

STATE OF HAWAI'I
OFFICE OF HAWAIIAN AFFAIRS
560 N. NIMITZ HIGHWAY, SUITE 200
(VIRTUAL MEETING - VIA ZOOM WEBINAR)
COMMITTEE ON RESOURCE MANAGEMENT
MINUTES

March 22, 2023 1:30 p.m.

ATTENDANCE:

Chairperson John Waihe'e, IV
Vice-Chairperson Luana Alapa
Trustee Dan Ahuna
Trustee Kaleihikina Akaka
Trustee Keli'i Akina
Trustee Brickwood Galuteria
Trustee C. Hulu Lindsey
Trustee J. Keoni Souza
Trustee Mililani Trask

BOT STAFF:

Amber Kalua
Crayn Akina
Evalani Canto
Kanani laea
Melissa Wennihan
Pohai Ryan
Richelle Kim

ADMINISTRATION STAFF:

Sylvia Hussey, CEO / Ka Pouhana / Administrator
Casey Brown, COO / Ka Pou Nui
Daniel Santos, IT
Everett Ohta, Interim General Counsel
Grace Chen, Financial Analyst
Kevin Chak, IT
Nietzsche Ozawa, Interim Senior Legal Counsel
Ramona Hinck, CFO

GUESTS:

Charles T. Goodin, N&K CPAs, Inc.
Dwayne S. Takeno, N&K CPAs, Inc.
Sharry Kim, Consultant
Sylvie Chin, Consultant
Wayne Tomita, Consultant

I. CALL TO ORDER

Chair Waihe'e calls the Committee on Resource Management meeting for Wednesday, March 22, 2023 to order at **1:30 p.m.**

Chair Waihe'e notes for the record that **PRESENT** are:

MEMBERS			AT CALL TO ORDER (1:30 p.m.)	TIME ARRIVED
CHAIR	JOHN	WAIHE'E, IV	PRESENT	
VICE-CHAIR	LUANA	ALAPA	PRESENT	
TRUSTEE	DAN	AHUNA	PRESENT	
TRUSTEE	KALEIHIKINA	AKAKA	PRESENT	
TRUSTEE	BRICKWOOD	GALUTERIA	PRESENT	
TRUSTEE	CARMEN HULU	LINDSEY	PRESENT	
TRUSTEE	J. KEONI	SOUZA	PRESENT	
TRUSTEE	MILILANI	TRASK	PRESENT	
TRUSTEE	KELI'I	AKINA	PRESENT	Arrived at 1:35 p.m.

At the Call to Order, **EIGHT (8) Trustees are PRESENT**, thereby constituting a quorum.

II. APPROVAL OF MINUTES

A. March 8, 2023

Trustee Lindsey moves to approve the minutes of March 8, 2023.

Trustee Akaka seconds the motion.

Chair Waihe'e asks if there is any discussion.

Chair Waihe'e calls for a **ROLL CALL VOTE**.

MOTION							1:32 p.m.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
DAN	AHUNA			X			
KALEIHIKINA	AKAKA		2	X			
KELI'I	AKINA						Arrived at 1:35 p.m.
VICE-CHAIR LUANA	ALAPA			X			
BRICKWOOD	GALUTERIA			X			
CARMEN HULU	LINDSEY	1		X			
J. KEONI	SOUZA			X			
MILILANI	TRASK			X			
CHAIR JOHN	WAIHE'E			X			
TOTAL VOTE COUNT				8	0	0	1

VOTE: [X] UNANIMOUS [] PASSED [] DEFERRED [] FAILED

Chair Waihe'e notes for the record that all members present vote 'AE (YES) and the **MOTION PASSES**.

III. UNFINISHED BUSINESS

None

IV. NEW BUSINESS

A. Action Item RM #23-06: Receipt of Unspent Grant Dollars and Physical Fiscal Records from the AKAMAI Foundation Related to a Grant from the OHA for the Use and Benefit of Na'i Aupuni

Chair Waihe'e asks if there is anyone signed up to testify on this agenda item.

RM Staffer Akina: Not at this time.

Chair Waihe'e turns it over to Ka Pouhana Sylvia Hussey.

Pouhana Hussey: Thank you Chair, Trustees. This action item should look very familiar. It was brought back to the Trustees based on information and feedback. This action item just acknowledges the receipt of the funds from the Akamai Foundation and receipt of the physical records, no other action is being proposed relating to the grant itself. So, this is an operational action acknowledging those items.

Trustee Lindsey moves to acknowledge the receipt of the following items related to the Grant Agreement, dated April 27, 2015, between the AKAMAI Foundation ("AF") and the Office of Hawaiian Affairs ("OHA") for the use and benefit of Nai Aupuni.

Trustee Souza seconds the motion.

Chair Waihe'e recognizes Trustee Ahuna.

Trustee Ahuna: I just wanted to make sure, because I remember the AHA was back in 2016, I believe. *Is that what we're talking about? And then they had unspent money because something about the elections, and they gave back the money or something?* But, anyway, okay. Thank you so much. Aloha.

Pouhana Hussey visually shook her head in agreement to Trustee Ahuna's statement/question.

Chair Waihe'e recognizes Trustee Lindsey.

Trustee Lindsey: I didn't read the motion thoroughly, and I'd like to read it in its entirety.

Trustee Lindsey moves to acknowledge the receipt of the following items related to the Grant Agreement, dated April 27, 2015, between the AKAMAI Foundation ("AF") and the Office of Hawaiian Affairs ("OHA") for the use and benefit of Na'i Aupuni, at Attachment A:

- A. A check in the amount of \$82,509.86 from the AF for unexpended grant funds, and deposited by the OHA, February 2017;
- A. A check in the amount of \$57,441.30 from the AF for unexpended grant funds, and deposited by the OHA, June 2022; and
- B. One physical box of fiscal files and records for Na'i Aupuni, from AF, including correspondence dated June 22, 2022, at Attachment F.

Trustee Souza seconds the motion.

Chair Waihe'e recognizes Trustee Akina.

Trustee Akina: My question to Administration is - *if we received this box on June 22, 2022, it would be available during the period of time the Plante Moran was conducting its review; were they given this material, and did they factor it into their review?*

Pouhana Hussey: Yes, Trustee Akina. The box of records was available to them through our Corporation Council, Everett Ohta, and so whatever they needed to do with those records, they were made available to them. And then, when they were done, the records are now back on my desk, I'm looking at them right now.

Trustee Akina: *So, they had it in time to factor in?*

Pouhana Hussey: Yes.

Trustee Akina: That *fraud, waste, and abuse*; to quote them, were involved in that contract.

Pouhana Hussey: They did have access to that, and their conclusions are their conclusions.

Trustee Akina: There are some checks that were processed late; the \$82,509.86 check in February, of 2017, and the \$57,441.30 check on June 2022. These are noted as received by Administration; and deposited as unspent funds. *What accounts for the long period of delay in these checks being sent to OHA?*

Pouhana Hussey: My understanding, if you look at attachment F, it provides the reason that the \$57,000 was held. Apparently under the agreement they needed to withhold a certain amount to ensure towards unpaid expenses. When that passed, they then paid whatever legal expenses out of that, and then returned to us the excess.

So, Attachment F, will give the Trustees an accounting of how that amount derived, as well as the expenditures that were there. Administration took that, and then the unexpended funds were their words and their accounting, so Administration took those proceeds in, and then deposited them.

Trustee Akina: *Can you explain why it took seven years from 2015, the year of the grant to Akamai Foundation to receive the box of receipts and other items, and do you know what is included in the box?*

Pouhana Hussey: So, I can tell you - included in the box, are grant agreements, checking account statements, deposit statements, expenditure folders, things of that nature. Any and all are available for Trustees or anyone to review. We haven't gone through and audited any of it, we just accepted the box, and we have it here, and keeping it as part of our records retention policy.

But my understanding is that the time spent between 2017 and 2022, was as a result of having held a certain amount of funds. Let me find that reference. So, in that Attachment F, they held back a certain amount for, on Attachment F-7 is to pay any outstanding legal items that were there, and so that was being held, as well as that one amount.

Trustee Akina: The checks you are referring to as returning unspent monies to OHA amount to \$139,951 approximately. The Grants total 2.598 million dollars. *What has happened to the unreturned portion of that?*

Pouhana Hussey: So, if you look on Attachment F, F-5, this is what was received from them as to the total budget. And in that initial budget the almost 2.6 million dollars, you'll see the budgets, the actual expenditures, and then the amounts that are returned, so that's the first one on the 82,000; that is what we received.

Then the difference, you have on Attachments F-8 and F-9; the legal expenses that were paid out, and the difference is the \$57,441. So, Attachment F should provide all of the reconciliations. On F-1, you'll see in the correspondence that they sent to us that they had a contingency reserve of \$63,000; they took out the legal fees, there are some bank fees, and that's how you get to the \$57,441.

So, Attachment F, is sort of that settlement of that final check, and that record keeping, and then the balance of the records in that box was then physically transferred to us.

Trustee Akina: *So, are you saying that the entire \$2.598 million has been accounted for or returned?*

Pouhana Hussey: I'm just saying that attachment F is the Akamai Foundation's accounting of the total grants and the net proceeds.

Trustee Akina: So, we have their accounting. *Do we have our reconciliation?*

Pouhana Hussey: I'm not an auditor of their item. If that is something that the Trustees want Administration to do, then certainly we can authorize that, including the related resources that are needed. But yes, we just accepted the information and the records that were provided to us.

Trustee Akina: So, in our affirmation of today's motion, we're not in any way affirming that the records have been checked and that we've received back everything... (sound became inaudible).

Pouhana Hussey: Correct.

Trustee Akina: We're just saying we received those checks and the box.

Pouhana Hussey: Correct, the recommended action is operational. We received and deposited checks, and we received one physical box of fiscal files. We haven't audited them, we haven't closed the grant, we haven't done any of those subsequent actions.

Trustee Akina: Thank you for clarifying. You'll understand why I asked, feeling a bit nervous as a fiduciary.

Pouhana Hussey: Sure, of course.

Trustee Akina: *Is the grant opened or closed?*

Pouhana Hussey: Our current Grants requirements - we have a closing process. So, in our current procedures we take the grant, we do our grant monitoring, and then we issue a final closing grant report. This grant obviously was issued prior to our current procedure, so we have not applied our current procedure to this particular grant.

Again, if the Trustees would like Administration to do that then that's something that you should let us know, because this was not in our current procedures. Our current procedures of grant monitoring and close out does include a close out process for each of the grants that we're monitoring.

Trustee Akina: One of the reasons I'm asking whether it's open or closed, is your electronic folder, Attachment F, shows that on June 22, 2022 Ka Pouhana and Chair, received the letter from the Akamai Foundation Treasurer, Louis Perez III, in which one of the things he does is he asks that the grant be closed. *Would we close it without proper documentation, or are you planning just to leave it as is because there was a prior system in place at the time the grant was given?*

Pouhana Hussey: Normally, when we have grants, we have our current process, so we would apply our current process to any outstanding grants. This obviously isn't a grant that was well issued before any of the changes and things like that, but we can obviously apply our current grant monitoring, our current grant policy to this particular grant. Given the dated time, that's going to be resources that are outside of our current resourcing for our regular grant monitoring. It can be done, I'm not saying it can't, but that's something that I would prefer the Trustees be very directive about.

Trustee Akina: Perhaps you could advise us. I just have a few questions relating to some questions I asked about Akamai Foundation last fall. Last year at the September 29th BOT meeting, we all voted to approve a cash payoff with 1.2 million dollars of debt, that was used to finance the Native Hawaiian AHA, and specifically that was RM #22-23A, motion #4. The total amount financed was 2 million dollars, which was the dispersed to the Akamai foundation.

It was noted by our Administration at the time that the financing for the AHA was not in line with the Debt Management Policy. For clarification, I want to ask this question; *was the 2 million dollars that was financed by OHA, included in the cumulative amount of 2.598 million that was dispersed to the Akamai foundation? Or, was the 2 million that was financed, related to a different transaction with the Akamai Foundation?*

Pouhana Hussey: My understanding of the financing of the approved AHA, was that the financing was done through drawing on operational lines of credit. The reason Administration, when we were refinancing and putting everything together, asked the Trustees specifically to pay off that line, it's because operational lines of credit are usually for operational things, and this was a grant. It should have been paid out of regular, we shouldn't have taken out debt for this, and so that's why we asked for that. My understanding is specifically at the time, it was authorized to take that Bank of Hawai'i line, particularly to finance the AHA, rather than taking regular trust, grant resources that we would normally finance activities.

Trustee Akina: *So, was the financed amount included in cumulative amount?*

Pouhana Hussey: The total financed, my understanding, and we can go back and get the specifics, that the amount of the draw amount was specifically for the AHA. I don't know, I will need to get additional details if that's specifically the amount or Akamai Foundation for Na'i Aupuni, or were there other operational expenses that were used that OHA incurred, that those lines of credits were used to finance, so I can get back to the Trustees on that level of detail and granularity.

Trustee Akina: I appreciate that, and just to go back to what you were saying earlier, I want to make sure I understand. *Could you summarize why OHA's grant to Akamai Foundation was financed instead of funded by general funds?*

Pouhana Hussey: Unfortunately, Trustee, I cannot, I was not here. I'm not sure what the rationale at the time of leadership, including the CFO and the CEO, what their decision and thought process was on the financing. All I know and understand is as we are coming into this, and looking at alignment of policy, that it wasn't in alignment with that management policy. Hence the reason we've come to the Trustees, to ensure that we're in alignment.

Trustee Akina: Well, I'm certainly glad to hear that today we wouldn't necessarily borrow money to give away without at least pausing and discussing that, but that does raise a question that I think we need to look at.

One final issue I just wanted to raise at that same meeting back on September 29th of the BOT, you noted, or someone else on the Administration noted that the AHA debt was rolled into OHA's refinancing of Nā Lama Kukui. *Was the bank at the time aware that AHA debt was being rolled into that refinancing?*

Pouhana Hussey: The bank very much so. When we do financing and you're rolling everything in and paying everything off, you have to be very specific about what lines you are paying off. So, yes.

Trustee Akina: Thank you, I appreciate your attentiveness to these questions, and appreciate the other information that you offered. Thank you.

Chair Waihe'e recognizes Trustee Ahuna.

Trustee Ahuna: I wanted to say that Na'i Aupuni was the time they had all the elections and stuff like that. I don't think we could use those types of funding, we had to use certain funding in order to fund. So, I believe there are reasons why we couldn't use the public money.

Chair Waihe'e asks if there is any further discussion.

There is no further discussion.

Chair Waihe'e calls for a **ROLL CALL VOTE**.

MOTION							Motion: 1:35 p.m. Vote: 1:53 p.m.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
DAN	AHUNA			X			
KALEIHIKINA	AKAKA			X			
KELI'I	AKINA					1: Kanalua, 2: Kanalua = ABSTAIN	
VICE-CHAIR LUANA	ALAPA			X			
BRICKWOOD	GALUTERIA			X			
CARMEN HULU	LINDSEY	1		X			
J. KEONI	SOUZA		2	X			
MILILANI	TRASK			X			
CHAIR JOHN	WAIHE'E			X			
TOTAL VOTE COUNT				8	0	1	0

VOTE: [] UNANIMOUS [X] PASSED [] DEFERRED [] FAILED

Chair Waihe'e notes for the record that eight (8) members present vote 'AE (YES), one (1) member ABSTAINS, and the **MOTION PASSES**.

IV. NEW BUSINESS

B. Action Item RM #23-07: Approval of the OHA Financial Statements with Independent Auditor's Report for the Year ended June 30, 2022; and the OHA Report of Independent Certified Public Accountants in Accordance with Government Auditing Standards and Uniform Guidance, Year Ended June 30, 2022

Chair Waihe'e asks if there is anyone signed up to testify on this agenda item.

RM Staffer Akina: Not at this time.

Chair Waihe'e turns it over to Ka Pouhana Sylvia Hussey.

Pouhana Hussey: Thank you, Chair Waihe'e. Chair and Trustees, we're going to ask that the auditors, Charles Goodin and Dwayne Takeno go ahead and turn on their cameras as they'll be presenting.

Administration wanted to take a brief moment to also ask our consultants, Sharry Kim, Sylvie Chin and Wayne Tomita to also have their cameras on, so that we can thank them. We'll ask CFO Ramona Hinck as well as Financial Analyst, Grace Chen, to also have their cameras on.

So, Trustees, we wanted to first thank our consultants Sharry, Wayne, and Sylvie for helping us get through our audit. As you can imagine, closing books, getting schedules, you saw the size of the audit, the complexity, we have a single audit as well, and so without assistance...so, we thank them as well.

You are familiar with Grace Chen, she's our Financial Analyst, our budget and financial analyst guru, and we wanted to just take this time to acknowledge them, to thank them for helping us to get to this point before we turn it over to both Charles and Dwayne. So please join Administration in thanking them for their hard work to get us here to this point; this represents 18 years of clean audits by the Financial Audits for the Office of Hawaiian Affairs. So please join Administration and thanking them for that as well. Thank you.

So, now we're going to turn it over to Principals: Charles Goodin and Dwayne Takeno from N&K, our auditors. As indicated in the Action Item: we have on our website 18 years of good, clean audits, financial audits and CFO Mona will talk a little bit about that in the context of performance audits as well, but for now we'll turn it over to Charles and Dwayne. They have a presentation, and then, of course, any questions that you may have, they'll field all of those questions.

N&K Principal Dwayne Takeno: Thank you so much Sylvia, Good afternoon, Trustees. We have a short presentation for you, with the results of our recently completed audit. My name is Dwayne Takeno, I'm a principal at N&K CPAs Inc. and effective January 1st of this year Charles Goodin who's here with me, was promoted to principal as well. So, you have two principals, working on this account. We have been working on the OHA audit for about five years, and this is now our second year working with Ramona. So, last year was the first year, so that was a little bit more difficult, just getting up to speed and whatnot. This year I think the audit went a lot smoother too - with the help from her consultants, and Ramona herself. I'm going to just turn it over to Charles to walk you through the presentation.

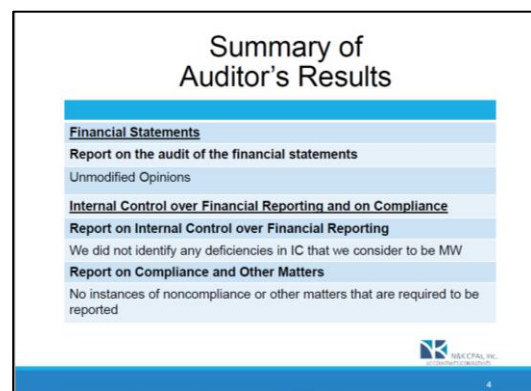
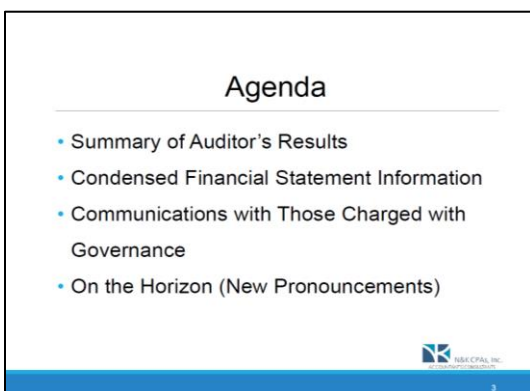


N&K Principal Charles Goodin: Thank you very much, and good afternoon. I did want to clarify that this is actually the third audit we're doing with Ramona. Her first one was kind of a transition year, so last year was the first audit that she was with us for the entire time, and so this is the third one.

N&K Principal Goodin: Okay, we're going to go over the *Summary of Auditor's Results*.

So, we are going to be issuing 3 separate reports. The first is going to be on the financial statements themselves, and regarding those financial statements, we will be issuing unmodified opinions.

The second is related to internal controls over financial reporting and on compliance and with regard to that you know we did not identify any deficiencies in internal controls that we consider to be material weaknesses, and there are no instances of non-compliance or other matters that are required to be reported.



N&K Principal Goodin: As far as our report on compliance for each major federal program related to federal awards, we will be issuing an unmodified opinion, and then for our report on internal control over compliance, we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We're pleased to state that there are no audit findings that are required to be disclosed, and as far as the federal awards go, the major federal program that was being audited again is the Assistance Listing Number 93.612 Native American Programs, and this is related to the Revolving Loan Fund.

Any questions on our results at all? If not, I'm going to move into condensed financial statement information.

Summary of Auditor's Results	
Federal Awards	
Report on Compliance for Each Major Federal Program	
Unmodified Opinion	
Report on Internal Control over Compliance	
We did not identify any deficiencies in IC that we consider to be MW	
Any audit findings disclosed?	
No	
Major Federal Program	
93.612 – Native American Programs	

N&K Principal Goodin: Okay. So, for the statement of that position. These amounts are in thousands, so as far as the statement of net position from 2022 to 2021, investments did decline by about 54,000. It was a pretty rough market this past year, and so, there was investment losses of upwards of 35 or so million during the current year, so that was the main driver and the reduction in the investment balance.

Capital Assets increased by almost 50 million dollars. Balance at the end of the year is just around 294 million. The big thing there was just the purchase of the Iwilei Properties during, I believe it was July of 2021. So that was the major driver in that increase in the Capital assets during the year.

Condensed Financial Statements Statement of Net Position (Amounts in Thousands)			
Description	2022	2021	Difference
Investments	\$ 431,039	\$ 485,417	\$ (54,378)
Capital assets	294,398	245,907	48,491
Other assets	148,234	50,794	97,440
Deferred outflows of resources	4,661	6,858	(2,197)
Other liabilities	(6,691)	(7,621)	930
Long-term liabilities	(124,342)	(92,369)	(31,973)
Deferred inflows of resources	(34,956)	(2,140)	(32,816)
Total net position	\$ (712,343)	\$ (686,846)	\$ (25,497)

N&K Principal Goodin: Other assets increased by 97 million, ending balance is about 148 million and those other assets increased for two major reasons. The first one is the 64 million dollars that was appropriated to OHA as a result of Act 226, that 64 million is recorded as revenue during FY 22. However, it was not received until FY 23, so that's recorded as a receivable, so that's another asset.

Then the second part is the implementation of GASB 87, GASB 87 is the new lease standard that was needed to be implemented for OHA during this fiscal year, and so, as a result of the implementation of that new standard OHA has approximately 28 or 29 million in leases receivable, due to being the lessor for many properties. Whether it's at Kaka'ako Makai, Nā Lama Kukui and also the Iwilei properties, with those 3 major properties, with Ross, CVS and PetSmart.

Other than that, the other major swings during the year were long-term liabilities, increased by about 32 million ending balance of about 124 million. The major reason for the increase there is new debt incurred, related to the purchase of the Iwilei properties. That was about 35 million dollars in new debt incurred. And then the deferred inflows of resources also increased, and that's a result of the implementation of GASB 87 and related to the leases receivable.

Trustee Akina, did you have a question?

Trustee Akina: Yes, thank you very much, good presentation. I want to ask the auditors when it comes to determining Capital assets and you've mentioned Iwilei and Kaka'ako Makai, *where do you get your appraisal or valuation that you use here on our financials in the audit?*

N&K Principal Goodin: The Capital assets are recorded at historical costs, so with the purchase of the Iwilei properties, the amount that's recorded on the financial statements represents the purchase price.

Trustee Akina: Okay. So, this deals with new capital assets, appreciation or loss. *Is that right?*

N&K Principal Goodin: So, it's based on historical costs. So, you know the increase in capital assets of 48 million is primarily related to the purchase of those properties during the year. *Right?*

Trustee Akina: *Would you use an appraisal to increase or decrease the amount of the capital asset?*

N&K Principal Goodin: No, the capital assets are always going to be recorded at historical costs and then depreciated or amortized, based on useful lives. But, with something like land, the land is going to be recorded at historical costs.

Trustee Akina: Thank you very much.

N&K Principal Goodin: Okay, moving on to the statement of activities, again amounts in thousands. Program revenues increased to 18.5 million as compared to 10.1 million in the prior year. The increase in 8 million dollars or so is primarily related to the results of Hi'ilei, due to the COVID-19 pandemic, and all of the restrictions that are in place during calendar year 2020, Hi'ilei's revenue was way, way, way down. They had recorded about 2 million dollars in revenues during that year, and so their revenue during 2021 which is reported in this auditive financial statements for OHA's 2022 increased to about 10 million dollars, because they were back to a pre-covid activity.

So that's the major swing in program revenues. As far as general revenues go, general revenues are 47.8 million in the current year versus 133 million in the prior year. The reason for the swing there is twofold, also related to Act 226 and the investments. So, Act 226, you guys got 64 million in appropriated funds, however, there were investment losses, of 34 to 35 million dollars which brought that down to 47 or so. In the prior year, in 2021 investment gain was about 114 million. The market did really well during that period, and so that's why there's this huge swing in general revenues.

Other than that, the expenses were relatively flat, total expenses for 41 million versus 42.8 million, so there's a swing of about 1.7 million or so, but when we're looking at this, the expenses were relatively flat year to year. So, changing that position there was a positive increase in that position during the year of 25.5 million versus a 107 million in the prior year.

Condensed Financial Statements Statement of Activities (Amounts in Thousands)			
Description	2022	2021	Difference
Program revenues	18,555	10,175	8,380
General revenues	47,827	133,164	(85,337)
Total revenues	66,382	143,339	(76,957)
Beneficiary advocacy	13,063	14,155	(1,092)
Board of trustees	2,764	2,621	143
Support services	18,478	20,245	(1,767)
Unallocated depreciation	1,418	1,142	276
Hillei Aloha LLC	5,346	4,639	707
Hookele Pono LLC	21	47	(26)
Total expenses	41,090	42,849	(1,759)
Net transfers from other funds	205	211	(6)
Change in net position	25,497	100,701	(75,204)

Required Communications	
Matter to be Communicated	N&K Comments
Auditor's responsibility under Generally Accepted Auditing Standards in the United States of America, Government Auditing Standards, and the Uniform Guidance	Our responsibilities is to express opinions about whether the financial statements are fairly presented, in all material respects, in conformity with US GAAP and were communicated in the letter dated January 11, 2023.
Significant Audit Matters	OHA's significant accounting policies are disclosed in Note B to the financial statements. We considered OHA's accounting policies to be appropriate and consistent with US GAAP.
Qualitative Aspects of Accounting Practices	OHA implemented GASB 87, Leases. The effect of the accounting change was to recognize: <ul style="list-style-type: none"> • Leases receivable and deferred inflows of resources of \$11,844,402 and • Right of use lease assets and lease liabilities of \$397,000 for OHA and 771,000 for Hi'ilei. We noted no transactions entered into by OHA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Moving into our required communications. As far as our responsibilities as OHA's auditors, our responsibilities are to express opinions about whether the financial statements are fairly presented, in all material respects, in conformity with US GAAP and those responsibilities were communicated to the Board in our letter due to January 11, 2023.

As far as significant audit matters go, OHA's significant economy policies are disclosed in Note B to the financial statements, and we considered OHA's accounting policies to be appropriate and consistent with US GAAP.

One major thing like I have already mentioned, is that over implemented of GASB 87 leases during the year, and that was implemented effective July 1, 2021. The effect of that accounting change was to recognize leases receivable and deferred inflows of resources of about 11.8 million dollars and right of use lease assets, and lease liabilities of 397,000 for OHA, and 771,000 for Hi'ilei. We noted no transactions entered into by OHA during the year, for which there is a lack of authoritative guidance or consensus, and all significant transactions have been recognized in the financial statements in the proper period.

N&K Principal Goodin: Regarding accounting estimates that are sensitive and significant.


The most sensitive estimates affecting OHA's financial statements are:

- the allowance for doubtful accounts related to notes receivable;
- useful lives of capital assets used to compute depreciation;
- the fair value measurements of financial instruments;
- the proportionate share of the net pension liability, and the net OPEB liability;
- the estimates used in recording leases receivable and deferred inflows of resources are related to leases; and
- the right of use lease assets and related leases payable.

We did evaluate the key factors and assumptions used to develop these estimates and determine that they're reasonable in relation to the financial statements taken as a whole.

We also mentioned that the financial statement disclosures are neutral, consistent, and clear. I'm glad to announce that we did not have any difficulties encountered in performing our audit.

Required Communications	
Matter to be Communicated	N&K Comments
Accounting estimates that are sensitive and significant.	<p>The most sensitive estimates affecting OHA's financial statements were:</p> <ul style="list-style-type: none">• Allowance for doubtful accounts and notes receivable• Useful lives of capital assets used to compute depreciation• Fair value measurements of financial instruments• Proportionate share of net pension liability and net OPEB liability• Lease receivables and deferred inflows of resources• Right to use lease assets and related leases payable <p>We evaluated the key factors and assumptions used to develop the above of estimates and determined that they are reasonable in relation to the financial statements taken as a whole.</p> <p>The financial statement disclosures are neutral, consistent, and clear.</p>
Difficulties encountered in performing the audit.	<p>We encountered no significant difficulties in performing and completing our audit.</p>



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N&K Principal Goodin: As far as corrected and uncorrected misstatements go, none of the misstatements detected as a result of our audit procedures and corrected by management are material, either individually or in the aggregate, to the financial statements taken as a whole.

I do have on the next slide, a summary of our unrecorded misstatements, and so management has determined that the effects of the unrecorded misstatement are immaterial to the financial statements. However, the uncorrected misstatements could cause future period financial statements to be materially misstated, even though such misstatements are immaterial to the financial statements under audit, or the current financial statement.

There were no disagreements with management during the course of our audit. Prior to the issuance of our final audited financial statements and our reports, we will request certain representations from management. There were no consultations with other independent accountants, that we are aware of.

Required Communications	
Matter to be Communicated	N&K Comments
Corrected and uncorrected misstatements.	None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial to the financial statements. The uncorrected misstatements could cause future period financial statements to be materially misstated, even though such misstatements are immaterial to the financial statements under audit.
Disagreements with management.	None.
Management representations.	We will request certain representations from management that are included in the management representation letter.
Consultation with other independent accountants.	None that we are aware of.



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N&K Principal Goodin: This next slide is the uncorrected misstatement that was mentioned previously, this is related to the implementation of that GASB 87 for leases. There were two properties that should have been recorded under GASB 87, but were not, so basically the process for this is that OHA provided a listing of all of their leases to the State, and they were working with DAGS and with another consultant, and so they provided them with all of the information related to both leases as lessor and lessee, and then the consultant, using that information, set a materiality threshold.

OHA's materiality threshold for this, which is the same used by the State, was a \$100,000 for individual leases related to property, and building, office space, and then \$25,000 for equipment. So, when the State did their analysis, there were two leases that were erroneously excluded. So, when this came up during the audit, I was working with the consultants and they provided this adjustment that if we were to record those two leases under GASB 87, this would be the effect of that.


So, you can see that basically the entire impact is, \$740,000 on assets, \$719,000 on different inflows, \$20,000 or so related to fund balance and change in fund balance. So, the impact of this on the Public Land Trust financial statements is 0%, .14% for assets, .19% for a change in fund balance. So, we're talking about something that's very insignificant, and so management concluded, and we agreed that this is not something that needed to be recorded on the financial statement, and the effects of this uncorrected misstatement is immaterial. *Any questions on this?*

Office of Hawaiian Affairs Summary of Uncorrected Misstatements June 30, 2022									
INCREASE (DECREASE)									
PLATE #	Account #	Description	Debit	Credit	Assets	Deferred Outflows	Liabilities	Deferred Inflows	Net Change in Fund Balance Fund Balance
201	036-0000-02-10-410-10	Revenue - PLT		7,740					(7,740) (7,740)
	036-0000-02-10-110-00	LT Lease Receivable	184,475		184,475				
	036-0000-02-10-110-00	LT Lease Receivable	184,475						
	036-0000-02-10-200-00	Deferred Inflow of Resources				719,323			
	036-0000-02-10-110-00	Prepaid - Other	1,684		1,684				
	036-0000-02-10-410-00	Interest Revenue		26,459					26,459 26,459
Client Requested - To pass on recording issues receivable and deferred inflows of resources for Kalaheke Makai properties erroneously excluded from OHA's GASB 87 adjustment for leases as lessor.									
Total Proposed Adjustments					740,000	-	719,323	26,459	26,459
Public Land Trust Financial Statement Balances					546,177,962	-	5,467,057	28,426,074	511,269,031 10,160,544
Effect of PLATs on Public Land Trust Financial Statement Balances					0.14%	0.00%	0.00%	0.00%	0.10%
Conclusion: The uncorrected misstatement is immaterial to the Public Land Trust financial statements and the Governmental Activities of OHA.									

N&K Principal Goodin: Continuing on. Other audit findings or issues - we generally discuss a variety of matters, including the application of accounting principles and auditing standards with management. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention as OHA's auditors.

As far as Other matters go - there is Required Supplementary Information (RSI) that supplements the basic financial statements and related to that RSI, we made certain inquiries of management regarding the methods of preparing the information and comparing that information for consistency with management's responses to our increase, the basic financial statements, and other knowledge we obtained during the course of our audit. We did not audit the RSI, and we do not express an opinion or provide any assurance on that.


Required Communications	
Matter to be Communicated	N&K Comments
Other audit findings or issues.	We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as OHA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Other matters.	Required supplementary information (RSI) that supplements the basic financial statements - we made certain inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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N&K Principal Goodin: Related to the Schedule of Expenditures of Federal Awards (SEFA), we reported on that along with the NHRLF financial statements which accompanied the financial statements but are not RSI. We made certain inquiries of management, and evaluated the form, content, and methods of preparing information to determine that it complies with US GAAP, the method of preparing it has not changed from the prior year, and the information is appropriate and complete in relation to our audit of the financial statements.

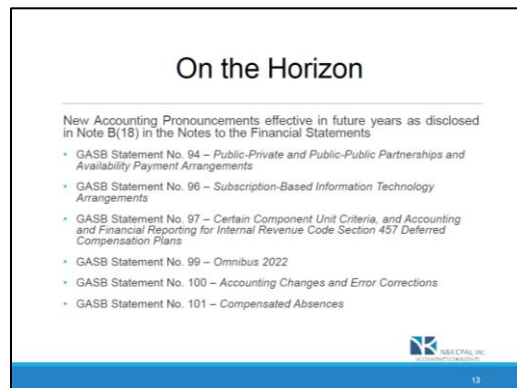
Then, lastly related to the letter from the Chief Executive Officer, we were not engaged to report on that letter which accompanies the financial statement but is not required supplementary information.

Required Communications	
Matter to be Communicated	N&K Comments
Other matters (continued).	We reported on the SEFA and the NHRLF financial statements which accompany the FS but are not RSI. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that it complies with US GAAP, the method of preparing it has not changed from the prior year, and the information is appropriate and complete in relation to our audit of the financial statements. We were not engaged to report on the Letter of the Chief Executive Officer, which accompanies the financial statements but is not RSI.

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N&K Principal Goodin: Last thing, on the horizon, in Note B to the financial statements, Note B(18), to be exact, the last part of B, there are several new GASB pronouncements that were recently issued that are going to be effective for OHA in the coming years.

So, we just wanted to make mention of these six in particular. GASB 94, 96, 97, 99, 100 and 101, these are all things that management does need to be aware of and needs to take a look to see what kind of impact these new pronouncements may have on the financial statements of OHA. We can work with management on the implementation of these new pronouncements, but as of right now for our audit, these pronouncements are not yet effective.



N&K Principal Goodin: Other than that, we can open it up for any questions that anyone may have.



Chair Waihe'e recognizes CFO Ramona Hinck.

CFO Hinck: *Aloha Chair, may I address the Committee?*

Chair Waihe'e: Sure, but the feedback in here is so bad, that every word that is being said is causing us pain, a loud screeching noise.

CFO Hinck: Okay, it's fine. Thank you.

CFO Hinck's sentiments were later shared via email on 3/22/2023 and included here for the record

"Good afternoon, Chair Waihee, Vice Chair Alapa, and Trustees. I would like to add my words of appreciation to the Finance team present: Grace Chen, Wayne Tomita, Sylvie Chin & Sharry Kim. This team was the powerhouse behind this successful fiscal year 2022 audit. This engagement was accomplished by them.

They also continue to ensure our accounting books and records are accurate and complete. Meaning, they close every month and reconcile all Balance Sheet accounts timely, accurately, and completely. I am very grateful for the team's expertise, accountability, and professionalism.

I would also like to extend my appreciation and gratitude to Charles Goodin, Dwayne Takeno and Marissa Pati. Marissa is not here with us today, she was the Senior on the engagement and has been on it for 2 years.

Another very productive and successful external audit. Six years with N&K and growing stronger, with a common goal of ensuring the financial statements and underlying accounting information are solid; can be relied upon for decision-making; and the checks and balances are properly in place for OHA to insure sustainability in perpetuity.

That said, how very different this financial audit was from the State audit just reported. How the underlying intentions and objectives of the State audit, that in my opinion, were not productive and rather adversarial. The subjectivity and inaccuracy of their report, as compared to the audited reports presented today. Thank goodness the state audit only occurs once in four years!

Well, enough of that. I do not want to end this agenda item on a bad note. So, MAHALO NUI Grace, Wayne, Sylvie, Sharry, Charles, Dwayne & Marissa! You folks are my Dream Team, my Action Figures, my Heros and Heroines and God Bless You All for your part in supporting OHA's mission."

Trustee Lindsey moves to approve the draft Office of Hawaiian Affairs Financial Statements with Independent Auditor's Report for the Year Ended June 30, 2022 at Attachment A;

Approve the draft Office of Hawaiian Affairs Report of Independent Public Accountants in Accordance with Government Auditing Standards and Uniform Guidance, Year Ended June 30, 2022, at Attachment B; and

Authorize the OHA Chief Executive Officer and Administration to take all other reasonable actions necessary and appropriate to complete, issue, file and distribute the reports.

Trustee Akaka seconds the motion.

Chair Waihe'e asks if there is any discussion.

There is no discussion.

Chair Waihe'e calls for a **ROLL CALL VOTE**.

MOTION							Motion: 2:17 p.m. Vote: 2:18 p.m.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
DAN	AHUNA			X			
KALEIHIKINA	AKAKA		2	X			
KELI'I	AKINA			X			
VICE-CHAIR LUANA	ALAPA			X			
BRICKWOOD	GALUTERIA			X			
CARMEN HULU	LINDSEY	1		X			
J. KEONI	SOUZA			X			
MILILANI	TRASK			X			
CHAIR JOHN	WAIHE'E			X			
TOTAL VOTE COUNT				9	0	0	0

VOTE: [X] UNANIMOUS [] PASSED [] DEFERRED [] FAILED

Chair Waihe'e notes for the record that all members present vote 'AE (YES) and the **MOTION PASSES**.

IV. NEW BUSINESS

C. Action Item RM #23-08: Approval of OHA funding for an Event Sponsorship for the Waimanalo Kanikapila event

Chair Waihe'e asks if there is anyone signed up to testify on this agenda item.

RM Staffer Akina states that no testifiers have signed up for this agenda item.

Chair Waihe'e turns it over to Ka Pouhana Sylvia Hussey.

Pouhana Hussey: Thank you, Chair Waihe'e. Trustees, this is hopefully pretty, clear. This is a sponsorship. Administration provided some background and context to the awarding that you'll find on page two in Section B, so there is context for why we're recommending the amount of \$5,000.

Otherwise this is an event that is aligned to either our 'Ahahui or the other sponsorship events that the Board has previously approved.

Trustee Lindsey moves to approve the following programmatic sponsorship, object code 56560, for FY2022-2023 (FY23):

Awardee	Event	Amount
Na'alehu Theatre	16th Annual Gabby Pahinui Waimānalo Kanikapila held at: Waimānalo Beach Park April 22, 2023 (Gabby's Birthday) from 9AM to 6PM	\$5,000
	Total	\$5,000

Trustee Akaka seconds the motion.

Chair Waihe'e recognizes Trustee Souza.

Trustee Souza: Mahalo, Chair. I'm definitely in support of this. Ka Pouhana, just one question - *Don't you have the authority to approve up to \$25,000?*

Pouhana Hussey: No, not anymore.

Trustee Souza: Ok, just checking. Thank you.

Chair Waihe'e asks if there is any further discussion.

There is no further discussion.

Chair Waihe'e calls for a **ROLL CALL VOTE**.

MOTION						Motion: 2:20 p.m. Vote: 2:21 p.m.
TRUSTEE	1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
DAN AHUNA			X			
KALEIHIKINA AKAKA		2	X			
KELI'I AKINA			X			
VICE-CHAIR LUANA ALAPA			X			
BRICKWOOD GALUTERIA			X			
CARMEN HULU LINDSEY	1		X			
J. KEONI SOUZA			X			
MILILANI TRASK			X			
CHAIR JOHN WAIHE'E			X			
TOTAL VOTE COUNT			9	0	0	0

VOTE: [X] UNANIMOUS [] PASSED [] DEFERRED [] FAILED

Chair Waihe'e notes for the record that all members present vote 'AE (YES) and the **MOTION PASSES**.

V. ANNOUNCEMENTS

None

VI. ADJOURNMENT

Trustee Lindsey moves to adjourn the RM meeting.

Trustee Akaka seconds the motion.

Chair Waihe'e asks if there is any discussion.

There is zero discussion.

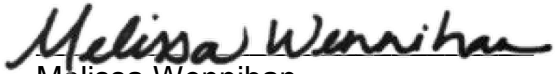
Chair Waihe'e calls for a **ROLL CALL VOTE**.

							2:21 p.m.
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA (ABSTAIN)	EXCUSED
DAN	AHUNA			X			
KALEIHIKINA	AKAKA		2	X			
KELI'I	AKINA			X			
VICE-CHAIR LUANA	ALAPA			X			
BRICKWOOD	GALUTERIA			X			
CARMEN HULU	LINDSEY	1		X			
J. KEONI	SOUZA			X			
MILILANI	TRASK			X			
CHAIR JOHN	WAIHE'E			X			
TOTAL VOTE COUNT				9	0	0	

VOTE: [X] UNANIMOUS [] PASSED [] DEFERRED [] FAILED


Chair Waihe'e adjourns the RM meeting at 2:21 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Melissa Wennihan", written over a horizontal line.

Melissa Wennihan
Trustee Aide
Committee on Resource Management

As approved by the Committee on Resource Management (RM) on May 3, 2023.

A handwritten signature in black ink, appearing to read "John Waihe'e, IV", written over a horizontal line.

Trustee John Waihe'e, IV
Chair
Committee on Resource Management