	--	8,461,149	--	595,142	9,056,291
Total fund balances	<u>1,573,495</u>	<u>597,666,716</u>	<u>24,844,356</u>	<u>609,162</u>	<u>624,693,729</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>3,361,091</u>	\$ <u>640,900,928</u>	\$ <u>25,388,206</u>	\$ <u>609,162</u>	\$ <u>670,259,387</u>

Office of Hawaiian Affairs, State of Hawai'i
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2024

Total fund balances - governmental funds		\$ 624,693,729
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.		276,505,868
Other assets used in governmental funds are not current financial resources, and therefore, are not reported in the funds.		200,358
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(1,162,211)	
Lease liabilities	(426,904)	
Net pension liability	(34,816,615)	
Net OPEB liability	(29,773,291)	
Deferred outflows of resources related to pension	3,484,058	
Deferred inflows of resources related to pension	(609,733)	
Deferred outflows of resources related to OPEB	2,664,715	
Deferred inflows of resources related to OPEB	(3,104,990)	
Notes payable	<u>(58,729,334)</u>	<u>(122,474,305)</u>
Net position of governmental activities		\$ <u><u>778,925,650</u></u>

See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawai'i
GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2024

	<u>General Fund</u>	<u>Public Land Trust</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
REVENUES					
Appropriations	\$ 2,724,445	\$ --	\$ --	\$ --	\$ 2,724,445
Charges for services	--	10,098,080	--	28,717	10,126,797
Donations and other	--	448,455	23,962	--	472,417
Interest and investment gain	--	67,172,983	1,111,785	16,810	68,301,578
Intergovernmental revenue	--	--	430,850	--	430,850
Public land trust revenue	--	<u>21,500,000</u>	--	--	<u>21,500,000</u>
Total revenues	<u>2,724,445</u>	<u>99,219,518</u>	<u>1,566,597</u>	<u>45,527</u>	<u>103,556,087</u>
EXPENDITURES					
Beneficiary advocacy	2,511,851	15,991,762	1,346,146	--	19,849,759
Board of trustees	--	3,623,123	--	--	3,623,123
Support services	--	20,935,619	60,941	63,757	21,060,317
Debt service					
Principal retirement	--	1,020,666	--	--	1,020,666
Interest and fiscal charges	--	<u>1,752,291</u>	--	--	<u>1,752,291</u>
Total expenditures	<u>2,511,851</u>	<u>43,323,461</u>	<u>1,407,087</u>	<u>63,757</u>	<u>47,306,156</u>
OTHER FINANCING SOURCES (USES)					
Inception of leases	--	326,271	--	--	326,271
Transfers in	--	766,825	384,488	713,357	1,864,670
Transfers out	--	<u>(1,825,501)</u>	<u>(38,725)</u>	<u>(444)</u>	<u>(1,864,670)</u>
Total other financing sources (uses)	--	<u>(732,405)</u>	<u>345,763</u>	<u>712,913</u>	<u>326,271</u>
Net change in fund balances	<u>212,594</u>	<u>55,163,652</u>	<u>505,273</u>	<u>694,683</u>	<u>56,576,202</u>
FUND BALANCES					
Beginning of fiscal year	<u>1,360,901</u>	<u>542,503,064</u>	<u>24,339,083</u>	<u>(85,521)</u>	<u>568,117,527</u>
End of fiscal year	\$ <u>1,573,495</u>	\$ <u>597,666,716</u>	\$ <u>24,844,356</u>	\$ <u>609,162</u>	\$ <u>624,693,729</u>

Office of Hawaiian Affairs, State of Hawai'i
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2024

Net change in fund balances - total governmental funds		\$	56,576,202
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. This is the amount by which depreciation exceeded capital outlays in the current period.			
Expenditures for capital assets	871,732		
Construction in progress expensed	(754,625)		
Current year depreciation and amortization	(1,433,308)		
Loss on disposal of capital assets and lease termination	<u>(288,312)</u>		(1,604,513)
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.			
Principal payments on long-term debt	<u>1,020,666</u>		1,020,666
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:			
Increase in other assets	200,358		
Decrease in compensated absences	94,055		
Decrease in lease liabilities	57,742		
Increase in net pension liability	(1,371,913)		
Decrease in net OPEB liability	127,660		
Increase in deferred outflows of resources related to pension	60,879		
Decrease in deferred inflows of resources related to pension	1,287,469		
Increase in deferred outflows of resources related to OPEB	1,034,608		
Decrease in deferred inflows of resources related to OPEB	<u>413,321</u>		<u>1,904,179</u>
Change in net position of governmental activities		\$	<u><u>57,896,534</u></u>

See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawai'i
PROPRIETARY FUND - STATEMENT OF NET POSITION
June 30, 2024

	December 31, 2023
	Hi'ilei Aloha LLC
ASSETS	
Current assets	
Petty cash	\$ 500
Cash held in bank	6,984,189
Accounts receivable, net	294,688
Inventory, prepaid items and other assets	300,875
Lease receivable, due in one year	191,798
Total current assets	7,772,050
Noncurrent assets	
Lease receivable, due after one year	166,546
Restricted cash	182,190
Investments	5,597,895
Capital assets - net	16,340,915
	22,287,546
Total assets	\$ 30,059,596
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
Current liabilities	
Accounts payable and accrued liabilities	\$ 513,393
Deferred inflows of resources related to leases	358,344
Net position	
Invested in capital assets	16,340,915
Restricted for capital projects	182,190
Unrestricted	12,664,754
Total net position	29,187,859
Total liabilities and net position	\$ 30,059,596

See accompanying notes to the basic financial statements.

**Office of Hawaiian Affairs, State of Hawai'i
 PROPRIETARY FUND - STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN NET POSITION
 Fiscal Year Ended June 30, 2024**

	<u>December 31, 2023</u>
	<u>Hi'ilei Aloha LLC</u>
OPERATING REVENUES	
Sales - gift store and other	\$ 1,506,860
Cost of sales	<u>(1,640,120)</u>
Gross loss	(133,260)
Admission and tours	8,096,588
Other revenue	<u>2,989,284</u>
Total operating revenues	10,952,612
EXPENSES	
Program services	5,864,690
Management and general	1,807,345
Fundraising	<u>58,529</u>
Total operating expenses	<u>7,730,564</u>
Operating income	3,222,048
NONOPERATING REVENUES AND EXPENSES	
Capital contributions	434,350
Interest and investment gain	<u>195,027</u>
	<u>629,377</u>
Change in net position	<u>3,851,425</u>
NET POSITION	
Beginning of fiscal year	<u>25,336,434</u>
End of fiscal year	\$ <u>29,187,859</u>

See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawai'i
PROPRIETARY FUND - STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2024

	<u>December 31, 2023</u>
	<u>Hi'ilei Aloha LLC</u>
Cash flows from operating activities	
Receipts from customers, grantors and funders	\$ 12,116,628
Payments to suppliers, vendors and service providers	(4,406,657)
Payments to employees for salaries and benefits	(4,567,149)
Payment of unrelated business income taxes	<u>(138,786)</u>
Net cash provided by operating activities	<u>3,004,036</u>
Cash flows from capital and related financing activities	
Lease income from capitalized lease	404,930
Expenditures for property and equipment	(1,133,958)
Proceeds from sale of equipment	73,268
Contributions restricted for capital projects	<u>434,350</u>
Net cash used in capital and related financing activities	<u>(221,410)</u>
Cash flows from investing activities	
Purchase of investments	(3,750,421)
Proceeds from sale or maturity of investments	629,484
Investment earnings	<u>120,937</u>
Net cash used in investing activities	<u>(3,000,000)</u>
Net decrease in cash and cash equivalents	(217,374)
Cash and cash equivalents at beginning of the year	<u>7,384,253</u>
Cash and cash equivalents at end of the year	\$ <u><u>7,166,879</u></u>
Reconciliation of cash and cash equivalents to the statement of net position	
Petty cash	\$ 500
Cash held in bank	6,984,189
Restricted cash	<u>182,190</u>
	\$ <u><u>7,166,879</u></u>

See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawai'i
PROPRIETARY FUND - STATEMENT OF CASH FLOWS (Continued)
Fiscal Year Ended June 30, 2024

	December 31, 2023
	Hi'ilei Aloha LLC
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 3,222,048
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	302,918
Gain on sale of equipment	(43,209)
Lease income from capitalized lease	(404,930)
Change in:	
Accounts receivable, net	26,194
Inventory, prepaid items and other assets	(17,436)
Accounts payable and accrued liabilities	(26,000)
Deferred revenue	(55,549)
Net cash provided by operating activities	\$ 3,004,036

See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE A - FINANCIAL REPORTING ENTITY

The accompanying basic financial statements present the financial activity of the Office of Hawaiian Affairs (OHA) and its blended component unit, which is a legally separate organization.

As of June 30, 2024, OHA's blended component unit is comprised of Hi'ilei Aloha LLC, a Hawai'i limited liability company (Hi'ilei). OHA is the sole corporate member of Hi'ilei. The results of Hi'ilei as of and for the year ended December 31, 2023, its year end, have been included in OHA's basic financial statements.

Hi'ilei and its wholly-owned subsidiary, Hi'ipaka LLC, are exempt from federal income tax under Sections 501(a) and 501(c)(3) of the Internal Revenue Code.

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) ***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. The effects of interfund activity have been removed from the government-wide financial statements.

Appropriations and other items not properly included among program revenues are reported instead as general revenues. 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.

- (3) ***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 fiscal year. Principal revenue sources susceptible to accrual include public land trust revenue, interest on loans and investments, and interest receivable.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 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, lease liabilities, net pension liability, and net OPEB liability as of June 30, 2024 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 Hawai'i (State) 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 Hawai'i 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 Hawai'i State Legislature.

Public Land Trust Fund (PLTF) - Reflects the income and expenditures from the Public Land Trust as defined in Chapter 10, Hawai'i Revised Statutes (HRS), 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.

- (4) ***Proprietary Fund Financial Statements*** - The focus of proprietary fund measurement is upon determination of operating income, 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's proprietary fund is described as follows:

Hi'ilei 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.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (5) **Accounts Receivable** - All accounts receivable are shown net of any allowance for uncollectible accounts based on OHA's estimate of the amount of uncollectible receivables.
- (6) **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.

- (7) **Fair Value Measurements** - OHA measures the fair value of assets and liabilities as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value, 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.

- (8) **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.
- (9) **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 receivables.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (10) **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 and construction in progress.

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

- (11) **Leases** - A lease is defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction.

Leases as lessee

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 for equipment and \$100,000 or more for building/land 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 OHA has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

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 lease receivables and deferred inflows of resources in the financial statements for building and land with initial, individual values of \$100,000 or greater and lease terms in excess of 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 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 leases and will remeasure the lease receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivables.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (12) ***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 OPEB are the result of differences between expected and actual experiences, changes in assumptions, the net difference between projected and actual earnings on 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.
- (13) ***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, 2024 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.
- (14) ***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.
- (15) ***Net Position*** - The government-wide financial statements and proprietary fund financial statements utilize a net position presentation. Net position is classified as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of retention payable and debt that are attributable to the acquisition, construction, or improvement of those assets, and related deferred outflows and inflows of resources, net of unspent debt proceeds.

Restricted - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted - This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (16) **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:

Nonspendable Fund Balance - 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.

Restricted Fund Balance - 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."

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 - The residual classification for funds that have 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. The General Fund is the only fund that reports a positive unassigned fund balance.

Stabilization Arrangements

In September 2019, the BOT approved the Fiscal Stabilization Policy, effective July 1, 2019, which addressed the need to create a Fiscal Stabilization Fund of discrete size and limited uses to address OHA's historical needs for budget stabilization. The approved policy eliminated the Fiscal Reserve and related Withdrawal Guidelines in the NHTF Spending Policy; and established a Fiscal Stabilization Fund (FSF), in the amount of \$1,500,000.

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

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 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.

- (17) **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.

Encumbrances as of June 30, 2024 consist of the following:

General Fund	\$	355,240
Public Land Trust Fund		22,404,222
Federal Grants Fund		756,017
Other Funds		<u>237,866</u>
	\$	<u>23,753,345</u>

- (18) **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.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (19) **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.
- (20) **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.
- (21) **Recent Accounting Pronouncements** - In June 2022, 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. Management has not yet determined the effect this Statement will have on OHA's financial statements.

The GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, 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. 103, *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Management has not yet determined the effect this Statement will have on OHA's financial statements.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. 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 Hawai'i 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 may be comprised of amounts for personnel, operations, and program provisions for housing, social services, educational improvement, legal services, protections of land and water, and family and community economic stability. It also includes 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.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE C - BIENNIAL BUDGET (Continued)

The adjustments necessary to reconcile the results of operations for the year ended June 30, 2024 from the budgetary basis to GAAP basis are as follows:

	Amount
Excess of revenues over expenditures - actual (budgetary basis)	\$ 212,594
Reserve for encumbrances at June 30, 2024	355,240
Prior year reserve for encumbrances	(1,207,548)
Expenditures for liquidation of prior year encumbrances	852,308
Revenue over expenditures - actual (GAAP basis)	\$ 212,594

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 071, 06/07/2023 (Gov. Msg. No 1171) authorized a total of \$3,000,000 in general fund appropriations for the fiscal year ended June 30, 2024 and there were no lapsed appropriations for the same period.

NOTE E - CASH

OHA maintains several bank accounts at financial institutions in the State of Hawai'i. Balances are insured up to \$250,000 per account holder by the Federal Deposit Insurance Corporation. Hi'ilei Aloha LLC and its wholly-owned subsidiary, Hi'ipaka LLC maintain separate legal entity bank accounts with a financial institution in the State of Hawai'i. In assessing its concentration of credit risk related to cash and cash equivalents, OHA and Hi'ilei place their cash and cash equivalents in financial institutions which may at times exceed insurance limits. Management believes that OHA and Hi'ilei are not exposed to any significant credit risk with respect to their cash and cash equivalents.

NOTE F - INVENTORY, PREPAID ITEMS AND OTHER ASSETS

As of June 30, 2024, OHA's governmental funds had inventory, prepaid items and other assets totaling \$1,956,023. As of December 31, 2023, Hi'ilei had inventory, prepaid items, and other assets of \$300,875.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE G - LEASE RECEIVABLES

OHA leases land, office, and commercial space to tenants. OHA's lease receivables 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. A summary of changes in OHA's lease receivables for the year ended June 30, 2024 is as follows:

Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024	Due within One Year	Due in More Than One Year
\$ 28,654,266	\$ 9,005,632	\$ (5,867,050)	\$ 31,792,848	\$ 6,053,823	\$ 25,739,025

For the year ended June 30, 2023, OHA recognized \$6,421,758 in lease revenue and \$1,090,397 in interest revenue. In addition, OHA recognized \$3,668,378 in lease revenue for variable payments not previously included in the measurement of lease receivables.

Future minimum payments on OHA's lease receivables are summarized as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 6,053,823	\$ 1,004,783	\$ 7,058,606
2026	5,535,434	781,692	6,317,126
2027	4,634,966	592,792	5,227,758
2028	3,562,110	437,743	3,999,853
2029	1,947,997	330,763	2,278,760
2030 - 2034	5,825,848	962,795	6,788,643
2035 - 2039	2,079,801	468,295	2,548,096
2040 - 2043	<u>2,152,869</u>	<u>116,613</u>	<u>2,269,482</u>
	<u>\$ 31,792,848</u>	<u>\$ 4,695,476</u>	<u>\$ 36,488,324</u>

A summary of Hi'ilei's lease receivable for the year ended December 31, 2023 is summarized as follows:

Balance January 1, 2023	Additions	Deductions	Balance December 31, 2023	Due within One Year	Due in More Than One Year
\$ 541,718	\$ --	\$ (183,374)	\$ 358,344	\$ 191,798	\$ 166,546

Income earned during the year ended December 31, 2023 was approximately \$405,000, including approximately \$200,000 in variable payments based on percentage rent.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE G - LEASE RECEIVABLES (Continued)

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

Year Ending December 31,	Principal	Interest	Total
2024	\$ 191,798	\$ 12,202	\$ 204,000
2025	166,546	3,454	170,000
	\$ 358,344	\$ 15,656	\$ 374,000

NOTE H - NOTES RECEIVABLE

At June 30, 2024, notes receivable bear interest from 0% to 6.25%, mature on various dates through July 2030, and consists of the following:

	Native Hawaiian Revolving Loan Fund	Public Land Trust Fund	Total
Notes receivable	\$ 10,975,763	\$ 115,193	\$ 11,090,956
Less: allowance for doubtful accounts	(484,720)	(70,478)	(555,198)
	10,491,043	44,715	10,535,758
Amounts due within one year	(1,554,418)	(8,561)	(1,562,979)
Amounts due after one year	\$ 8,936,625	\$ 36,154	\$ 8,972,779

NOTE I - INVESTMENTS

Governmental Activities

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 (IPS), 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.

In addition, OHA has a separate investment policy for the NHRLF that is managed separately from the NHTF.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

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, 2024.

	Fund	Reported Value	Level 1	Level 2	Level 3
Mutual funds	NHTF	\$ 270,702,751	\$ 270,702,751	\$ --	\$ --
Equity securities	NHTF	58,118,837	58,118,837	--	--
U.S. government securities	NHRLF	13,628,527	13,628,527	--	--
Total investments at fair value		<u>342,450,115</u>	<u>\$ 342,450,115</u>	<u>\$ --</u>	<u>\$ --</u>
Investments held at NAV					
Commingled funds		109,331,199			
Alternative investments					
Absolute return		61,826,406			
Private investments		<u>77,468,499</u>			
Total investments at NAV		<u>248,626,104</u>			
Invested securities lending collateral					
Money market funds		<u>9,510,756</u>			
Total investments		<u>\$ 600,586,975</u>			

The fair value, unfunded commitments, redemption frequency, and required redemption notice 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	\$ 57,150,348	None	Monthly/Quarterly	Various up to trade date
Real assets	26,797,419	None	Monthly/Quarterly	Various up to trade date
Fixed income	25,383,432	None	Monthly/Quarterly	Various up to trade date
Alternative investments				
Marketable alternatives	61,826,406	None	Monthly/Quarterly	Various up to trade date
Illiquid alternatives	<u>77,468,499</u>	\$ 19,151,692	Upon realizations	Not applicable
Total investments measured at NAV	<u>\$ 248,626,104</u>			
Invested securities lending collateral				
Money market fund	<u>\$ 9,510,756</u>			Same as trade date

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 exchange-traded funds, mutual funds, long-only commingled funds, and passive index funds. As of June 30, 2024, 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, 2024, approximately 100%, respectively, of the value of the investments in this category can be redeemed within 30 days.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE I - INVESTMENTS (Continued)

- **Fixed income** - This category includes public fixed-income investments in mutual funds, long-only commingled funds, and passive index funds. As of June 30, 2024, 100% 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, 2024, approximately 56% of the value of the investments in this category can be redeemed within one year.
- **Illiquid alternatives** - This category includes private equity buyouts, venture, debt, real assets, and special situations funds. These investments cannot be redeemed at the organization's request. Distributions from each fund will be received as the funds' underlying investments are liquidated. The fund's underlying assets are expected to be liquidated over the next 1 to 10 years.
- **Money market funds** - Northern Trust U.S. Government Money Market Fund - the primary objective is to maximize current income to the extent consistent with preserving capital and liquidity and maintaining of a stable \$1.00 per share net asset value.

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

The following table presents OHA's investments by maturity period as of June 30, 2024:

Investment type	Fund	Reported Value	Investment maturities (in years)		
			< 1	1 - 5	> 5
U.S. Treasuries	NHRLF	\$ 13,628,527	\$ 5,086,749	\$ 8,541,778	\$ --
Mutual funds	NHTF	270,702,751			
Equity securities	NHTF	58,118,837			
Commingled funds	NHTF	109,331,199			
Alternative investments	NHTF	139,294,905			
Money market funds	NHTF	<u>9,510,756</u>			
Total investments		\$ <u>600,586,975</u>			

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 statement of net position.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE I - INVESTMENTS (Continued)

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

- (1) **Foreign Currency Risk** - Foreign currency risk is defined as any deposits or investments that are denominated in foreign currencies, which bear a potential risk of loss arising of changes in currency exchange rates. To diversify the NHTF portfolio against market fluctuations, OHA's investment policy allows for investments in foreign countries. As of June 30, 2024, OHA's foreign currency risks are as follows:

<u>Investment Type</u>	<u>Currency</u>	<u>Value (US Dollar)</u>
Private equity funds	Euro	\$ 1,212,066

- (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 in U.S. Treasuries to a maximum maturity of three years.

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

- (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, 2024, 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) **Risks and Uncertainties** - Financial instruments that potentially subject OHA to significant concentrations of credit risk consist principally of cash and restricted cash and investments. While the majority of cash and restricted cash amounts exceed available depository insurance limits, management does not anticipate non-performance by their financial institutions and regularly reviews the viability of these institutions. 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.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE I - INVESTMENTS (Continued)

Business-type Activities

Hi'ilei has established a Financial Reserve Policy to support its mission, programs, employment, and ongoing operations. The related investment objectives are to provide for capital preservation, providing for current liquidity and modest diversification for growth to meet future obligations. Authorized assets include equity securities and investment grade fixed income securities; and mutual and exchange traded funds that invest in such securities. Hi'ilei's investment portfolio was established in 2022.

The following table sets forth by level, within the fair value hierarchy, assets measured at fair value on a recurring basis as of December 31, 2023.

	Reported Value	Level 1	Level 2	Level 3
Money market funds	\$ 3,229,480	\$ 3,229,480	\$ --	\$ --
U.S. government securities	1,239,446	956,461	282,985	--
Corporate bonds	970,369	--	970,369	--
Mutual and exchange traded funds	158,600	158,600	--	--
	<u>\$ 5,597,895</u>	<u>\$ 4,344,541</u>	<u>\$ 1,253,354</u>	<u>\$ --</u>

The following table presents Hi'ilei's investments by maturity period as of December 31, 2023:

Investment type	Reported Value	Investment maturities (in years)		
		< 1	1 - 5	> 5
U.S. government securities	\$ 1,239,446	\$ 246,239	\$ 993,207	\$ --
Corporate bonds	970,369	316,251	654,118	--
Mutual and exchange traded funds	158,600			
Money market funds	<u>3,229,480</u>			
	<u>\$ 5,597,895</u>			

Hi'ilei's investment portfolio risks are as follows:

- (1) **Foreign Currency Risk** - Investments in exchange traded funds that focus on emerging and developed markets may contain foreign currency risks. Such investments are not significant to the overall portfolio.
- (2) **Interest Rate and Credit Risk** - To minimize interest rate risk, the Investment Policy has established a time horizon of five years. Investments in fixed income securities must be investment grade.
- (3) **Concentration of Credit Risk** - For fixed income securities other than U.S. government securities, the Investment Policy states that the total investment in any one issuer should not comprise more than 5% of the market value of the fixed income portfolio, at the time of purchase. Such securities must be investment grade.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE J - CAPITAL ASSETS

OHA's capital assets of governmental activities during the year ended June 30, 2024 are as follows:

	Balance July 1, 2023	Additions	Deductions	Transfers	Balance June 30, 2024
Nondepreciable assets					
Land	\$ 251,881,537	\$ --	\$ --	\$ --	\$ 251,881,537
Construction in progress	1,489,280	126,886	(754,625)	(320,125)	541,416
Artwork	10,000	--	--	--	10,000
Total nondepreciable assets	<u>253,380,817</u>	<u>126,886</u>	<u>(754,625)</u>	<u>(320,125)</u>	<u>252,432,953</u>
Depreciable assets					
Buildings	33,626,987	--	--	--	33,626,987
Leasehold improvements	6,635,168	166,981	--	320,125	7,122,274
Furniture, fixtures and equipment	6,903,501	251,594	(435,821)	--	6,719,274
	47,165,656	418,575	(435,821)	320,125	47,468,535
Accumulated depreciation	<u>(22,911,625)</u>	<u>(1,338,514)</u>	<u>434,824</u>	<u>--</u>	<u>(23,815,315)</u>
Total depreciable assets	<u>24,254,031</u>	<u>(919,939)</u>	<u>(997)</u>	<u>320,125</u>	<u>23,653,220</u>
Right-to-use lease assets					
Buildings	636,594	326,271	(396,657)	--	566,208
Accumulated amortization	<u>(161,061)</u>	<u>(94,794)</u>	<u>109,342</u>	<u>--</u>	<u>(146,513)</u>
Total right to use lease assets	<u>475,533</u>	<u>231,477</u>	<u>(287,315)</u>	<u>--</u>	<u>419,695</u>
Governmental activities capital assets, net	<u>\$ 278,110,381</u>	<u>\$ (561,576)</u>	<u>\$ (1,042,937)</u>	<u>\$ --</u>	<u>\$ 276,505,868</u>

Hi'iilei Aloha LLC's capital assets activities during the year ended December 31, 2023 are as follows:

	Balance January 1, 2023	Additions	Deductions	Transfers	Balance December 31, 2023
Nondepreciable assets					
Land	\$ 13,429,733	\$ --	\$ --	\$ --	\$ 13,429,733
Depreciable assets					
Buildings and improvements	4,049,207	718,855	--	--	4,768,062
Furniture, fixtures and equipment	1,125,469	260,146	(79,075)	--	1,306,540
Vehicles	440,065	154,957	(159,205)	--	435,817
	5,614,741	1,133,958	(238,280)	--	6,510,419
Accumulated depreciation	<u>(3,504,540)</u>	<u>(302,918)</u>	<u>208,221</u>	<u>--</u>	<u>(3,599,237)</u>
Total depreciable assets	<u>2,110,201</u>	<u>831,040</u>	<u>(30,059)</u>	<u>--</u>	<u>2,911,182</u>
Capital assets, net	<u>\$ 15,539,934</u>	<u>\$ 831,040</u>	<u>\$ (30,059)</u>	<u>\$ --</u>	<u>\$ 16,340,915</u>

NOTE K - LONG-TERM LIABILITIES

Changes in long-term liabilities for governmental activities during the year ended June 30, 2024 were as follows:

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024	Amount due within one year	Amount due after one year
Compensated absences	\$ 1,256,266	\$ 775,074	\$ (869,129)	\$ 1,162,211	\$ 489,661	\$ 672,550
Lease liabilities	484,646	326,271	(384,013)	426,904	105,121	321,783
Notes payable	<u>59,750,000</u>	<u>--</u>	<u>(1,020,666)</u>	<u>58,729,334</u>	<u>848,680</u>	<u>57,880,654</u>
Total	<u>\$ 61,490,912</u>	<u>\$ 1,101,345</u>	<u>\$ (2,273,808)</u>	<u>\$ 60,318,449</u>	<u>\$ 1,443,462</u>	<u>\$ 58,874,987</u>

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE K - LONG-TERM LIABILITIES (Continued)

Lease Liabilities

OHA leases office space and equipment under various noncancelable leases. OHA's leases payable include leases for office space in Lihue, Hilo, Maui, and Washington D.C., which expire on various dates from December 2023 through May 2029.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 105,121	\$ 17,079	\$ 122,200
2026	104,622	13,014	117,636
2027	85,137	8,834	93,971
2028	69,959	5,151	75,110
2029	<u>62,065</u>	<u>1,487</u>	<u>63,552</u>
	<u>\$ 426,904</u>	<u>\$ 45,565</u>	<u>\$ 472,469</u>

Notes Payable

On March 15, 2022, OHA entered into two notes payable with a bank to re-finance its existing 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 \$16,540,166 on June 30, 2024.

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, 2024.

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 included interest at 2.85% from September 2021 through August 2022 and then increased to 3.10% thereafter. The credit facility provides for monthly interest-only payments from October 2021 through September 2024, and then monthly principal and interest payments of \$169,000 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, 2024.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE K - LONG-TERM LIABILITIES (Continued)

As of June 30, 2024, OHA's future principal and interest payments from direct borrowings for the notes payable are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 848,680	\$ 1,728,583	\$ 2,577,263
2026	1,639,616	1,689,964	3,329,580
2027	1,688,578	1,641,002	3,329,580
2028	1,737,397	1,592,183	3,329,580
2029	1,792,499	1,537,081	3,329,580
Thereafter	<u>51,022,564</u>	<u>3,516,009</u>	<u>54,538,573</u>
	<u>\$ 58,729,334</u>	<u>\$ 11,704,822</u>	<u>\$ 70,434,156</u>

Long-term liabilities have generally been liquidated by the Public Land Trust Fund.

NOTE L - RETIREMENT BENEFITS

(1) **Pension Plan**

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 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 plans. 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.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE L - RETIREMENT BENEFITS (Continued)

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.

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.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE L - RETIREMENT BENEFITS (Continued)

Disability Benefits - Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the members' 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.

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.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE L - RETIREMENT BENEFITS (Continued)

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.

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 OHA for 2024 was 24%. Contributions to the pension plan from OHA were \$1,972,124 for the fiscal year ended June 30, 2024.

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NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE L - RETIREMENT BENEFITS (Continued)

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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2024, OHA reported a liability of \$34,816,615 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023, OHA's proportion was 0.28% as compared to its proportion measured as of June 30, 2022 of 0.29%.

There were no changes in actuarial assumptions as of June 30, 2022 to June 30, 2023. There were no changes between the measurement date, June 30, 2023, and the reporting date, June 30, 2024, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the year ended June 30, 2024, OHA recognized pension expense of \$1,995,691. At June 30, 2024, OHA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 636,341	\$ 296,162
Changes in assumptions	671,826	206,025
Net difference between projected and actual earnings on pension plan investments	9,944	--
Changes in proportion and differences between OHA's contributions and proportionate share of contributions	193,823	107,546
OHA's contributions subsequent to the measurement date	<u>1,972,124</u>	<u>--</u>
	<u>\$ 3,484,058</u>	<u>\$ 609,733</u>

The \$1,972,124 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 fiscal year ended June 30, 2025.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE L - RETIREMENT 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:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ (243,775)
2026	(1,020,133)
2027	1,497,080
2028	648,072
2029	<u>20,957</u>
	<u>\$ 902,201</u>

Actuarial Assumptions - The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions adopted by the ERS's Board of Trustees on August 8, 2022, based on the 2021 Experience Study for the five-year period from July 1, 2016 through June 30, 2021:

Inflation	2.50%
Payroll growth rate	3.50%
Investment rate of return	7.00% per year, 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 2022 Public Retirees of Hawaii mortality table with 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's 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 (real returns plus inflation) by the target asset allocation percentage.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE L - RETIREMENT BENEFITS (Continued)

The rate of returns based on ERS's investment consultant as of June 30, 2023, are summarized in the following table:

Classes	Target Allocation	Long-Term Expected Geometric Rate of Return
Broad Growth		
Private equity	13.50%	10.00%
Global equity	20.00%	7.90%
Low volatility equity	4.00%	7.10%
Global options	4.00%	5.80%
Credit	6.00%	8.00%
Core real estate	6.00%	6.00%
Non-core real estate	4.50%	7.90%
Timber/agriculture/infrastructure	5.00%	7.20%
	63.00%	
Diversifying Strategies		
TIPS	2.00%	3.20%
Global macro	4.00%	6.00%
Reinsurance	4.00%	7.00%
Alternative risk premia	8.00%	5.00%
Long treasuries	5.00%	3.80%
Intermediate government	4.00%	3.20%
Systematic trend following	10.00%	4.70%
	37.00%	
	100.00%	

Discount Rate - The discount rate used to measure the net pension liability 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:

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE L - RETIREMENT BENEFITS (Continued)

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
OHA's proportionate share of the net pension liability	\$ 46,351,255	\$ 34,816,615	\$ 25,263,950

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.

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 - There were no contributions payable to the ERS as of June 30, 2024.

(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/>. The report may also be obtained by writing to the EUTF at P.O. Box 2121, Honolulu, Hawaii 96805-2121.

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. Retirees in this category can elect a family plan to cover dependents.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE L - RETIREMENT BENEFITS (Continued)

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, 2023, the following number of plan members of the State were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	40,136
Inactive plan members entitled to but not yet receiving benefits	7,520
Active plan members	<u>48,709</u>
 Total plan members	 <u><u>96,365</u></u>

Contributions - Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from OHA were \$1,871,499 for the year ended June 30, 2024. 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, 2024, OHA reported a net OPEB liability of \$29,773,291. The net OPEB liability was measured as of July 1, 2023, 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, 2024, OHA's proportionate share of the State's net OPEB liability was 0.1059%, which was a decrease of 0.0538% from its proportionate share of 0.1597% at June 30, 2023.

There were no changes between the measurement date, July 1, 2023, and the reporting date, June 30, 2024, that are expected to have a significant effect on OHA's proportionate share of the State's net OPEB liability.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE L - RETIREMENT BENEFITS (Continued)

For the year ended June 30, 2024, OHA recognized OPEB expense of \$295,911. At June 30, 2024, 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	\$ --	\$ 2,693,866
Changes in assumptions	185,538	411,124
Net difference between projected and actual earnings on OPEB plan investments	607,678	--
OHA's contributions subsequent to the measurement date	<u>1,871,499</u>	<u>--</u>
	<u>\$ 2,664,715</u>	<u>\$ 3,104,990</u>

The \$1,871,499 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, 2025.

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
2025	\$ 732,021
2026	787,589
2027	380,807
2028	386,691
2029	22,845
Thereafter	<u>1,821</u>
	<u>\$ 2,311,774</u>

Actuarial Assumptions - The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF's Board of Trustees on January 9, 2023, based on the experience study covering the five-year period ended June 30, 2022 as conducted for the ERS:

Inflation	2.50%
Payroll growth rate	3.75% to 6.75%, including inflation
Investment rate of return	7.00%

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE L - RETIREMENT BENEFITS (Continued)

Healthcare cost trend rates:

PPO*	Initial rate of 6.30%; declining to a rate of 4.25% after 21 years
HMO*	Initial rate of 6.30%; declining to a rate of 4.25% after 21 years
Part B and Base Monthly Contribution	Initial rate of 5.00%; declining to a rate of 4.25% after 21 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. The target allocation and best estimates of arithmetic real rates of return for each asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Private equity	15.00%	10.00%
U.S. microcap	3.00%	8.70%
Global equity	27.50%	7.60%
Global options	0.00%	4.90%
Real assets	12.00%	4.30%
Private credit	10.00%	7.80%
TIPS	5.00%	2.00%
Long treasuries	5.50%	2.40%
Reinsurance	5.00%	3.40%
Alternative risk premia	5.00%	3.30%
Trend following	10.00%	2.40%
Tail Risk/Long Volatility	2.00%	-1.10%
	<u>100.00%</u>	

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

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE L - RETIREMENT BENEFITS (Continued)

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.

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, 2023:

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2023	\$ 38,092,789	\$ 8,191,838	\$ 29,900,951
Changes for the year:			
Service cost	233,921	--	233,921
Interest on the total OPEB liability	800,930	--	800,930
Contributions - employer	--	888,662	(888,662)
Net investment income	--	194,522	(194,522)
Benefit payments	(445,442)	(445,442)	--
Administrative expense	--	(272)	272
Difference between expected and actual experience	(78,796)	--	(78,796)
Other	--	803	(803)
Net changes	<u>510,613</u>	<u>638,273</u>	<u>(127,660)</u>
Balance at June 30, 2024	\$ <u>38,603,402</u>	\$ <u>8,830,111</u>	\$ <u>29,773,291</u>

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE L - RETIREMENT BENEFITS (Continued)

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	\$ <u>37,230,975</u>	\$ <u>29,773,291</u>	\$ <u>23,820,792</u>

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	\$ <u>23,115,936</u>	\$ <u>29,773,291</u>	\$ <u>38,294,473</u>

Payables to the OPEB Plan - There were no contributions payable to the EUTF as of June 30, 2024.

- (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) ***Hi'ilei Aloha LLC Retirement Plan*** - Hi'ilei Aloha LLC offers a 401(k) profit sharing plan. Employees become eligible upon six months of employment and may contribute to the plan to the extent allowed by law. Hi'ilei Aloha LLC matches employees' contributions up to a specified percentage of salary. For the year ended December 31, 2023, contribution expense amounted to \$89,186.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE M - EMPLOYEE BENEFITS

Sick Leave - Accumulated sick leave amounted to approximately \$2,671,000 as of June 30, 2024. 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 - RISK MANAGEMENT AND CONTINGENT LIABILITIES

(1) **Workers' Compensation and Other Self-Insurance Liabilities** - As a state agency, 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, 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.

OHA's insurance coverage for its worker's compensation and employers' liability policy is as follows:

Bodily Injury by Accident	\$500,000 each accident
Bodily Injury by Disease	\$500,000 policy limit
Bodily Injury by Disease	\$500,000 each employee

OHA's insurance coverage for its commercial general liability policy is as follows:

\$2,000,000	General aggregate limit (other than products - completed operations)
\$2,000,000	Products/completed operations aggregate limit
\$1,000,000	Personal and advertising injury limit (any one person or organization)
\$1,000,000	Each occurrence limit
\$100,000	Rented to you limit (any one premises)
\$5,000	Medical expense limit (any one person)

As of June 30, 2024, there are no outstanding claims for which OHA is liable.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE N - RISK MANAGEMENT AND CONTINGENT LIABILITIES (Continued)

- (2) **Quiet Title Litigation** - Under HRS 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, 2024, 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 O - NET INVESTMENT IN CAPITAL ASSETS

The net investment in capital assets for the governmental activities and business type activities is calculated as follows:

	Governmental Activities	Business-Type Activities
Total capital assets, net	\$ 276,505,868	\$ 16,340,915
Capital related debt	59,156,238	--
Net investment in capital assets	\$ 217,349,630	\$ 16,340,915

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 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 \$21,500,000 is reported for the fiscal year ended June 30, 2024, of which, \$5,375,000 is included in accounts receivable, net in the PLTF.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE P - RELATED PARTY TRANSACTIONS (Continued)

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 the Department of Hawaiian Homelands (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. DHHL's ongoing housing development programs are large and its need to acquire funding is on-going and continuous. OHA's obligation under the agreement is to pay DHHL an annual fee of \$3,000,000 for 30 years, is in fulfillment of OHA's mission to better the conditions of native Hawaiians.

October 2017, DHHL's Revenue Bond, Series 2009 was refinanced to Revenue Bond, Series 2017, the final payment to be April 2032. The savings is estimated to be approximately \$21,000,000 and a reduction of 7 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, 2024, OHA has approximately \$24,000,000 in future payments committed to DHHL.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Office of Hawaiian Affairs, State of Hawai'i
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable)
REVENUES				
State appropriations	\$ <u>3,000,000</u>	\$ <u>3,000,000</u>	\$ <u>2,724,445</u>	\$ <u>(275,555)</u>
EXPENDITURES				
Beneficiary advocacy	<u>3,000,000</u>	<u>3,000,000</u>	<u>2,511,851</u>	<u>(488,149)</u>
Excess of revenues over expenses	\$ <u> --</u>	\$ <u> --</u>	\$ <u> 212,594</u>	\$ <u> 212,594</u>

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, 2023	0.28%	\$ 34,816,615	\$ 8,521,794	408.6%	61.9%
June 30, 2022	0.29%	\$ 33,444,702	\$ 8,316,230	402.2%	62.8%
June 30, 2021	0.32%	\$ 31,908,556	\$ 8,953,558	356.4%	64.3%
June 30, 2020	0.35%	\$ 37,039,176	\$ 8,362,878	442.9%	53.2%
June 30, 2019	0.37%	\$ 34,499,547	\$ 8,810,968	391.6%	54.9%
June 30, 2018	0.41%	\$ 32,698,545	\$ 9,008,205	363.0%	55.5%
June 30, 2017	0.41%	\$ 31,892,391	\$ 10,027,875	318.0%	54.8%
June 30, 2016	0.42%	\$ 32,669,717	\$ 10,033,406	325.6%	51.3%
June 30, 2015	0.43%	\$ 21,773,504	\$ 9,966,952	218.5%	62.4%

* 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 Hawai'i
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, 2024	\$ 1,972,124	\$ 1,972,124	\$ --	\$ 8,521,794	23.14%
June 30, 2023	\$ 1,901,118	\$ 1,901,118	\$ --	\$ 8,316,230	22.86%
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%

* 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 Hawai'i
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
REQUIRED BY GASB STATEMENT NO. 68
Fiscal Year Ended June 30, 2024

NOTE A - CHANGES IN ASSUMPTIONS

The total pension liability for the fiscal year ended June 30, 2024 was calculated based on an actuarial valuation performed as of June 30, 2023 and a measurement date of June 30, 2023. There were no significant changes in the assumptions used to measure the total pension liability for the fiscal year ended June 30, 2024. The investment return assumption remained at 7.00% and there were no significant changes in the mortality assumptions used.

Prior to the measurement period ended June 30, 2023, there were no other factors, including the use of different assumptions that significantly affect trends reported in these schedules.

There were no changes of assumptions or other inputs that significantly affected the measurement of the total pension liability since the measurement period ended 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 Hawai'i
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
Last Ten Years*

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Service cost	\$ 233,921	\$ 386,120	\$ 188,701	\$ 622,313	\$ 638,464	\$ 631,702	\$ 510,265
Interest on the total OPEB liability	800,930	1,289,998	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	(78,796)	(1,745,310)	(265,870)	(1,829,616)	(16,757)	(578,349)	--
Change in assumptions	--	(444,856)	--	(149,804)	161,749	350,035	--
Benefit payments	(445,442)	(594,722)	(286,254)	(919,089)	(963,777)	(952,352)	(766,044)
Net change in total OPEB liability	<u>510,613</u>	<u>(1,108,770)</u>	<u>262,979</u>	<u>(277,795)</u>	<u>1,832,175</u>	<u>1,406,931</u>	<u>1,293,610</u>
Total OPEB liability - Beginning	<u>38,092,789</u>	<u>39,201,559</u>	<u>38,938,580</u>	<u>39,216,375</u>	<u>37,384,200</u>	<u>35,977,269</u>	<u>34,683,659</u>
Total OPEB liability - Ending	<u>\$ 38,603,402</u>	<u>\$ 38,092,789</u>	<u>\$ 39,201,559</u>	<u>\$ 38,938,580</u>	<u>\$ 39,216,375</u>	<u>\$ 37,384,200</u>	<u>\$ 35,977,269</u>
Plan fiduciary net position							
Contributions - employer	\$ 888,662	\$ 852,289	\$ 983,690	\$ 2,053,803	\$ 2,125,953	\$ 1,881,695	\$ 1,523,372
Net investment income (loss)	194,522	(123,393)	515,666	109,657	193,288	216,804	152,522
Benefit payments	(445,442)	(594,722)	(286,254)	(919,089)	(963,777)	(952,352)	(766,044)
Administrative expense	(272)	(510)	(263)	(774)	(1,328)	(710)	(391)
Other	803	1,661	107	689	447,738	--	12,248
Net change in plan fiduciary net position	<u>638,273</u>	<u>135,325</u>	<u>1,212,946</u>	<u>1,244,286</u>	<u>1,801,874</u>	<u>1,145,437</u>	<u>921,707</u>
Plan fiduciary net position - Beginning	<u>8,191,838</u>	<u>8,056,513</u>	<u>6,843,567</u>	<u>5,599,281</u>	<u>3,797,407</u>	<u>2,651,970</u>	<u>1,730,263</u>
Plan fiduciary net position - Ending	<u>\$ 8,830,111</u>	<u>\$ 8,191,838</u>	<u>\$ 8,056,513</u>	<u>\$ 6,843,567</u>	<u>\$ 5,599,281</u>	<u>\$ 3,797,407</u>	<u>\$ 2,651,970</u>
Net OPEB liability	<u>\$ 29,773,291</u>	<u>\$ 29,900,951</u>	<u>\$ 31,145,046</u>	<u>\$ 32,095,013</u>	<u>\$ 33,617,094</u>	<u>\$ 33,586,793</u>	<u>\$ 33,325,299</u>
Plan fiduciary net position as a percentage of the total OPEB liability	22.87%	21.50%	20.55%	17.58%	14.28%	10.16%	7.37%
Covered payroll	\$ 8,316,230	\$ 8,057,279	\$ 8,953,558	\$ 8,362,878	\$ 8,810,968	\$ 9,008,205	\$ 10,027,875
Net OPEB Liability as a Percentage of Covered Payroll	358.01%	371.10%	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, 2024	\$ 1,871,499	\$ 1,871,499	\$ --	\$ 8,521,794	21.96%
June 30, 2023	\$ 888,662	\$ 888,662	\$ --	\$ 8,316,230	10.69%
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.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
REQUIRED BY GASB STATEMENT NO. 75
Fiscal Year Ended June 30, 2024

NOTE A - SIGNIFICANT METHODS AND ASSUMPTIONS

The actuarially determined annual required contributions (“ARC”) for the fiscal year ending June 30, 2024 was developed in the July 1, 2023 valuation.

Assumptions and Methods:

Inflation rate	2.50%
Investment rate of return	7.00%
Actuarial cost method	Individual Entry Age Normal
Amortization method*	Level percent, closed
Amortization growth rate	17.0 year equivalent single amortization period for FYE26
Mortality	System-specific mortality tables utilizing scale MP2021 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 cost trend rates	
PPO*	Initial rate of 6.30%, declining to a rate of 4.25% after 21 years
HMO**	Initial rate of 6.30%, declining to a rate of 4.25% after 21 years
Part B and Base Monthly Contributions	Initial rate of 5.00%; declining to a rate of 4.25% after 21 years
Dental	4.00%
Vision	2.50%
Life Insurance	0.00%

* Closed bases are established at each valuation for new unfunded liabilities.

** Includes prescription drug assumptions.

There were no other factors 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).