



**OFFICE OF HAWAIIAN AFFAIRS
STATE OF HAWAII**

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

Year Ended June 30, 2025



**OFFICE OF HAWAIIAN AFFAIRS
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, 2025

To the Board of Trustees of the Office of Hawaiian Affairs:

Aloha mai kākou,

It is my honor to present the Financial Statements and Report of Independent Certified Public Accountants of the Office of Hawaiian Affairs (OHA) for the fiscal year ended June 30, 2025. The annual financial report was prepared by OHA’s Resource Management Paia.

Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with OHA management. Management maintains internal controls designed to provide reasonable assurance that the financial statements are free of material misstatement and are presented in conformity with generally accepted accounting principles applicable to governmental entities.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, this annual financial report includes the independent auditors’ report, Management’s Discussion and Analysis (MD&A) as required supplementary information, the basic financial statements, and the accompanying notes. In addition, consistent with GASB Statement No. 14, The Financial Reporting Entity, this report presents the reporting entity to reflect OHA as the primary government and the component units for which OHA is financially accountable, as described in the notes to the financial statements.

The MD&A provides a narrative overview and analysis of OHA’s financial performance for fiscal years 2025 and 2024 and is intended to help readers understand the financial statements and their broader context.

Management believes the information presented in this report fairly represents OHA’s financial position and results of operations in all material respects. It is presented in a manner designed to clearly describe the financial position and results of operations of OHA as measured by the financial activity of its various funds, and includes the disclosures necessary for readers to understand OHA’s financial stewardship.

REPORTING ENTITY AND STATUTORY AUTHORITY

Upon statehood in 1959, Section 5(f) of the Admission Act directed the State of Hawai‘i to hold certain lands in trust for five purposes, including the betterment of the conditions of Native Hawaiians. In 1978, the Hawai‘i State Constitution was amended to establish OHA as a public trust entity with a mandate to better the conditions of Native Hawaiians and the Native Hawaiian community. OHA was formally established by the Legislature in 1979 under Chapter 10 of the Hawai‘i Revised Statutes.

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OHA's vision — Ho'oulu Lāhui Aloha — and its mission to mālama Hawai'i's people, environmental resources, and trust assets guide both the agency's programs and its fiduciary stewardship. In accordance with governmental accounting standards, the reporting entity includes OHA as the primary government, its blended component unit, Hi'ilei Aloha LLC, and its wholly owned subsidiary, Hi'ipaka LLC.

All financial decisions undertaken by OHA are grounded in this constitutional and statutory mandate and in the responsibility to steward trust resources wisely for present and future generations of Native Hawaiians.

FISCAL YEAR 2025 FINANCIAL POSITION

As of June 30, 2025, OHA's total net position was \$868,298,951, representing an increase of \$61,744,691 (7.66%) from fiscal year 2024. This increase was driven primarily by growth within the Native Hawaiian Trust Fund (NHTF), together with reductions in certain long-term liabilities and deferred inflows of resources.

The Financial Asset component of the NHTF increased from \$586.8 million to \$633.2 million, reflecting a 10.7 percent return for the fiscal year and a net increase of approximately \$46.4 million after distributions.

Governmental funds reported an ending fund balance of \$678,388,322 an increase of \$53,694,593 (8.60%) during fiscal year 2025.

During fiscal year 2025, OHA implemented GASB Statement No. 101, Compensated Absences, resulting in a restatement of the beginning unrestricted net position of approximately \$(1.6 million).

Fiscal year 2025 also reflected the continued advancement of beneficiary-focused initiatives aligned with Mana i Maui Ola. As described in OHA's FY2025 Annual Report, the agency supported statewide grantmaking, strengthened governance and transparency practices, advanced capital planning initiatives, and secured additional federal funding to support environmental stewardship and community resilience.

NATIVE HAWAIIAN TRUST FUND

The Native Hawaiian Trust Fund consists of Financial Assets invested in a diversified, multi-asset portfolio and Hawai'i Direct Investments, including commercial and investment lands held to provide long-term value and income generation.

The NHTF is governed by a Board-approved Investment Policy Statement (IPS), most recently amended on October 31, 2024.

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The Board's investment policy targets long-term growth of at least inflation plus five percent, and the spending policy limits annual withdrawals to five percent of the NHTF's 20-quarter rolling average market value.

ECONOMIC CONDITIONS

Hawai'i's economy expanded moderately during the fiscal year, supported by steady service-sector activity and resilient visitor spending. The statewide unemployment rate remained low at 2.2 percent as of December 2025. Inflation moderated during the year, though affordability pressures persisted.

Nationally, inflation continued to ease, and the Federal Reserve reduced the federal funds rate to a range of 3.50–3.75 percent. Economic risks remain, including federal budget uncertainty, trade policy developments, and geopolitical conditions.

OHA's financial condition reflects both local economic conditions that affect beneficiary needs and global market dynamics that influence financial asset performance.

SUBSEQUENT EVENTS

After June 30, 2025, OHA approved additional beneficiary and community investments, including \$7.28 million in grants and \$519,902 in sponsorships, and approved \$6.1 million in emergency funding in October 2025 to support beneficiaries impacted by the federal government shutdown and SNAP benefit suspension.

OHA also received additional federal awards, including \$2 million in EPA Brownfields funding and \$6.17 million from the USDA Forest Service, to support environmental assessment, land stewardship, and acquisition initiatives.

In July 2025, OHA's Chief Financial Officer retired, and interim financial leadership arrangements were implemented to ensure continuity of financial management and oversight. Effective September 23, 2025, the Board of Trustees appointed an Interim Chief Administrator/Chief Executive Officer to provide stable executive leadership and ensure continuity of agency operations during a period of transition.

As of the date of this report, OHA has not received stop-work orders or formal funding suspension notices from federal grantors. Management continues to monitor federal policy developments and potential impacts to grant-funded programs.

FY2026–FY2027 BIENNIUM BUDGET

During fiscal year 2025, the Board of Trustees approved the FY2026–FY2027 Biennium Budget, establishing the financial framework for the next two fiscal years. The adopted budget aligns with Mana i Maui Ola and reflects continued adherence to fiduciary discipline, the Board's spending policy, and the long-term sustainability objectives of the Native Hawaiian Trust Fund.

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CLOSING

Following the close of fiscal year 2025, OHA experienced several leadership and administrative transitions. The Board of Trustees acted deliberately and prudently to maintain operational stability, reinforce financial oversight and internal capacity, and ensure that OHA's mission and fiduciary responsibilities continued without interruption. These proactive steps helped sustain sound financial management and institutional continuity during the period.

OHA's financial position strengthened during the year, reflecting disciplined investment management, prudent oversight of trust assets, and a continued commitment to transparency and accountability. With this foundation, OHA remains focused on sustaining trust resources, supporting beneficiary priorities, and advancing Mana i Maui Ola in ways that uphold the long-term integrity of the trust for future generations.

Management remains committed to maintaining a strong system of internal controls, prudent risk management practices, and transparent financial reporting to safeguard trust assets and uphold public accountability.

As Interim Administrator, I extend appreciation to the Trustees, staff, beneficiaries, and community partners who support OHA's mission. Their dedication and service help ensure that the trust entrusted to OHA is carried forward with care, integrity, and aloha. Together, we will continue to carry out OHA's constitutional and statutory responsibilities with prudent stewardship—serving Native Hawaiian beneficiaries today and for generations to come.

Respectfully submitted,



Summer L.H. Sylva
Interim Chief Administrator/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, 2025, 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, 2025, 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, 2024. 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 11 through 18, 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 67 through 73 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 18, 2026 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 18, 2026

Office of Hawaiian Affairs, State of Hawai'i
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

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, 2025, management discussion and analysis will address both this year and the year ended June 30, 2024, including any subsequent events and disclosures that should be made to understand the financial statements between the fiscal year ended June 30, 2025 and the report issuance date of March 18, 2026.

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 three 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, 2025

Statement of Net Position

Summarized financial information of OHA's Statement of Net Position as of June 30, 2025 and 2024 is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2025	2024 (restated)	2025	2024	2025	2024 (restated)
ASSETS						
Capital assets, net	\$ 275,867,143	\$ 276,505,868	\$ 16,891,065	\$ 16,340,915	\$ 292,758,208	\$ 292,846,783
Other assets	<u>711,722,222</u>	<u>664,067,217</u>	<u>16,170,716</u>	<u>13,718,681</u>	<u>727,892,938</u>	<u>677,785,898</u>
Total assets	<u>987,589,365</u>	<u>940,573,085</u>	<u>33,061,781</u>	<u>30,059,596</u>	<u>1,020,651,146</u>	<u>970,632,681</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	4,239,904	3,484,058	--	--	4,239,904	3,484,058
Related to OPEB	<u>2,688,805</u>	<u>2,664,715</u>	--	--	<u>2,688,805</u>	<u>2,664,715</u>
Total deferred outflows of resources	<u>6,928,709</u>	<u>6,148,773</u>	--	--	<u>6,928,709</u>	<u>6,148,773</u>
LIABILITIES						
Other liabilities	6,977,436	10,661,248	681,153	513,393	7,658,589	11,174,641
Long-term liabilities	<u>119,935,036</u>	<u>124,745,531</u>	--	--	<u>119,935,036</u>	<u>124,745,531</u>
Total liabilities	<u>126,912,472</u>	<u>135,406,779</u>	<u>681,153</u>	<u>513,393</u>	<u>127,593,625</u>	<u>135,920,172</u>
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	462,883	609,733	--	--	462,883	609,733
Related to OPEB	3,805,265	3,104,990	--	--	3,805,265	3,104,990
Related to leases	<u>27,252,585</u>	<u>30,233,955</u>	<u>166,546</u>	<u>358,344</u>	<u>27,419,131</u>	<u>30,592,299</u>
Total deferred inflows of resources	<u>31,520,733</u>	<u>33,948,678</u>	<u>166,546</u>	<u>358,344</u>	<u>31,687,279</u>	<u>34,307,022</u>
NET POSITION						
Invested in capital assets, net of related debt	218,849,515	217,349,630	16,891,065	16,340,915	235,740,580	233,690,545
Restricted	25,167,359	24,844,356	--	182,190	25,167,359	25,026,546
Unrestricted	<u>592,067,995</u>	<u>535,172,415</u>	<u>15,323,017</u>	<u>12,664,754</u>	<u>607,391,012</u>	<u>547,837,169</u>
Total net position	\$ <u>836,084,869</u>	\$ <u>777,366,401</u>	\$ <u>32,214,082</u>	\$ <u>29,187,859</u>	\$ <u>868,298,951</u>	\$ <u>806,554,260</u>

The assets and deferred outflows of resources of OHA exceeded its liabilities and deferred inflows of resources as of June 30, 2025 by \$868,298,951 (presented as Total net position). Of this amount, \$607,391,012 is reported as Unrestricted, while \$25,167,359 is reported as "Restricted" federal funds and \$235,740,580 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, 2024 by \$806,554,260 (presented as "Total net position"). Of this amount, \$547,837,169 is reported as "Unrestricted", while \$25,026,546 is reported as "Restricted" federal funds and \$233,690,545 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, 2025

OHA's total net position, from June 30, 2025 of \$868,298,951 and June 30, 2024 of \$806,554,260 increased by \$61,744,691 (a 7.66% increase) in 2025. The increase was mainly due to the \$46.4 million increases in Other Assets from the Native Hawaiian Trust Fund (NHTF), the value increasing from \$586.8 million to \$633.2 million, a 7.9% increase. Additional information regarding OHA's investments can be found in Note H to the financial statements. The increase in net position is also due to the decreases in other liabilities and the deferred inflows of resources from leased assets, by \$3.5 million and \$3.2 million respectively. In fiscal year ended June 30, 2025 OHA adopted GASB statement No. 101, Compensated Absences, which resulted in a restatement of beginning net position of \$1,559,249. The restatement decreases beginning unrestricted net position by \$1.6 million, from \$536,731,664 to \$535,172,415.

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, 2024. 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Statement of Activities

Summarized financial information of OHA's Statement of Activities for the fiscal years ended June 30, 2025 and 2024 is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
REVENUES						
Program revenues:						
Charges for services	\$ 13,636,448	\$ 10,126,797	\$ 11,518,336	\$ 10,952,612	\$ 25,154,784	\$ 21,079,409
Operating grants	606,454	440,446	--	--	606,454	440,446
General revenues:						
State allotments, net of lapsed appropriations	3,275,555	2,724,445	--	--	3,275,555	2,724,445
Public land trust revenue	21,500,000	21,500,000	--	--	21,500,000	21,500,000
Capital contributions	--	--	--	434,350	--	434,350
Unrestricted contributions	134,485	762,875	--	--	134,485	762,875
Interest and investment earnings	68,174,010	68,301,578	384,673	195,027	68,558,683	68,496,605
Total revenues	107,326,952	103,856,141	11,903,009	11,581,989	119,229,961	115,438,130
EXPENSES						
Current divisions:						
Beneficiary advocacy	22,310,411	19,369,363	--	--	22,310,411	19,369,363
Board of trustees	3,935,103	3,552,718	--	--	3,935,103	3,552,718
Support services	21,040,958	21,604,218	--	--	21,040,958	21,604,218
Unallocated depreciation and amortization	1,322,012	1,433,308	--	--	1,322,012	1,433,308
Hi'iilei Aloha LLC	--	--	8,876,786	7,730,564	8,876,786	7,730,564
Total expenses	48,608,484	45,959,607	8,876,786	7,730,564	57,485,270	53,690,171
Change in net position	58,718,468	57,896,534	3,026,223	3,851,425	61,744,691	61,747,959
NET POSITION AT BEGINNING OF FISCAL YEAR	<u>777,366,401</u> *	<u>721,029,116</u>	<u>29,187,859</u>	<u>25,336,434</u>	<u>806,554,260</u> *	<u>746,365,550</u>
NET POSITION AT END OF FISCAL YEAR	\$ <u>836,084,869</u>	\$ <u>778,925,650</u>	\$ <u>32,214,082</u>	\$ <u>29,187,859</u>	\$ <u>868,298,951</u>	\$ <u>808,113,509</u>

* Net position at the beginning of the fiscal year is restated by \$(1,559,249) for the implementation of GASB Statement No. 101, *Compensated Absences* (GASBS 101). Net position at the beginning of fiscal year 2025 does not match net position at the end of the fiscal year 2024 due to the implementation of GASBS 101, which was adopted as of July 1, 2024. Comparative activity for fiscal year 2024 has not been restated in accordance with the transition guidance in GASBS 101.

OHA's change in net position decreased from \$61,747,959 to \$61,744,691 by \$3,268 during fiscal year ended June 30, 2025. The public land trust commercial property rental income increased by \$3.5 million, offset by \$2.95 million from beneficiary advocacy from the Maui Wildfire Disaster Relief grant and program services and general management expenses by \$1.1 million from Hi'iilei Aloha LLC.

Office of Hawaiian Affairs, State of Hawai'i
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

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 24 and 26 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.

At the close of fiscal year 2025, OHA’s governmental funds reported an ending fund balance of \$678,338,322. Fund balance was segregated into the following categories: Nonspendable, Restricted, Committed, Assigned and Unassigned.

Office of Hawaiian Affairs, State of Hawai'i
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

Nonspendable fund balance totaled \$1,509,526 or 0.22%, due to amounts related to inventory, prepaid items and other assets.

Restricted fund balance totaled \$25,167,359 or 3.71%, and is comprised of 58.55% for the Native Hawaiian Revolving Loan Fund program, 37.90% represents the long-term portion of notes receivable, and 3.55% restricted for other federal programs administered by OHA.

Committed fund balance totaled \$17,299,520 or 2.55%, 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 \$634,411,917 or 93.52% of fund balance, and is comprised of the following: 3.59% has been encumbered, less than 0.01% represents the non-current portion of outstanding loans and 96.40% is available for future expenditures, including Board designations.

OHA's governmental funds experienced an increase of \$53,694,593 or 8.60% in fund balance during fiscal year 2025. This is a decrease of \$2,881,609 in comparison to the \$56,576,202 increase in fund balance during fiscal year 2024. The decrease is mainly due to the \$2.95 million Maui Wildfire Disaster Relief grant.

PROPRIETARY FUND FINANCIAL ANALYSIS

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 19 through 21.

Proprietary fund net position totaled \$32,214,082 at the end of 2024 compared to \$29,187,859 at the end of 2023, representing an increase of \$3,026,223 or 10.37%.

Invested in capital assets, net of related debt represents the largest portion of proprietary funds' net position at \$16,891,065 or 52.43% 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 \$3,275,555, which was \$275,555 or 9.19%, more than the final budget. The positive variance was attributed to recognition of \$275,555 from deferred revenue recorded in fiscal year 2024. 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, 2025

CAPITAL ASSETS AND LONG-TERM DEBT

OHA's governmental activities investment in capital assets, net of depreciation and amortization, amounted to \$275,867,143 and \$276,505,868, as of June 30, 2025 and 2024, respectively. OHA's business-type activities investment in capital assets, net of depreciation, amounted to \$16,891,065 and \$16,340,915, as of December 31, 2024 and 2023, respectively. OHA's capital assets are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Nondepreciable assets						
Land	\$ 251,881,537	\$ 251,881,537	\$ 13,429,733	\$ 13,429,733	\$ 265,311,270	\$ 265,311,270
Construction in progress	539,322	541,416	--	--	539,322	541,416
Artwork	10,000	10,000	--	--	10,000	10,000
Depreciable assets					--	--
Buildings and improvements	40,724,364	40,749,261	5,411,763	4,768,062	46,136,127	45,517,323
Furniture, fixtures, equipment, and vehicles	6,512,254	6,719,274	2,015,649	1,742,357	8,527,903	8,461,631
Right-to-use lease assets	819,414	566,208	--	--	819,414	566,208
Accumulated depreciation and amortization	(24,619,748)	(23,961,828)	(3,966,080)	(3,599,237)	(28,585,828)	(27,561,065)
Totals	\$ 275,867,143	\$ 276,505,868	\$ 16,891,065	\$ 16,340,915	\$ 292,758,208	\$ 292,846,783

The decrease in capital assets of \$88,575 is due to disposal of furniture, fixtures and equipment, and construction in progress that have been determined to be no longer feasible. The decrease is offset by increases from right-to-use leased assets due to the new Hilo Office lease and leasehold improvements from Hi'ilei Aloha LLC. Additional information regarding OHA's capital assets can be found in Note I 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 Note J to the financial statements.

SUBSEQUENT EVENTS

Grants and Sponsorships Awarded Post June 30, 2024

OHA awarded \$17,331,097 in grants and paid \$455,000 in sponsorships, as of June 30, 2025. Since June 30, 2025, an additional \$7,280,186 has been awarded in grants and \$519,902 paid in sponsorships. In October 2025, OHA's Board of Trustees approved \$6.1 million in emergency funding for Native Hawaiian beneficiaries impacted by the federal government shutdown and the SNAP benefits suspension.

OHA has been awarded \$2 million Brownfields grant funds in July 2025, from the U.S. Environmental Protection Agency in support of required environmental assessments for future developments at our Kaka'ako Makai, the site of a former municipal landfill, and Iwilei properties.

OHA has also been awarded \$6.17 million in December 2025, from USDA Forest Service for project of Ho'oulu Wao Kele O Puna. The funds will support due diligence and acquisition of lands adjacent to OHA's existing Wao Kele o Puna footprint. These agricultural lands will allow OHA to expand its stewardship and protection of our forest lands and watershed as well as broaden programmatic activities for agroforestry, place-based education, and community and cultural stewardship.

Office of Hawaiian Affairs, State of Hawai‘i
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2025

Native Hawaiian Trust Investments

The Native Hawaiian Trust Fund (NHTF) increased 10.7% for the fiscal year ended June 30, 2025, increasing total financial assets by approximately \$46.4 million, net of distributions, from \$586.8 million to \$633.2 million. With recent market gains now incorporated into the 20-quarter rolling average used for spending calculations, the NHTF remains well-positioned to support sustainable, intergenerational funding for OHA's programs and beneficiary services while preserving long-term purchasing power.

Financial asset performance was complemented by ongoing management of OHA’s Hawai‘i Investment Land, intended to generate stable income and long-term value in support of OHA’s mission. While commercial real estate markets continued to adjust to higher interest rates, contributing to softer values and more challenging refinancing conditions, OHA’s land team focused on maintaining and improving property-level performance through active leasing, tenant retention, and contractual rent escalations, supporting cash flow available for programs over time. FY25 also marked a governance milestone as the Trustees approved a real estate strategy framework for investment lands, strengthening oversight and providing clearer direction to improve returns, enhance performance monitoring and reporting, and managing concentration and operational risks.

Direct Federal Grants

Management evaluated subsequent events through March 18, 2026, the date the financial statements were issued, and noted no subsequent events related to OHA’s direct federal grants that require recognition or disclosure (including no stop-work orders, terminations, or material award modifications). Federal policies and administrative guidance may continue to evolve; management will monitor for potential impacts on future funding availability, reimbursement timing, and compliance requirements

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, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Petty cash	\$ 300	\$ 500	\$ 800
Cash held in bank	13,845,655	5,162,015	19,007,670
Cash held by investment managers	95,565	--	95,565
Restricted cash	1,882,050	--	1,882,050
Accounts receivable, net	7,403,212	810,020	8,213,232
Interest and dividends receivable	130,275	--	130,275
Inventory, prepaid items and other assets	1,509,526	237,092	1,746,618
Lease receivables - due within one year	6,489,721	166,546	6,656,267
Notes receivable, net - due within one year	<u>1,733,046</u>	<u>--</u>	<u>1,733,046</u>
Total current assets	33,089,350	6,376,173	39,465,523
Noncurrent assets			
Lease receivables - due after one year	23,056,361	--	23,056,361
Notes receivable, net - due after one year	9,558,506	--	9,558,506
Investments	646,018,005	9,794,543	655,812,548
Capital assets			
Non-depreciable assets	252,430,859	13,429,733	265,860,592
Depreciable assets, net	22,851,923	3,461,332	26,313,255
Right-to-use lease assets, net	<u>584,361</u>	<u>--</u>	<u>584,361</u>
Capital assets, net	<u>275,867,143</u>	<u>16,891,065</u>	<u>292,758,208</u>
Total noncurrent assets	<u>954,500,015</u>	<u>26,685,608</u>	<u>981,185,623</u>
Total assets	<u>987,589,365</u>	<u>33,061,781</u>	<u>1,020,651,146</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	4,239,904	--	4,239,904
Deferred outflows of resources related to OPEB	<u>2,688,805</u>	<u>--</u>	<u>2,688,805</u>
Total deferred outflows of resources	<u>\$ 6,928,709</u>	<u>\$ --</u>	<u>\$ 6,928,709</u>

See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawai'i
STATEMENT OF NET POSITION (Continued)
June 30, 2025

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 3,480,912	\$ 681,153	\$ 4,162,065
Due to State of Hawaii	876,609	--	876,609
Compensated absences - due within one year	825,561	--	825,561
Lease liabilities - due within one year	151,136	--	151,136
Long-term debt - due within one year	<u>1,643,218</u>	<u>--</u>	<u>1,643,218</u>
Total current liabilities	6,977,436	681,153	7,658,589
Noncurrent liabilities			
Compensated absences - due after one year	1,802,227	--	1,802,227
Lease liabilities - due after one year	455,358	--	455,358
Long-term debt - due after one year	54,767,916	--	54,767,916
Net pension liability	35,667,767	--	35,667,767
Net OPEB liability	<u>27,241,768</u>	<u>--</u>	<u>27,241,768</u>
Total noncurrent liabilities	<u>119,935,036</u>	<u>--</u>	<u>119,935,036</u>
Total liabilities	<u>126,912,472</u>	<u>681,153</u>	<u>127,593,625</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	462,883	--	462,883
Deferred inflows of resources related to OPEB	3,805,265	--	3,805,265
Deferred inflows of resources related to leases	<u>27,252,585</u>	<u>166,546</u>	<u>27,419,131</u>
Total deferred inflows of resources	<u>31,520,733</u>	<u>166,546</u>	<u>31,687,279</u>
NET POSITION			
Invested in capital assets, net of related debt	218,849,515	16,891,065	235,740,580
Restricted			
Beneficiary advocacy	121,176	--	121,176
Long-term portion of notes receivable	9,539,466	--	9,539,466
Native Hawaiian loan programs	14,735,126	--	14,735,126
Support services	771,591	--	771,591
Unrestricted	<u>592,067,995</u>	<u>15,323,017</u>	<u>607,391,012</u>
Total net position	<u>\$ 836,084,869</u>	<u>\$ 32,214,082</u>	<u>\$ 868,298,951</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, 2025

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	\$ 22,310,411	\$ --	\$ 575,230	\$ (21,735,181)	\$ --	\$ (21,735,181)
Board of trustees	3,935,103	--	--	(3,935,103)	--	(3,935,103)
Support services	21,040,958	13,636,448	31,224	(7,373,286)	--	(7,373,286)
Unallocated depreciation and amortization	1,322,012	--	--	(1,322,012)	--	(1,322,012)
	<u>48,608,484</u>	<u>13,636,448</u>	<u>606,454</u>	<u>(34,365,582)</u>	<u>--</u>	<u>(34,365,582)</u>
Business-Type Activities:						
Hi'iilei Aloha LLC	8,876,786	11,518,336	--	--	2,641,550	2,641,550
Total business-type activities	8,876,786	11,518,336	--	--	2,641,550	2,641,550
Total government-wide	\$ <u>57,485,270</u>	\$ <u>25,154,784</u>	\$ <u>606,454</u>	<u>(34,365,582)</u>	<u>2,641,550</u>	<u>(31,724,032)</u>
General Revenues:						
Interest and investment earnings				68,174,010	384,673	68,558,683
Public land trust revenue				21,500,000	--	21,500,000
State allotments, net of lapses				3,275,555	--	3,275,555
Unrestricted contributions				134,485	--	134,485
Total general revenues				<u>93,084,050</u>	<u>384,673</u>	<u>93,468,723</u>
Change in net position				58,718,468	3,026,223	61,744,691
Net position at beginning of fiscal year, as previously reported				778,925,650	29,187,859	808,113,509
Prior period adjustment				(1,559,249)	--	(1,559,249)
Net position at beginning of fiscal year, as restated				<u>777,366,401</u>	<u>29,187,859</u>	<u>806,554,260</u>
Net position at end of fiscal year				\$ <u>836,084,869</u>	\$ <u>32,214,082</u>	\$ <u>868,298,951</u>

See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawai'i
GOVERNMENTAL FUNDS - BALANCE SHEET
June 30, 2025

	<u>General Fund</u>	<u>Public Land Trust</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
ASSETS					
Petty cash	\$ --	\$ 300	\$ --	\$ --	\$ 300
Cash:					
Held in bank	1,598,624	10,875,089	703,905	668,037	13,845,655
Held by investment managers	--	(66)	95,631	--	95,565
Restricted cash	--	1,504,357	377,693	--	1,882,050
Accounts receivable, net	--	5,491,391	41,916	15,746	5,549,053
Lease receivables:					
Due within one year	--	6,489,721	--	--	6,489,721
Due after one year	--	23,056,361	--	--	23,056,361
Due from other funds	--	12,792,217	78,888	--	12,871,105
Interest and dividends receivable	--	214	130,061	--	130,275
Inventory, prepaid items and other assets	--	1,509,526	--	--	1,509,526
Notes receivable, net:					
Due within one year	--	4,627	1,796,770	--	1,801,397
Due after one year	--	19,040	9,539,466	--	9,558,506
Investments	--	<u>633,190,239</u>	<u>12,827,766</u>	--	<u>646,018,005</u>
Total assets	\$ <u>1,598,624</u>	\$ <u>694,933,016</u>	\$ <u>25,592,096</u>	\$ <u>683,783</u>	\$ <u>722,807,519</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, 2025

	<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	\$ --	\$ 3,260,857	\$ 124,737	\$ 33,306	\$ 3,418,900
Due to other funds	--	12,871,103	--	--	12,871,103
Due to State of Hawaii	--	576,609	300,000	--	876,609
Total liabilities	--	16,708,569	424,737	33,306	17,166,612
Deferred inflows of resources related to leases	--	27,252,585	--	--	27,252,585
Fund balances					
Nonspendable:					
Inventory, prepaid items and other assets	--	1,509,526	--	--	1,509,526
Restricted for:					
Beneficiary advocacy	--	--	121,176	--	121,176
Long-term portion of notes receivable	--	--	9,539,466	--	9,539,466
Native Hawaiian loan programs	--	--	14,735,126	--	14,735,126
Support services	--	--	771,591	--	771,591
Committed to:					
DHHL-issued revenue bonds	--	17,299,520	--	--	17,299,520
Assigned to:					
Beneficiary advocacy	1,598,624	14,978,486	--	--	16,577,110
Board of trustees	--	46,622	--	--	46,622
Long-term portion of notes receivable	--	19,040	--	--	19,040
Public land trust	--	611,601,272	--	--	611,601,272
Support services	--	5,517,396	--	650,477	6,167,873
Total fund balances	1,598,624	650,971,862	25,167,359	650,477	678,388,322
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,598,624	\$ 694,933,016	\$ 25,592,096	\$ 683,783	\$ 722,807,519

Office of Hawaiian Affairs, State of Hawai'i
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2025

Total fund balances - governmental funds		\$ 678,388,322
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.		275,867,143
Other assets used in governmental funds are not current financial resources, and therefore, are not reported in the funds.		1,723,794
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(2,627,788)	
Lease liabilities	(606,494)	
Net pension liability	(35,667,767)	
Net OPEB liability	(27,241,768)	
Deferred outflows of resources related to pension	4,239,904	
Deferred inflows of resources related to pension	(462,883)	
Deferred outflows of resources related to OPEB	2,688,805	
Deferred inflows of resources related to OPEB	(3,805,265)	
Notes payable	<u>(56,411,134)</u>	<u>(119,894,390)</u>
Net position of governmental activities		\$ <u>836,084,869</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, 2025

	<u>General Fund</u>	<u>Public Land Trust</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
REVENUES					
Appropriations	\$ 3,275,555	\$ --	\$ --	\$ --	\$ 3,275,555
Charges for services	--	12,059,230	--	28,065	12,087,295
Donations and other	--	76,196	5,641	85,000	166,837
Interest and investment gain	--	67,002,693	1,148,345	22,972	68,174,010
Intergovernmental revenue	--	--	602,279	--	602,279
Public land trust revenue	--	<u>21,500,000</u>	--	--	<u>21,500,000</u>
Total revenues	<u>3,275,555</u>	<u>100,638,119</u>	<u>1,756,265</u>	<u>136,037</u>	<u>105,805,976</u>
EXPENDITURES					
Beneficiary advocacy	3,200,000	18,774,781	1,406,159	--	23,380,940
Board of trustees	--	3,885,334	--	--	3,885,334
Support services	--	21,086,086	27,103	94,722	21,207,911
Debt service					
Principal retirement	--	2,318,200	--	--	2,318,200
Interest and fiscal charges	--	<u>1,680,198</u>	--	--	<u>1,680,198</u>
Total expenditures	<u>3,200,000</u>	<u>47,744,599</u>	<u>1,433,262</u>	<u>94,722</u>	<u>52,472,583</u>
OTHER FINANCING SOURCES (USES)					
Inception of leases	--	361,200	--	--	361,200
Transfers in	--	50,426	--	--	50,426
Transfers out	<u>(50,426)</u>	--	--	--	<u>(50,426)</u>
Total other financing sources (uses)	<u>(50,426)</u>	<u>411,626</u>	<u>--</u>	<u>--</u>	<u>361,200</u>
Net change in fund balances	<u>25,129</u>	<u>53,305,146</u>	<u>323,003</u>	<u>41,315</u>	<u>53,694,593</u>
FUND BALANCES					
Beginning 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>
End of fiscal year	\$ <u>1,598,624</u>	\$ <u>650,971,862</u>	\$ <u>25,167,359</u>	\$ <u>650,477</u>	\$ <u>678,388,322</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, 2025

Net change in fund balances - total governmental funds		\$ 53,694,593
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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.</p>		
Expenditures for capital assets	735,705	
Construction in progress expensed	(2,094)	
Current year depreciation and amortization	(1,322,013)	
Loss on disposal of capital assets and lease termination	<u>(50,323)</u>	(638,725)
<p>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.</p>		
Principal payments on long-term debt	<u>2,318,200</u>	2,318,200
<p>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:</p>		
Increase in other assets	1,523,436	
Decrease in compensated absences	93,672	
Increase in lease liabilities	(179,590)	
Increase in net pension liability	(851,152)	
Decrease in net OPEB liability	2,531,523	
Increase in deferred outflows of resources related to pension	755,846	
Decrease in deferred inflows of resources related to pension	146,850	
Increase in deferred outflows of resources related to OPEB	24,090	
Increase in deferred inflows of resources related to OPEB	<u>(700,275)</u>	<u>3,344,400</u>
Change in net position of governmental activities		\$ <u>58,718,468</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, 2025

	December 31, 2024
	Hi'ilei Aloha LLC
ASSETS	
Current assets	
Petty cash	\$ 500
Cash held in bank	5,162,015
Accounts receivable, net	810,020
Inventory, prepaid items and other assets	237,092
Lease receivable, due in one year	166,546
Total current assets	6,376,173
Noncurrent assets	
Investments	9,794,543
Capital assets - net	16,891,065
	26,685,608
Total assets	\$ 33,061,781
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
Current liabilities	
Accounts payable and accrued liabilities	\$ 681,153
Deferred inflows of resources related to leases	166,546
Net position	
Invested in capital assets	16,891,065
Unrestricted	15,323,017
Total net position	32,214,082
Total liabilities and net position	\$ 33,061,781

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, 2025

	December 31, 2024
	Hi'ilei Aloha LLC
OPERATING REVENUES	
Sales - gift store and other	\$ 1,492,479
Cost of sales	<u>(2,060,793)</u>
Gross loss	(568,314)
Admission and tours	9,073,298
Other revenue	<u>3,013,352</u>
Total operating revenues	11,518,336
EXPENSES	
Program services	6,691,412
Management and general	2,090,343
Fundraising	<u>95,031</u>
Total operating expenses	<u>8,876,786</u>
Operating income	2,641,550
NONOPERATING REVENUES AND EXPENSES	
Interest and investment gain	<u>384,673</u>
Change in net position	<u>3,026,223</u>
NET POSITION	
Beginning of fiscal year	<u>29,187,859</u>
End of fiscal year	\$ <u><u>32,214,082</u></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, 2025

	December 31, 2024
	Hi'ilei Aloha LLC
Cash flows from operating activities	
Receipts from customers, grantors and funders	\$ 12,633,596
Payments to suppliers, vendors and service providers	(5,143,250)
Payments to employees for salaries and benefits	(5,262,500)
Payment of unrelated business income taxes	(35,083)
Net cash provided by operating activities	2,192,763
Cash flows from capital and related financing activities	
Lease income from capitalized lease	531,841
Expenditures for property and equipment	(916,993)
Net cash used in capital and related financing activities	(385,152)
Cash flows from investing activities	
Purchase of investments	(4,885,430)
Proceeds from sale or maturity of investments	725,000
Investment earnings	348,455
Net cash used in investing activities	(3,811,975)
Net decrease in cash and cash equivalents	(2,004,364)
Cash and cash equivalents at beginning of the year	7,166,879
Cash and cash equivalents at end of the year	\$ 5,162,515
Reconciliation of cash and cash equivalents to the statement of net position	
Petty cash	\$ 500
Cash held in bank	5,162,015
	\$ 5,162,515

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, 2025

	December 31, 2024
	Hii'ilei Aloha LLC
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 2,641,550
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	366,843
Lease income from capitalized lease	(531,841)
Change in:	
Accounts receivable, net	(515,332)
Inventory, prepaid items and other assets	46,077
Accounts payable and accrued liabilities	185,466
Net cash provided by operating activities	\$ 2,192,763

See accompanying notes to the basic financial statements.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

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, 2025, 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, 2024, 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.

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

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

utilized or paid. The amount of accumulated leave unpaid, lease liabilities, net pension liability, and net OPEB liability as of June 30, 2025 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*** - Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred. 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. 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. Hi'ilei distinguishes between operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with admissions to Waimea Valley and sales associated with their gift shop. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the purposes of the statement of cash flows, the proprietary fund considers all cash and highly liquid investments with original maturities of three months or less, when purchased, cash equivalents.

- (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.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (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.
- (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, 2025

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, 2025

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 compensated absences and compensatory pay at current salary rates; including additional amounts for certain salary-related expenses associated with the payment of compensated absences. The balance at June 30, 2025 includes fringe benefits computed at the rate of 7.65% of compensated absences 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. Sick leave accumulates at a rate of 14 hours for each month of service, as defined, without limit. The liability for sick leave that is more likely than not to be used, paid, or settled through cash or noncash means is measured using the historical average use approach. This method is based upon OHA's historical experience with sick leave usage through payouts over the last three years, and considers past trends to determine the amount of sick leave expected to be used or paid in the future.
- (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, 2025

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." The entire restricted net position at the end of the reporting period is restricted by enabling legislation.

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. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, OHA considers amounts spent first out of committed funds to the extent available, then assigned and finally unassigned funds, as needed.

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. 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 is allowed to report 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.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

At the discretion of the BOT, additional deposits of up to \$3,000,000 may be made in each subsequent year from funds that were budgeted from the NHTF Financial Assets Portfolio that were unspent at the end of previous years. The audited financial statements and audited processes (i.e., lapsing of prior encumbered purchase orders) for each respective year shall be used as the sole basis to determine the eligible deposits into the FSF. Annual deposits shall be counted toward the maximum withdrawal limitations in the BOT Spending Policy. The monies in the FSF may be carried over from year to year, provided that the total amount in the FSF shall not exceed \$10,000,000. Funds above and beyond the \$10,000,000 cap shall be redeposited into the NHTF. Withdrawals from the FSF shall not be included in the maximum withdrawal limitations in the BOT Spending Policy for the fiscal year in which the withdrawal is made. Temporarily idle monies in the FSF may be invested as directed by the BOT, and the interest earned may be either transferred permanently into the NHTF or may remain in the FSF, at the discretion of the BOT. If the interest remains in the FSF, it may serve to increase the fund balance, but in no event shall the balance of the FSF be allowed to exceed the \$10,000,000.

Once established, reserves for contingencies may be designated in the FSF to acknowledge and recognize the responsibilities of OHA. Such reserves for contingencies may include but are not 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.

As of June 30, 2025, OHA's stabilization balance was \$-0-.

- (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, 2025 consist of the following:

General Fund	\$	466,904
Public Land Trust Fund		20,542,504
Federal Grants Fund		892,767
Other Funds		<u>252,118</u>
	\$	<u>22,154,293</u>

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (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.
- (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** - Effective July 1, 2024, OHA implemented GASB Statement No. 101, *Compensated Absences*. The primary 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. This Statement requires recognition of a liability for compensated absences that (1) is attributed to services already rendered; (2) accumulates; and (3) is more likely than not to be used for time off or otherwise paid or settled. The implementation of this Statement resulted in an increase of the liability for compensated absences and a reduction in net position of \$1,559,249.

During the fiscal year ended June 30, 2025, OHA also implemented GASB 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. Management has determined that this Statement did not have a material effect on OHA's financial statements.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The GASB issued Statement No. 103, *Financial Reporting Model Improvements*, effective fiscal years beginning after June 15, 2025, and all reporting periods thereafter, improves 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. Management has not yet determined the effect this Statement will have on OHA's financial statements.

The GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, effective fiscal years beginning after June 15, 2025, and all reporting periods thereafter, provides users of government financial statements with essential information about certain types of capital assets. 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 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, 2025

NOTE C - BIENNIAL BUDGET (Continued)

The adjustments necessary to reconcile the results of operations for the year ended June 30, 2025 from the budgetary basis to GAAP basis are as follows:

	Amount
Excess of revenues over expenditures - actual (budgetary basis)	\$ 25,129
Reserve for encumbrances at June 30, 2025	466,904
Prior year reserve for encumbrances	(355,240)
Expenditures for liquidation of prior year encumbrances	(111,664)
Revenue over expenditures - actual (GAAP basis)	\$ 25,129

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, 2025 and there were no lapsed appropriations for the same period.

NOTE E - CASH

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

OHA's cash included in State pooled funds is fully collateralized with securities held by third-party agents in the State's name, as required by the HRS, Section 38-8. As of June 30, 2025, OHA's cash held in the State Treasury totaled \$0. OHA holds cash in banking institutions held outside of the State Treasury to maximize investment returns in accordance with HRS Section 10-5.

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.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE F - 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 33 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, 2025 is as follows:

Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025	Due within One Year	Due in More Than One Year
\$ 31,792,848	\$ 4,192,866	\$ (6,439,632)	\$ 29,546,082	\$ 6,489,721	\$ 23,056,361

For the year ended June 30, 2025, OHA recognized \$7,039,655 in lease revenue and \$1,060,630 in interest revenue. In addition, OHA recognized \$5,379,445 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
2026	\$ 6,489,721	\$ 923,487	\$ 7,413,208
2027	5,626,427	687,658	6,314,085
2028	4,215,820	487,313	4,703,133
2029	2,198,629	364,366	2,562,995
2030	1,732,742	295,394	2,028,136
2031 - 2035	5,465,535	861,582	6,327,117
2036 - 2040	2,210,719	407,913	2,618,632
2041 - 2043	1,606,489	61,678	1,668,167
	<u>\$ 29,546,082</u>	<u>\$ 4,089,391</u>	<u>\$ 33,635,473</u>

A summary of Hi'ilei's lease receivable for the year ended December 31, 2024 is summarized as follows:

Balance January 1, 2024	Additions	Deductions	Balance December 31, 2024	Due within One Year	Due in More Than One Year
\$ 358,344	\$ --	\$ (191,798)	\$ 166,546	\$ 166,546	\$ --

Income earned during the year ended December 31, 2024 was approximately \$532,000, including approximately \$328,000 in variable payments based on percentage rent.

Future minimum payments on Hi'ilei's lease receivable are \$170,000 in 2025, which includes \$166,546 in principal and \$3,454 in interest.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE G - NOTES RECEIVABLE

At June 30, 2025, notes receivable bear interest from 0% to 6.25%, mature on various dates through July 2032, and consists of the following:

	Native Hawaiian Revolving Loan Fund	Public Land Trust Fund	Total
Notes receivable	\$ 12,096,700	\$ 123,945	\$ 12,220,645
Less: allowance for doubtful accounts	(760,464)	(100,278)	(860,742)
	11,336,236	23,667	11,359,903
Amounts due within one year	(1,796,770)	(4,627)	(1,801,397)
Amounts due after one year	\$ 9,539,466	\$ 19,040	\$ 9,558,506

NOTE H - 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 ("NHTF investment policy), as updated on November 11, 2024. OHA's Board of Trustees is responsible 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 for the type of investments, asset allocations, long-term targets, asset diversification, benchmark, performance objectives. It provides for 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. The investment guideline for the NHRLF limits investments in U.S. Treasuries to a maximum maturity of 3 years.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE H - INVESTMENTS (Continued)

The following table sets forth assets measured at fair value on a recurring basis by level within the fair value hierarchy as of June 30, 2025.

	Fund	Reported Value	Level 1	Level 2	Level 3
Mutual funds	NHTF	\$ 328,742,140	\$ 328,742,140	\$ --	\$ --
Equity securities	NHTF	59,302,541	59,302,541	--	--
U.S. government securities	NHRLF	<u>12,827,766</u>	<u>12,827,766</u>	--	--
Total investments at fair value		<u>400,872,447</u>	\$ <u>400,872,447</u>	\$ --	\$ --
Investments held at NAV					
Commingled funds		86,278,262			
Alternative investments					
Absolute return		66,621,151			
Private investments		<u>87,432,235</u>			
Total investments at NAV		<u>240,331,648</u>			
Invested securities lending collateral					
Money market funds		<u>4,813,910</u>			
Total investments		\$ <u>646,018,005</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	\$ 43,979,144	None	Monthly/Quarterly	Various up to trade date
Real assets	29,739,355	None	Monthly/Quarterly	Various up to trade date
Fixed income	12,559,763	None	Monthly/Quarterly	Various up to trade date
Alternative investments				
Marketable alternatives	66,621,151	None	Monthly/Quarterly	Various up to trade date
Illiquid alternatives	<u>87,432,235</u>	\$ 49,393,316	Upon realizations	Not applicable
Total investments measured at NAV	\$ <u>240,331,648</u>			
Invested securities lending collateral				
Money market fund	\$ <u>4,813,910</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, 2025, approximately 100% 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, 2025, approximately 100% 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, 2025

NOTE H - 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, 2025, 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, 2025, approximately 81.7% 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 by OHA.

The following table presents OHA's investments by maturity period as of June 30, 2025:

Investment type	Fund	Reported Value	Investment maturities (in years)		
			< 1	1 - 5	> 5
U.S. Treasuries	NHRLF	\$ 12,827,766	\$ 3,826,101	\$ 9,001,665	\$ --
Mutual funds	NHTF	328,742,140			
Equity securities	NHTF	59,302,541			
Commingled funds	NHTF	86,278,262			
Alternative investments	NHTF	154,053,386			
Money market funds	NHTF	<u>4,813,910</u>			
Total investments		\$ <u>646,018,005</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, 2025

NOTE H - 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, 2025, OHA's foreign currency risks are as follows:

<u>Investment Type</u>	<u>Currency</u>	<u>Value (US Dollar)</u>
Private equity funds	Euro	\$ 809,287

- (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** - Credit risk represents the possibility that an issuer or counterparty may be unable to meet its obligations. As of June 30, 2025, OHA's fixed-income holdings included U.S. Treasury securities held within the Native Hawaiian Revolving Loan Fund (NHRLF), as well as fixed-income mutual funds and commingled funds held in the Native Hawaiian Trust Fund (NHTF).

<u>Investment Type</u>	<u>Credit Quality Rating</u>	<u>Fair Value</u>
U.S. Treasuries (NHRLF)	Exempt - U.S. Government Obligation	\$ 12,827,766
Mutual Funds - Fixed Income (NHTF)	Not Rated	\$ 102,044,491
Commingled Funds - Fixed Income (NHTF)	Not Rated	\$ 49,237,943

Mutual funds and commingled funds are not rated by nationally recognized statistical rating organizations; therefore, the credit quality of their underlying securities is not disclosed.

- (4) **Concentration of Credit Risk** - Concentration of credit risk refers to potential losses arising from significant exposure to a single issuer representing 5% or more of total investments, excluding U.S. government obligations and investments in mutual funds or external pools.

As of June 30, 2025, OHA held no investments that met the criteria for required disclosure.

- (5) **Other 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 its financial institutions and regularly reviews the viability of these institutions. OHA also attempts to limit its investment risk 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, 2025

NOTE H - 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, 1899.

Investment type	Reported Value	Level 1	Level 2	Level 3
Money market funds	\$ 5,036,579	\$ 5,036,579	\$ --	\$ --
U.S. government securities	2,306,296	1,762,037	544,259	--
Corporate bonds	2,272,421	--	2,272,421	--
Mutual and exchange traded funds	179,247	179,247	--	--
	<u>\$ 9,794,543</u>	<u>\$ 6,977,863</u>	<u>\$ 2,816,680</u>	<u>\$ --</u>

The following table presents Hi'ilei's investments by maturity period as of December 31, 1899:

Investment type	Reported Value	Investment maturities (in years)		
		< 1	1 - 5	> 5
U.S. government securities	\$ 2,306,296	\$ 411,498	\$ 1,894,798	\$ --
Corporate bonds	2,272,421	386,401	1,886,020	--
Mutual and exchange traded funds	179,247	--	--	--
Money market funds	5,036,579	--	--	--
	<u>\$ 9,794,543</u>	<u>\$ 797,899</u>	<u>\$ 3,780,818</u>	<u>\$ --</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, 2025

NOTE I - CAPITAL ASSETS

OHA's capital assets of governmental activities during the year ended June 30, 2025 are as follows:

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Nondepreciable assets				
Land	\$ 251,881,537	\$ --	\$ --	\$ 251,881,537
Construction in progress	541,416	--	(2,094)	539,322
Artwork	10,000	--	--	10,000
Total nondepreciable assets	<u>252,432,953</u>	--	(2,094)	<u>252,430,859</u>
Depreciable assets				
Buildings	33,626,987	--	--	33,626,987
Leasehold improvements	7,122,274	63,561	(88,458)	7,097,377
Furniture, fixtures and equipment	6,719,274	310,946	(517,966)	6,512,254
	47,468,535	374,507	(606,424)	47,236,618
Accumulated depreciation	<u>(23,815,315)</u>	<u>(1,155,794)</u>	<u>586,414</u>	<u>(24,384,695)</u>
Total depreciable assets	<u>23,653,220</u>	<u>(781,287)</u>	<u>(20,010)</u>	<u>22,851,923</u>
Right-to-use lease assets				
Buildings	566,208	361,198	(107,992)	819,414
Accumulated amortization	<u>(146,513)</u>	<u>(166,218)</u>	<u>77,678</u>	<u>(235,053)</u>
Total right to use lease assets	<u>419,695</u>	<u>194,980</u>	<u>(30,314)</u>	<u>584,361</u>
Governmental activities capital assets, net	<u>\$ 276,505,868</u>	<u>\$ (586,307)</u>	<u>\$ (52,418)</u>	<u>\$ 275,867,143</u>

Hi'ilei Aloha LLC's capital assets activities during the year ended December 31, 2024 are as follows:

	Balance January 1, 2024	Additions	Deductions	Balance December 31, 2024
Nondepreciable assets				
Land	\$ 13,429,733	\$ --	\$ --	\$ 13,429,733
Depreciable assets				
Buildings and improvements	4,768,062	643,701	--	5,411,763
Furniture, fixtures and equipment	1,306,540	160,815	--	1,467,355
Vehicles	435,817	112,477	--	548,294
	6,510,419	916,993	--	7,427,412
Accumulated depreciation	<u>(3,599,237)</u>	<u>(366,843)</u>	<u>--</u>	<u>(3,966,080)</u>
Total depreciable assets	<u>2,911,182</u>	<u>550,150</u>	<u>--</u>	<u>3,461,332</u>
Capital assets, net	<u>\$ 16,340,915</u>	<u>\$ 550,150</u>	<u>\$ --</u>	<u>\$ 16,891,065</u>

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE J - LONG-TERM LIABILITIES

Changes in long-term liabilities for governmental activities during the year ended June 30, 2025 were as follows:

	Balance July 1, 2024 (as restated)	Additions	Deductions	Balance June 30, 2025	Amount due within one year	Amount due after one year
Compensated absences						
Accrued vacation	\$ 1,162,211	\$ 642,432	\$ (712,590)	\$ 1,092,053	\$ 551,152	\$ 540,901
Sick leave	1,559,249	402,917	(426,431)	1,535,735	274,409	1,261,326
Lease liabilities	426,904	361,198	(181,608)	606,494	151,136	455,358
Notes payable	<u>58,729,334</u>	--	<u>(2,318,200)</u>	<u>56,411,134</u>	<u>1,643,218</u>	<u>54,767,916</u>
Total	<u>\$ 61,877,698</u>	<u>\$ 1,406,547</u>	<u>\$ (3,638,829)</u>	<u>\$ 59,645,416</u>	<u>\$ 2,619,915</u>	<u>\$ 57,025,501</u>

Lease Liabilities

OHA leases office space and equipment under various noncancelable leases. OHA's leases payable include leases for office space in Kauai, Hawaii, and Maui, which expire on various dates from March 2027 through July 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>
2026	\$ 151,136	\$ 26,872	\$ 178,008
2027	155,806	19,441	175,247
2028	146,829	11,993	158,822
2029	145,568	4,204	149,772
2030	<u>7,155</u>	<u>30</u>	<u>7,185</u>
	<u>\$ 606,494</u>	<u>\$ 62,540</u>	<u>\$ 669,034</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 Nā 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 Nā 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 \$77,151 beginning in April 2025, with the remaining balance due on March 5, 2032. The outstanding balance on the note payable was \$16,426,291 on June 30, 2025.

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 \$6,889,041 on June 30, 2025.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE J - LONG-TERM LIABILITIES (Continued)

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 \$33,095,802 on June 30, 2025.

As of June 30, 2025, 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>
2026	\$ 1,643,218	\$ 1,684,166	\$ 3,327,384
2027	1,684,780	1,642,604	3,327,384
2028	1,735,245	1,592,139	3,327,384
2029	1,787,230	1,540,154	3,327,384
2030	1,840,779	1,486,605	3,327,384
Thereafter	<u>47,719,882</u>	<u>2,036,871</u>	<u>49,756,753</u>
	<u>\$ 56,411,134</u>	<u>\$ 9,982,539</u>	<u>\$ 66,393,673</u>

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

NOTE K - 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

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE K - RETIREMENT BENEFITS (Continued)

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.

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.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE K - RETIREMENT BENEFITS (Continued)

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

Contributory Class for Employees Hired prior to July 1, 2012

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

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

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE K - RETIREMENT BENEFITS (Continued)

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

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

Hybrid Class for Employees Hired Prior to July 1, 2012

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

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

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.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE K - RETIREMENT BENEFITS (Continued)

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 2025 was 24%. Contributions to the pension plan from OHA were \$2,152,972 for the fiscal year ended June 30, 2025.

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, 2025, OHA reported a liability of \$35,667,767 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2024, OHA's proportion was 0.28% as compared to its proportion measured as of June 30, 2023 of 0.29%.

There were no changes in actuarial assumptions as of June 30, 2023 to June 30, 2024. There were no changes between the measurement date, June 30, 2024, and the reporting date, June 30, 2025, that are expected to have a significant effect on the proportionate share of the net pension liability.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE K - RETIREMENT BENEFITS (Continued)

For the year ended June 30, 2025, OHA recognized pension expense of \$2,101,427. At June 30, 2025, OHA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 848,701	\$ 225,710
Changes in assumptions	664,861	147,268
Net difference between projected and actual earnings on pension plan investments	282,493	--
Changes in proportion and differences between OHA's contributions and proportionate share of contributions	290,877	89,905
OHA's contributions subsequent to the measurement date	<u>2,152,972</u>	<u>--</u>
	<u>\$ 4,239,904</u>	<u>\$ 462,883</u>

The \$2,152,972 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, 2026.

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

Year Ending June 30,	Amount
2026	\$ (327,760)
2027	1,086,453
2028	610,152
2029	<u>255,204</u>
	<u>\$ 1,624,049</u>

Actuarial Assumptions - The total pension liability in the June 30, 2024 actuarial valuation was based on an actuarial valuation as of June 30, 2024. The actuarial assumptions were based on the results of an experience study as of June 30, 2021. The actual assumptions have not been revised since the prior valuation. The following actuarial assumptions were used in the actuarial valuation:

Inflation	2.50%
Investment rate of return	7.00%, including inflation at 2.50%
Projected salary increases	3.75% to 6.75%, including inflation at 2.50%

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE K - RETIREMENT BENEFITS (Continued)

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.

The rate of returns based on ERS’s investment consultant as of June 30, 2024, are summarized in the following table:

Classes	Strategic Class Weights	Long-Term Expected Geometric Rate of Return
Broad Growth		
Public equity	20.00%	7.20%
Private equity	19.00%	9.90%
Liquid credit	4.00%	6.50%
Private credit	8.00%	9.20%
Real estate	9.00%	6.30%
Infrastructure	7.00%	7.30%
Timber/agriculture/infrastructure	3.00%	5.30%
Diversifying Strategies		
Systematic trend following	8.00%	3.80%
Long U.S. treasuries	4.00%	4.30%
Intermediate government	14.00%	4.00%
Reinsurance	4.00%	5.30%
	<u>100.00%</u>	

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.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE K - RETIREMENT BENEFITS (Continued)

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
OHA's proportionate share of the net pension liability	\$ 47,641,044	\$ 35,667,767	\$ 25,750,296

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, 2025.

(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 Hawaii Employer-Union Health Benefits Trust Fund (EUTF), an agent multiple-employer defined benefit plan. The EUTF was established to provide a 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.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE K - RETIREMENT BENEFITS (Continued)

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.

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, 2024, the following number of plan members of the State were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	40,158
Inactive plan members entitled to but not yet receiving benefits	7,381
Active plan members	<u>49,427</u>
 Total plan members	 <u><u>96,966</u></u>

Contributions - Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from OHA were \$2,144,436 for the year ended June 30, 2025. 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, 2025, OHA reported a net OPEB liability of \$27,241,768. The net OPEB liability was measured as of July 1, 2024, 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, 2025, OHA's proportionate share of the State's net OPEB liability was 0.2277%, which was an increase of 0.1218% from its proportionate share of 0.1059% at June 30, 2024.

There were no changes between the measurement date, July 1, 2024, and the reporting date, June 30, 2025, 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, 2025

NOTE K - RETIREMENT BENEFITS (Continued)

For the year ended June 30, 2025, OHA recognized OPEB expense of \$289,098. At June 30, 2025, 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	\$ --	\$ 3,523,329
Changes in assumptions	161,200	281,936
Net difference between projected and actual earnings on OPEB plan investments	383,169	--
OHA's contributions subsequent to the measurement date	<u>2,144,436</u>	<u>--</u>
	<u>\$ 2,688,805</u>	<u>\$ 3,805,265</u>

The \$2,144,436 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, 2026.

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
2026	\$ 1,154,678
2027	725,349
2028	731,559
2029	347,546
2030	290,815
Thereafter	<u>10,949</u>
	<u>\$ 3,260,896</u>

Actuarial Assumptions - The total OPEB liability in the July 1, 2024 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, 2025

NOTE K - RETIREMENT BENEFITS (Continued)

Healthcare cost trend rates:

PPO*	Initial rate of 6.20%; declining to a rate of 4.25% after 20 years
HMO*	Initial rate of 6.20%; declining to a rate of 4.25% after 20 years
Part B and Base Monthly Contribution	Initial rate of 5.00%; declining to a rate of 4.25% after 20 years
Dental	4.00%
Vision	2.50%
Life insurance	0.00%

* Included prescription drug assumptions.

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>
Global equity	30.00%	6.00%
Private equity	15.00%	10.10%
Real assets	12.00%	5.00%
Private credit	10.00%	7.80%
Trend following	10.00%	2.40%
Reinsurance	5.50%	5.10%
Long treasuries	5.00%	2.60%
Alternative risk premia	5.00%	3.80%
U.S. microcap	3.00%	8.30%
TIPS	2.50%	2.10%
Tail Risk/Long Volatility	2.00%	-1.30%
	<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, 2025

NOTE K - 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, 2024:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2024	\$ 38,603,402	\$ 8,830,111	\$ 29,773,291
Changes for the year:			
Service cost	529,851	--	529,851
Interest on the total OPEB liability	1,801,522	--	1,801,522
Contributions - employer	--	1,871,499	(1,871,499)
Net investment income	--	975,924	(975,924)
Benefit payments	(925,294)	(925,294)	--
Administrative expense	--	(944)	944
Difference between expected and actual experience	(2,016,552)	--	(2,016,552)
Other	--	(135)	135
Net changes	(610,473)	1,921,050	(2,531,523)
Balance at June 30, 2025	\$ 37,992,929	\$ 10,751,161	\$ 27,241,768

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE K - 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>35,122,408</u>	\$ <u>27,241,768</u>	\$ <u>20,904,360</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>20,574,788</u>	\$ <u>27,241,768</u>	\$ <u>35,732,303</u>

Payables to the OPEB Plan - There were no contributions payable to the EUTF as of June 30, 2025.

- (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, 2024, contribution expense amounted to \$87,949.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE L - 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, 2025, there are no outstanding claims for which OHA is liable.

- (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, 2025, OHA is currently evaluating its potential interest in several quiet title actions. OHA continues to monitor these actions for any potential escheated interest.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE L - RISK MANAGEMENT AND CONTINGENT LIABILITIES (Continued)

- (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 M - 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	\$ 275,867,143	\$ 16,891,065
Capital related debt	57,017,628	--
Net investment in capital assets	\$ 218,849,515	\$ 16,891,065

NOTE N - 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, 2025, of which, \$5,375,000 is included in accounts receivable, net in the PLTF.

Besides property leased from the Department of Land and Natural Resources (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.

Office of Hawaiian Affairs, State of Hawai'i
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE N - RELATED PARTY TRANSACTIONS (Continued)

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, 2025, OHA has approximately \$21,000,000 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, June 30, 2025

	Budgeted Amounts		Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
State appropriations	\$ <u>3,000,000</u>	\$ <u>3,000,000</u>	\$ <u>3,275,555</u>	\$ <u>275,555</u>
EXPENDITURES				
Beneficiary advocacy	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,250,426</u>	<u>250,426</u>
Excess of revenues over expenses	\$ <u> --</u>	\$ <u> --</u>	\$ <u> 25,129</u>	\$ <u> 25,129</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, 2024	0.26%	\$ 35,667,767	\$ 8,982,063	397.1%	62.6%
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%

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, 2025	\$ 2,152,972	\$ 2,152,972	\$ --	\$ 8,982,063	23.97%
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%

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, 2025

NOTE A - CHANGES IN ASSUMPTIONS

The total pension liability for the fiscal year ended June 30, 2025 was calculated based on an actuarial valuation performed as of June 30, 2024 and a measurement date of June 30, 2024. There were no significant changes in the assumptions used to measure the total pension liability for the fiscal year ended June 30, 2025. 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, 2024, 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*

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	\$ 529,851	\$ 233,921	\$ 386,120	\$ 188,701	\$ 622,313	\$ 638,464	\$ 631,702	\$ 510,265
Interest on the total OPEB liability	1,801,522	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	(2,016,552)	(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	(925,294)	(445,442)	(594,722)	(286,254)	(919,089)	(963,777)	(952,352)	(766,044)
Net change in total OPEB liability	(610,473)	510,613	(1,108,770)	262,979	(277,795)	1,832,175	1,406,931	1,293,610
Total OPEB liability - Beginning	<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>	<u>34,683,659</u>
Total OPEB liability - Ending	<u>\$ 37,992,929</u>	<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	\$ 1,871,499	\$ 888,662	\$ 852,289	\$ 983,690	\$ 2,053,803	\$ 2,125,953	\$ 1,881,695	\$ 1,523,372
Net investment income (loss)	975,924	194,522	(123,393)	515,666	109,657	193,288	216,804	152,522
Benefit payments	(925,294)	(445,442)	(594,722)	(286,254)	(919,089)	(963,777)	(952,352)	(766,044)
Administrative expense	(944)	(272)	(510)	(263)	(774)	(1,328)	(710)	(391)
Other	(135)	803	1,661	107	689	447,738	--	12,248
Net change in plan fiduciary net position	1,921,050	638,273	135,325	1,212,946	1,244,286	1,801,874	1,145,437	921,707
Plan fiduciary net position - Beginning	<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>	<u>1,730,263</u>
Plan fiduciary net position - Ending	<u>\$ 10,751,161</u>	<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>\$ 27,241,768</u>	<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	28.30%	22.87%	21.50%	20.55%	17.58%	14.28%	10.16%	7.37%
Covered payroll	\$ 8,521,794	\$ 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	319.67%	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, 2025	\$ 2,144,436	\$ 2,144,436	\$ --	\$ 8,982,063	23.87%
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, 2025 was developed in the July 1, 2024 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	2.50%
Wage inflation	3.00%
Asset method	Smoothed
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 6.20%, declining to a rate of 4.25% after 20 years
HMO**	Initial rate of 6.20%, declining to a rate of 4.25% after 20 years
Part B and Base Monthly Contributions	Initial rate of 5.00%; declining to a rate of 4.25% after 20 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).