

# Board of Directors Meeting

**Tuesday, December 5, 2023**  
**East-West Center | Burns Hall**  
**9:00 a.m.**



Meeting  
BOARD OF DIRECTORS  
Research Corporation of the University of Hawai'i  
Date: Tuesday, December 5, 2023 | Time: 9:00 a.m.  
In-Person Location: East-West Center Burns Hall 4<sup>th</sup> Floor, Makai Wing, Room 4005/4009  
1601 East-West Road, Honolulu, HI 96848

## A G E N D A

### Public Testimony on Agenda Items

*Written testimony may be submitted via email to [rcuhed@rcuh.com](mailto:rcuhed@rcuh.com); U.S. mail to 1601 East-West Road, Burns Hall 4<sup>th</sup> Floor, Makai Wing, Honolulu, HI 96848; or facsimile to (808) 956-0502. All written testimony submitted are public documents and will be posted on the board's website and distributed to the board. Oral testimony will be limited to three (3) minutes per testifier.*

1. Call to Order
2. Approval of Minutes of the September 19, 2023 meeting
3. Financial Statements for October 2023
4. Report of Audit Committee
  - a. Audited Report for Fiscal Year ending June 30, 2023
  - b. Ratification of Audit Committee's acceptance of the FY 2023 Financial Audit
5. Approval of Bylaw Revisions
6. Executive Director's Report
  - a. Strategic Plan Update – 2023
7. Project Presentation: State Broadband Initiative — Connect Kākou
8. 2024 RCUH Board of Directors Meeting Schedule
9. Adjournment

c: Office of the Lieutenant Governor

*Reasonable accommodations for people with disabilities are available upon request. Requests for accommodations should be submitted via email to [rcuhed@rcuh.com](mailto:rcuhed@rcuh.com) or by calling Kaylee Hull at (808) 956-0503. Requests should include a detailed description of the accommodation needed. In addition, please include a way for RCUH to contact the requester if more information is needed to fulfill the request. Last minute requests will be accepted, but may be impossible to fill.*



**DRAFT** Minutes

BOARD OF DIRECTORS

Research Corporation of the University of Hawai'i

September 19, 2023

In-Person Location: East-West Center, Burns Hall 4<sup>th</sup> Floor, 4005/4009

1601 East-West Road, Honolulu, HI 96848

**PRESENT:** Kelli Goodin, William Haning, Ken Hayashida, David Karl, Jaret KC Leong, Ernest Wilson.  
**Excused:** Taryn Salmon, Vassilis Syrmos.

RCUH Staff: Leonard Gouveia, Kira Higa, Glenn Yee, Kaylee Hull

Attorney General's Office: Reese Nakamura

**CALL TO ORDER**

The meeting was called to order by Vice Chair Goodin at 9:05 a.m. Ms. Hull indicated that no written or oral testimony was received.

**WELCOME NEW BOARD MEMBERS**

Vice Chair Goodin welcomed the two new board members from the UH Board of Regents. She introduced Ernie Wilson as a retired executive and Army officer with over 50+ years of experience in travel, hospitality, food service, military logistics, and higher education. He's held numerous executive management and senior staff positions for hospitality organizations and also spent the last 15 years in academia teaching, developing, and implementing new curriculum at several universities.

Bill Haning is an emeritus professor of psychiatry at the John A. Burns School of Medicine. He currently serves as Director of Addiction Psychiatry/Addiction Medicine Residency Training Programs, Principal Investigator for the Pacific Addiction Research Center, and President for the American Society of Addiction. Director Haning also comes from a military background having retired from the Navy as a Captain in 2009.

**APPROVAL OF MINUTES OF THE JUNE 2, 2023 MEETING**

Upon motion made (Hayashida), seconded (Karl), and duly carried, the minutes of the June 2, 2023 meeting were approved as circulated.

**FINANCIAL STATEMENTS FOR FISCAL YEAR 2023**

Mr. Yee reviewed the unaudited financial statements for Fiscal Year 2023 and highlighted RCUH's total assets at \$45.7 million with a total liability of \$34.8 million. He reported that total retained earnings remained under \$11 million, while total current assets tallied \$42.3 million, mostly in cash. Mr. Yee expects this number to drop as the year progresses due to the transition of Revolving Accounts from RCUH to UH. He explained that the working capital and project contingent liabilities reserve represents RCUH's working capital reserve, which totaled \$7.6 million.

[Deputy Attorney General Reese Nakamura entered at 9:13]

When reviewing the “Statement of Revenues, Expenses, and Changes in Net Assets,” Mr. Yee pointed out the YTD (i.e., Year To Date) Actual column, which reflects how much RCUH spent in the 2023 fiscal year. He reported that RCUH received just under \$9 million in total fees and interest income, while RCUH’s operating expenses totaled \$7.6 million, resulting in a net operating income of \$1.4 million. Mr. Yee added that RCUH received \$1.2 million in interest income, which was driven by RCUH’s cash balances. Other items Mr. Yee highlighted include:

- RCUH invested in TCDs and a sweep account, which generated interest income.
- Salaries and wages were below budget due to consolidated positions in Human Resources and vacancies in Finance.
- Expenditures in Info Tech Services was above budget due to the programming required for the transition of Revolving Accounts back to UH.
- The \$1.3 million in capital assets under IT System Development is for the enterprise platform RCUH is currently developing.

In the Retained Earnings sheet, Mr. Yee focused on the Volume of Business from UH Projects, which indicates the volume of expenditures that are run through RCUH. He shared that RCUH saw a 16% increase over the prior year with \$333 million in expenditures on behalf of research projects. There were no comments on the cash flow sheet.

Executive Director (ED) Gouveia mentioned that the interest and other income is anticipated to decrease due to the Revolving Account transition. He stated that it was RCUH’s fiduciary duty to try to acquire as much interest as it could, but that will no longer occur since that cash will transition back to the University. ED Gouveia added that RCUH has had some personnel issues over the past few years, but it seems to be improving. RCUH has had to hire headhunters to help us recruit core staff, which has been an ongoing struggle across the state. He thanked the existing core staff for stepping up and working hard to get the work done.

ED Gouveia clarified that the \$333 million that RCUH processed is not profit or income. RCUH’s operational budget is approximately \$8.9 million to function. He stated that some individuals have confused what RCUH makes versus what it processes. Mr. Yee commented that the fee RCUH receives from UH amounts to approximately 3% of total expenditures.

Director Hayashida inquired how many positions RCUH is short by, and Mr. Yee responded that it’s roughly four positions. Director Haning shared his concerns regarding fixed wage scales and asked how RCUH is planning to respond to the demand for higher wages. ED Gouveia expressed that this issue was brought up this week and Ms. Higa summarized the new pay transparency equity law that will go into effect on January 1<sup>st</sup> in Hawai‘i. Since “salary as commensurate” is no longer an option, the HR Department is communicating with projects to ensure that their employees are paid fair and equitably. Ms. Higa opined that since salaries will be visible for similar positions across the state, she anticipates that salaries will rise to keep up. The RCUH HR Department does have a plan of action and has met with project staff from some of the larger research projects to review their salary equity for current employees.

Director Leong asked whether there is a plan for retention as he has seen more departures due to better offers. Ms. Higa explained that most recent departures have been due to retirements and that staff has stabilized on the HR side after shuffling individuals based on their strengths and adjusting their scope. She has seen a positive response to this strategy and is investing in professional development for her staff. Ms. Higa added that RCUH is also developing career maps for individuals who come to work for RCUH to show room for progression.

Director Karl asked how the new law will affect the posting of salaries as the existing pay scale is fairly broad. Ms. Higa replied that the bill states “reasonable” salaries, which means that RCUH’s current pay scale is too broad to post in a job listing. Projects will have to post a reasonable range within the pay scale, and will need to create internal pay scale guidelines to ensure equity.

Director Karl asked whether the Volume of Business for Revolving & SSF accounts will disappear due to the transition. Mr. Yee responded that RCUH will see a drop, but not all of it will go away. He shared that SSF accounts at UH are allowed to procure and hire through the RCUH system, but it’s up to the project to decide to use RCUH. He believes that some projects will return, but Director Karl expressed his concern as the Volume of Business for Revolving Accounts make up roughly 10% of RCUH’s total expenditures. ED Gouveia stated that RCUH is unsure of the impact yet and is not sure how UH has set it up on their side to make the funds more accountable to the Legislature. He estimates that RCUH may receive 50-70% of what was previously processed.

Director Wilson asked whether the pay transparency law will impact UH’s ability to be competitive in the research industry. ED Gouveia replied that he thinks there’s more flexibility in the research industry than the State since the funds have already been encumbered by the federal government, however those who are paid by research funds do not have longevity or a guarantee of employment compared to Administrative, Professional, and Technical (APT) employees at UH.

#### **FINANCIAL STATEMENTS FOR AUGUST 2023**

Mr. Yee briefly reviewed the financial statements for August 2023, which reflected RCUH’s total current assets at \$27.7 million. He pointed out that this is a significant drop from June’s totals (\$42.3 million) due to the transfer of Revolving Accounts. Mr. Yee indicated that RCUH’s working capital reserve totaled \$8 million, which is within the current policy.

Mr. Yee stated that the percentage of budget column reflects two months of activity, or approximately 16.7%. The interest and other income total exceeds that rate, but this is due to the remnant cash on hand prior to the transfer of Revolving Accounts. This number should even out over the year and get closer to the estimated \$750K number. Mr. Yee added that in terms of Volume of Business, RCUH experienced a 6% increase from last year. He had no comments on RCUH’s cash flow.

#### **PROJECT PRESENTATION: COORDINATING GROUP ON ALIEN PEST SPECIES (CGAPS)—A PROJECT OF THE UH PACIFIC COOPERATIVE STUDIES UNIT (PCSU)**

ED Gouveia introduced Christy Martin, the Program Manager and Information Officer for the Pacific Cooperative Studies Unit (PCSU), but also works closely with other projects within the UH College of Tropical Agriculture and Human Resources (CTAHR). Ms. Martin also works with political and agency leaders at the local, state, and national levels to communicate biosecurity needs and possible solutions, and conveys strategic action needs back to partners. She has been a longtime RCUH employee and recently won 3 Emmys for her work as executive director on the documentary “Saving ‘Ōhi‘a – Hawai‘i’s Sacred Tree.”

Ms. Martin expressed that it is thrilling to do this work and shared her appreciation for RCUH’s administrative efficiency and structure, which allows various funding sources to support the projects on the ground. She mentioned that the University of Guam was missing this structure, and therefore mirrored RCUH’s structure with the creation of the Research Corporation of the University of Guam (RCUOG). Ms. Martin reminded the Board that although RCUH is exempt from the state’s procurement policies, it doesn’t mean that projects are always able to use that authority.

Ms. Martin shared the difficulties of protecting natural resources, including water, native species, and ecosystems, across property lines. She identified six RCUH-associated watershed partnerships that are good examples of projects that fill gaps across property lines. Ms. Martin added that CGAPS was formed since several agencies were working on combatting invasive species, but not talking to each other. The Invasive Species Committees were also formed as a “gap filler” between agencies due to the lack of early detection and rapid response capabilities. Ms. Martin highlighted the work of the Maui Invasive Species Committee, which recently modified a sprayer under a helicopter with ant bait to treat little fire ants and another project that used drones and herbicide ballistic technology to target invasive plants. She also commented on the following achievements:

- The Hawai‘i Ant Lab developed the ability to treat little fire ants that live up in trees; this process is now used internationally
- CTAHR received federal and private contributions to combat the Coconut Rhinoceros Beetle since the State does not fund this work.
- RCUH hired a Ballast Water and Hullfouling Coordinator to combat aquatic invasive species. The State saw the value in this position and created a permanent civil service position.
- RCUH employee Dave Cohen pioneered the process to breed native sea urchins that are used to manage invasive seaweeds.
- RCUH supports the UH School of Law’s Environmental Legal Fellows program, which tries to bridge the gap between researchers and policy makers.
- RCUH supports Forest Bird Recovery Projects on Kaua‘i and Maui, that work with some of the most critically endangered species in the world.
- The Plant Extinction Prevention Program protects native species in remote areas and RCUH Employee Hank Oppenheimer discovered a new species, which was named after him
- The Rapid ‘Ōhi‘a Death project received emergency funding to get RCUH employees on the ground and identify pathogens that were new to science. There is a concerted outreach effort to inform the general public on how to reduce the risk of this disease from spreading.

Director Wilson asked if there is anybody in the state that does this work and Ms. Martin stated that RCUH is a tremendous resource to support all of these projects. She emphasized that RCUOG basically looked at RCUH’s structure and copied it. ED Gouveia mentioned that he’s been in touch with the Executive Director in Guam, who wanted to bounce some ideas around as they are a much smaller organization. He added that President Lassner has also visited the UOG several times.

Director Wilson asked whether the project has reached out to the rest of the Pacific. Ms. Martin shared that the project works regularly across the Pacific. Monies are flowing in to fight the influence of China in the Pacific and this is an opportunity to acquire more funding and solidify this work.

Director Karl shared that the concept of invasive species intrigues him and that he appreciates the fantastic work being done, especially on the ‘ōhi‘a. A question was asked whether Ms. Martin was familiar with the motivation of hiring former DLNR Director Suzanne Case, as the inaugural director of the UH Office of Land and Ocean Conservation Futures. Ms. Martin responded that Ms. Case has done a lot of work in many different areas and sees this as an opportunity to focus on federal funding, including from the Department of Defense. She looks forward to seeing what their initiatives are and that there is great need to do the work that is going to integrate fire and community protection. With the invasive grasses and shrubs, there is a need for more holistic planning and communications on this topic and she believes RCUH could be a major player in this aspect.

Director Haning inquired whether there are educational opportunities provided by these research projects. Ms. Martin explained that the projects previously offered volunteer opportunities on a more frequent basis, but one of the challenges is quickly registering unplanned volunteers. The current

structure requires a one-month head start, but she encourages individuals to volunteer through KUPU, which is not a RCUH project. She stressed that early internship opportunities is an area that the University has the chance to expand on to hook the younger demographic. Director Wilson concurred that faculty needs to be thinking about more opportunities to get students engaged by providing life experiences and added that he is glad to be a part of this board. Ms. Martin concluded that she is looking at ways to engage the next generation of researchers. Vice Chair Goodin shared that she also sees opportunities from a workforce development standpoint and that she appreciates the work of CGAPS and PCSU, as well as Ms. Martin's advocacy for RCUH.

Vice Chair Goodin called for a brief recess at 10:16 a.m. The meeting resumed at 10:29 a.m.

### **EXECUTIVE DIRECTOR'S REPORT**

ED Gouveia thanked Ms. Martin for her presentation and addressed two points that she brought up. One, is that RCUH can be a conduit to hiring permanent civil service positions. He believes it's important for stakeholders to know that RCUH is not here to take over any positions, it's here to help. There are some legislators who may believe RCUH's statute needs to be changed, but ED Gouveia stated that there is no evidence RCUH has gone beyond what it should be doing as authorized by the current statute, in fact he thinks there is more work that RCUH could do to help support UH and our state.

The second point ED Gouveia wanted to address was early opportunities to engage students in research. He believes that although involving minors is risk adverse, it's critical to invest in the next generation. There are many benefits to hiring students and he reiterated that RCUH would be totally supportive in working with UH to support that type of effort.

Director Hayashida asked whether RCUH could hire students and ED Gouveia responded that this is possible at RCUH, but he was referring to minors. ED Gouveia shared that he didn't know anything about the research industry in high school and there's opportunities for the state workforce development council to build that pipeline with high schools and middle schools to the university. He added that he does not want to step on UH's toes, but he believes it can be explored as a group collaboration.

Director Wilson agreed that this is important and said that public education in the State of Hawai'i should be a seamless journey, from pre-K to high school and beyond. Director Haning echoed those sentiments and suggested it may be beneficial to make Hawai'i P-20 aware of this idea of hiring potential students as researchers.

ED Gouveia briefly summarized the structure of these reports and mentioned that the RCUH leadership team and management team have been meeting more frequently to ensure everyone is on the same page and promote transparency within the organization.

### **Impact of Maui Wildfires**

ED Gouveia reported that at least one RCUH employee lost their home and from a project standpoint the Maui Forest Bird Recovery Project reported minimal damage to their office, while the Mauna Kahalawai Watershed Partnership recently restored power to their offices. ED Gouveia added that the Pacific Disaster Center played a role in the disaster response. He remarked that a group of RCUH Core Staff volunteered for the Hawaii Foodbank's Food Drive Day to give back.

#### Legislative Update

ED Gouveia reported that RCUH received a request for information regarding the process for onboarding new board members. UH General Counsel and Deputy AG Nakamura reviewed RCUH's response that was submitted to the University for distribution to the Legislature. He shared that RCUH has an orientation pamphlet that has been improved and updated to include hyperlinks to all of the relevant statutes, the Chapter 92 Sunshine Law text, as well as the guide to the State Ethics Code. ED Gouveia thanked the board members for volunteering their time and effort to RCUH.

#### Installation of Enterprise platform and replacement of the AS400

ED Gouveia reported that RCUH currently uses an old accounting system that needs to be replaced and met with DataHouse yesterday on the status of the project. The Revolving Account transition caused a delay to the timeline and the estimated completion date is the end of 2024. ED Gouveia noted that there are some UH Revolving Accounts that were allowed to operate under RCUH past the UH deadline due to difficulties with meeting the July 1<sup>st</sup> deadline. He stated that RCUH will continue to work closely with UH VPIT/CIO Garret Yoshimi to ensure RCUH is in alignment with the University.

#### Miscellaneous items:

- Office of Naval Research Audit: The Office of Naval Research conducted an audit and there were no findings or material weaknesses or violations of federal standards. Auditors expressed satisfaction with RCUH's procurement systems.
- TIAA breach: There was a third-party data breach with TIAA that affected RCUH employees. TIAA has been working closely with RCUH to address this incident.
- HMSA Credit: ED Gouveia mentioned that this was a relatively minor issue that took a significant time to address. He thanked the core staff for working on this efficiently and returning money back to employees and their projects.
- Revolving Accounts transition: He acknowledged that there are a small number of Revolving Accounts that need to be wrapped up.

#### Strategic Plan Updates

ED Gouveia provided a brief summary of the development of the strategic plan for the new board members. He explained that he doesn't typically review every item in this report, but board members can review the material and raise issues or ask questions as needed. ED Gouveia reiterated his belief in transparency with the board and reminded them that the strategic plan is a living document with anticipated changes and modifications as the years go on. He noted that RCUH core staff managers have proposed updates to the document, which has been shared with the UH Office of the Vice President for Research and Innovation for their feedback. ED Gouveia plans to share the updated document with the Board for their review.

ED Gouveia added that a lot of effort has been put in to reduce the administrative burden for researchers. Managers have been instructed to review their respective policies for efficiency, accuracy, and consistency with UH.

#### Direct Projects

The final item that ED Gouveia highlighted is RCUH's new direct project for the Western State Genetic Network. He noted that RCUH currently has 24 active Direct Projects, which is allowable under the statute. ED Gouveia remarked that requests are evaluated and if RCUH is unable to accept the project, it will help individuals find the correct pathway to move forward and execute their research.

Director Hayashida asked who the Principal Investigator is and where the funding comes from for the Western States Genetic Network. Ms. Higa responded that the PI's name is Patricia Hew and that the

funding is from federal monies that were awarded to the State Department of Health. Future announcements of Direct Projects will include the name of the Principal Investigator and the funding source. ED Gouveia shared that RCUH has been tracking how many direct projects have been rejected due to concerns from certain legislators. He added that RCUH does have employees working on Maunakea since the new stewardship and oversight authority hasn't determined how to move forward with employment. Those individuals will remain employed under RCUH until the new authority finds a solution.

#### Federal Government Shutdown

ED Gouveia received an email before this meeting, which states that a federal shutdown is expected to occur Oct. 1, 2023. He explained that RCUH does have a reserve in place that could cover a two-week period of expenditures. If a shutdown were to go beyond that and RCUH did not receive any reimbursements, RCUH would have to ask VP Syrmos for funding from his Research Training and Revolving Funds (RTRF). RCUH will monitor the situation and ED Gouveia added that the last time this occurred in 2013, RCUH and UH still received funding from the federal government and was not impacted.

#### **APPOINTMENT OF AUDIT COMMITTEE & DELEGATION OF AUTHORITY TO APPROVE FY 2023 AUDITED FINANCIAL STATEMENTS**

Vice Chair Goodin appointed Director Hayashida to chair, Director Salmon, ad hoc member Wally Chin (SVP & Chief Administrative Officer from the Hawaii Community Foundation) and herself. Due to the timing of the audit, Vice Chair Goodin requested a motion to delegate the authority to the Audit Committee to approve the Fiscal Year 2023 Audited Financial Statements. Upon motion made (Haning), seconded (Wilson), and duly carried, the Board of Directors approved the motion.

#### **EXECUTIVE SESSION**

Upon motion made (Hayashida), seconded (Leong), and duly carried, the RCUH Board of Directors convened in executive session to consider the hire, evaluation, dismissal, or discipline of an officer or employee, where consideration of matters affecting privacy will be involved, pursuant to Section 92-5(a)(s), Hawai'i Revised Statutes.

The meeting resumed at 11:30 a.m. [Director Haning left at this time]. Vice Chair Goodin thanked attendees for their patience. She stated that the purpose of the session was to discuss the performance evaluation for the Executive Director. The board concluded its discussion and shared that they are pleased with ED Gouveia's performance over the last year and look forward to his continued leadership at RCUH.

#### **ELECTION OF OFFICERS**

During the call for nominations, Director Hayashida was nominated for the Chair position. Ms. Hull called for a vote and the board unanimously elected Director Hayashida to serve the one-year term as Board Chair. For the Vice Chair position, Director Hayashida nominated Director Leong, while Director Karl nominated Vice Chair Goodin to serve the remainder of her term in her current position. Director Leong withdrew his nomination and the board unanimously elected Vice Chair Goodin to serve another term.

**ADJOURNMENT**

The next Board of Directors meeting is tentatively scheduled for Tuesday, December 5. The meeting adjourned at 11:36 a.m.

/s/

Kaylee Hull  
Executive Administrator

NOTE: Unless otherwise noted in minutes, all motions were passed unanimously.

**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII**  
**BALANCE SHEETS**  
**OCTOBER 31, 2023 and 2022**

<b>ASSETS</b>	<b><u>2023</u></b>	<b><u>2022</u></b>
CASH AND CASH EQUIVALENTS	\$ 24,599,284	\$ 14,304,617
RESTRICTED CASH (RETIREE MEDICAL AND LIFE INSURANCE)	1,700,000	1,700,000
TIME CERTIFICATES OF DEPOSIT	3,000,000	10,296,000
SHORT TERM INVESTMENT	4,005,935	3,934,306
RECEIVABLES	-	-
PREPAID EXPENSES	<u>212,211</u>	<u>201,640</u>
<b>TOTAL CURRENT ASSETS</b>	<u>33,517,430</u>	<u>30,436,563</u>
FIXED ASSETS (Less accumulated depreciation of \$7,975,359 and \$7,736,382 for FY 2024 and FY 2023, respectively)	<u>3,532,398</u>	<u>2,217,869</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 37,049,828</u></b>	<b><u>\$ 32,654,432</u></b>
 <b>LIABILITIES AND RETAINED EARNINGS</b>		
<b>LIABILITIES:</b>		
ACCOUNTS PAYABLE	\$ 564,209	\$ 297,816
ACCRUED EXPENSES AND PAYROLL TAXES WITHHELD	2,966,987	3,016,448
ADVANCES		
UNIVERSITY OF HAWAII, NET	8,236,842	6,694,557
OTHER SPONSORING AGENCIES, NET	2,470,335	2,102,442
WORKER'S COMPENSATION RESERVE	2,673,900	2,759,286
UNEMPLOYMENT RESERVE	3,154,465	2,723,658
VACATION PAY OUT RESERVE	<u>676,154</u>	<u>375,583</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>20,742,892</u>	<u>17,969,790</u>
LEASE LIABILITY	145,554	257,434
SUBSCRIPTION LIABILITY	140,844	-
ACCRUED SUPPLEMENTAL RETIREMENT BENEFITS	1,879,834	1,906,065
RETIREE MEDICAL AND LIFE INSURANCE BENEFITS	<u>2,544,139</u>	<u>2,565,553</u>
<b>TOTAL LIABILITIES</b>	<u>25,453,263</u>	<u>22,698,842</u>
<b>RETAINED EARNINGS:</b>		
INVESTED IN CAPITAL ASSETS	3,532,398	2,217,869
DESIGNATED FOR:		
WORKING CAPITAL	6,951,969	6,656,459
PROJECT CONTINGENT LIABILITIES RESERVE	<u>1,112,198</u>	<u>1,081,262</u>
<b>TOTAL RETAINED EARNINGS</b>	<u>11,596,565</u>	<u>9,955,590</u>
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	<b><u>\$ 37,049,828</u></b>	<b><u>\$ 32,654,432</u></b>

**NOTES:**

- 1) This balance sheet does not include accruals for liabilities related to project expenditures.
- 2) Outstanding purchase orders totaled \$66,813,164 and \$78,376,432 at October 31, 2023 and 2022, respectively.

**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE PERIOD ENDED OCTOBER 31, 2023 and 2022**

	<b>FYE 6/30/24 BUDGET</b>	<b>YTD ACTUAL</b>	<b>% OF BUDGET</b>	<b>YTD LAST YEAR</b>
<b>REVENUES:</b>				
UNIVERSITY OF HAWAII	\$ 7,678,480	\$ 2,474,146	32.2%	\$ 2,321,167
OTHER SPONSORING AGENCIES	540,000	188,448	34.9%	187,488
INTEREST AND OTHER INCOME	750,000	600,127	80.0%	252,835
<b>TOTAL OPERATING REVENUES</b>	<b>8,968,480</b>	<b>3,262,721</b>	<b>36.4%</b>	<b>2,761,490</b>
<b>OPERATING EXPENSES:</b>				
SALARIES & WAGES	3,831,864	1,135,628	29.6%	1,050,963
FRINGE BENEFITS	997,194	272,300	27.3%	271,263
INFO TECH SERVICES	500,000	282,722	56.5%	151,134
HUMAN RES./PAYROLL SYSTEM	707,401	193,732	27.4%	206,338
SUPPLIES	120,000	31,733	26.4%	11,897
TRAVEL	32,500	1,892	5.8%	899
CPA SERVICES	51,832	51,832	100.0%	41,885
UTILITIES	18,850	2,946	15.6%	3,980
RENTAL - SPACE/EQUIP/OTHER	142,200	45,753	32.2%	104,335
REPAIRS & MAINTENANCE	-	-	0.0%	-
BANK FEES	24,000	12,212	50.9%	10,760
TRANSPORTATION	500	-	0.0%	-
BOARD OF DIRECTORS MEETINGS	10,000	440	4.4%	468
INSURANCE	600,000	201,312	33.6%	187,774
PROFESSIONAL/TECHNICAL SUPPORT	242,500	49,821	20.5%	28,306
DISCRETIONARY FUND	10,000	691	6.9%	567
STAFF DEVELOPMENT	25,700	5,552	21.6%	2,738
TRAINING MATERIAL DEVELOPMENT	80,000	52,228	65.3%	45,213
TUITION SUPPORT	75,000	9,007	12.0%	5,355
OTHER	140,100	74,726	53.3%	32,691
DEPRECIATION EXPENSE	632,000	210,400	33.3%	221,600
CLAIMS & SETTLEMENTS	-	-	0.0%	-
PROJ OVERRUNS & DISALLOWANCE	-	-	0.0%	-
<b>TOTAL OPERATING EXPENSES</b>	<b>8,241,641</b>	<b>2,634,927</b>	<b>32.0%</b>	<b>2,378,166</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 726,839</b>	<b>\$ 627,794</b>		<b>\$ 383,324</b>
<b>INVESTMENT IN CAPITAL ASSETS</b>				
FIXED ASSETS	25,000	-		-
IT SYSTEM DEV - INFO TECH SERVICES	2,094,240	261,780		-
IT SYSTEM DEV - HR/PAYROLL SYSTEM	210,000	50,000		10,000
<b>TOTAL INVESTMENT IN CAPITAL ASSETS</b>	<b>\$ 2,329,240</b>	<b>\$ 311,780</b>		<b>\$ 10,000</b>

**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII**  
**RETAINED EARNINGS (NET ASSETS)**  
**OCTOBER 31, 2023**

**CHANGES IN RETAINED EARNINGS**

	INVESTED IN CAPITAL ASSETS	WORKING CAPITAL	PROJ CONTING LIABILITIES	TOTAL OPER FUND BALANCE
BEGINNING BALANCE	\$ 3,431,018	\$ 6,425,555	\$ 1,112,198	\$ 10,968,771
OPERATING INCOME	(210,400)	838,194	-	627,794
INVESTMENT IN CAPITAL ASSETS	311,780	(311,780)	-	-
ENDING BALANCE	<u>\$ 3,532,398</u>	<u>\$ 6,951,969</u>	<u>\$ 1,112,198</u>	<u>\$ 11,596,565</u>

**VOLUME OF BUSINESS**

	FY 2024	FY 2023
UH PROJECTS		
EXTRAMURAL	\$ 92,151,895	\$ 86,386,259
INTRAMURAL (GRS)	8,525,910	5,498,723
REVOLVING & SSF	17,583,066	12,694,849
DIRECT PROJECTS		
FEDERAL	20,800	69,571
NON-FEDERAL	4,573,953	4,520,432
	<u>\$ 122,855,624</u>	<u>\$ 109,169,834</u>

**UH EXTRAMURAL AWARDS**

(obtained from UH Office of Research Services)

	FY 2024	FY 2023	VARIANCE	% VARIANCE
Fiscal Year to Date (Jul 01 to Oct 31)	\$ 181,749,403	\$ 247,648,281	(65,898,878)	-26.6%
12 month period (Nov 01 to Oct 31)	449,910,191	508,098,504	(58,188,313)	-11.5%
3 month period (Aug 01 to Oct 31)	157,044,040	221,263,512	(64,219,472)	-29.0%

**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII**  
**STATEMENT OF CASH FLOW**  
**FOR THE PERIOD ENDED OCTOBER 31, 2023 and 2022**

	CURRENT MONTH	FY 2024 YEAR-TO-DATE	FY 2023 YEAR-TO-DATE
<b>BEGINNING CASH BALANCE</b>	\$ 20,023,530	\$ 31,943,905	\$ 20,979,139
<b>Receipts:</b>			
UH Projects	33,629,274	100,179,314	88,171,990
Direct Projects	1,935,267	4,187,959	3,503,106
Revolving Funds and Other	712,651	3,030,722	4,829,803
UH Management Fee	-	-	-
	<u>36,277,192</u>	<u>107,397,995</u>	<u>96,504,899</u>
TCD Redemption	<u>-</u>	<u>2,500,000</u>	<u>6,900,000</u>
<b>Total Receipts</b>	<u>36,277,192</u>	<u>109,897,995</u>	<u>103,404,899</u>
<b>Disbursements:</b>			
Vendors	17,161,326	58,328,269	52,097,889
UH Payroll Clearing	22,921	313,378	882,136
Salaries & Wages	8,437,684	33,432,960	29,695,762
Payroll taxes	3,571,030	14,114,535	12,519,847
TIAA-CREF	1,129,727	4,512,529	4,076,130
HMSA/Kaiser/HDS	1,378,750	5,552,174	5,100,576
TCD Purchase	-	1,000,000	4,000,000
Short Term Investment Purchase	-	-	-
Other	-	-	-
	<u>31,701,438</u>	<u>117,253,845</u>	<u>108,372,340</u>
<b>Total Disbursements</b>	<u>31,701,438</u>	<u>117,253,845</u>	<u>108,372,340</u>
<b>Increase(Decrease):</b>			
Petty Cash Balances	-	1,190	500
Bank of Hawaii (PR)	-	-	-
Savings - TCD	-	-	-
Retricted Cash - Retiree Health Ben	-	-	(1,700,000)
Other	<u>-</u>	<u>10,039</u>	<u>(7,581)</u>
	<u>-</u>	<u>11,229</u>	<u>(1,707,081)</u>
<b>ENDING CASH BALANCE</b>	<u><u>\$ 24,599,284</u></u>	<u><u>\$ 24,599,284</u></u>	<u><u>\$ 14,304,617</u></u>

**NOTES:**

This statement of cash flow does not include transactions for revolving accounts or specialized service facilities which are processed by journal entry transactions.

**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAI'I  
STATE OF HAWAI'I**

**FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY  
INFORMATION WITH INDEPENDENT AUDITOR'S REPORTS**

**Fiscal Years Ended June 30, 2023 and 2022**



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**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII**

**STATE OF HAWAII**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Research Corporation of the University of Hawai'i  
State of Hawai'i

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the Research Corporation of the University of Hawai'i (Corporation), a component of the University of Hawai'i, as of and for the fiscal years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audits 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 the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 the Corporation'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 the Corporation'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 the Corporation'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 6 - 12 and the schedule of changes in postemployment health care and life insurance benefits liability and related ratios on page 38 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023 on our consideration of the Corporation'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 the Corporation'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 the Corporation's internal control over financial reporting and compliance.

*N&K CPAs, Inc.*

Honolulu, Hawai'i  
October 31, 2023

**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII**  
**STATE OF HAWAII**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Years Ended June 30, 2023 and 2022**

The following discussion and analysis provides an overview of the financial position and results of operations for the Research Corporation of the University of Hawaii, State of Hawaii ("Corporation") for the fiscal year ended June 30, 2023. It includes selected comparative information with the fiscal years ended June 30, 2023 and 2022. This discussion and analysis should be read in conjunction with the financial statements and accompanying notes.

The Corporation is a State agency, established by the Legislature of the State of Hawaii ("State") in 1965, with a mission to support the research and training programs of the University of Hawaii ("University") and to enhance research, development and training in Hawaii. The Corporation's exemption from certain of the State statutes in regards to procurement and human resources gives it flexibility to function more like a business, allowing research and training programs to operate in an efficient manner. The Corporation is not funded by the State and is self-supporting. The Corporation's viability is contingent on proper management of revenues earned from administrative service fees and other income and controlling operating expenses.

The Corporation is attached to the University for administrative purposes as dictated by statute. The Internal Agreement between the University and the Corporation defines the basic responsibilities of each party and fee arrangements for services rendered.

**Financial Highlights**

In 2023, the Corporation's volume of business (project expenditures) continued on an upward trend. There was a 16% increase in volume of business from 2022 to 2023, which followed a 10% increase from 2021 to 2022. The increase in volume of business correlates to an increase in research awards to the University. The Corporation had experienced a leveling of business activity for the years 2016 through 2021, which followed a decline in activity for the years 2014 through 2015.

Fiscal Year	Project Expenditures	Annual	
		Amount (Decrease) Increase	Percentage (Decrease) Increase
2023	\$ 333,898,802	\$ 45,921,130	16%
2022	287,977,672	26,682,611	10%
2021	261,295,061	(9,250,362)	(3%)
2020	270,545,423	7,324,395	3%
2019	263,221,027	(12,712,386)	(5%)
2018	275,933,413	(1,754,935)	(1%)
2017	277,688,348	(13,681,774)	(5%)
2016	291,370,122	(10,137,997)	(3%)
2015	301,508,119	(48,131,887)	(14%)
2014	349,640,006	(67,153,292)	(16%)

For the fiscal year ended June 30, 2023, the Corporation was required to implement Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement requires the recognition of a subscription asset and a corresponding subscription liability for a subscription-based information technology

**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII**  
**STATE OF HAWAII**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Years Ended June 30, 2023 and 2022**

arrangement. As a result of adopting this standard, comparability with reports issued in prior years is affected. It was management's determination that a restatement of the financial statements for 2023 and 2022 was not necessary due to immateriality.

For the fiscal year ended June 30, 2022, the Corporation was required to implement GASB Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the provisions of the contract. As a result of adopting this standard, comparability with reports issued in prior years is affected. It was management's determination that a restatement of the financial statements for 2022 and 2021 was not necessary due to immateriality.

### **Using the Financial Statements**

The financial reports of the Corporation include three statements:

- The statements of net position summarize assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position, and present the financial condition of the Corporation at year end.
- The statements of revenues, expenses and changes in net position summarize the financial results of operations for the fiscal year.
- The statements of cash flows identify the nature and extent of the sources and uses of cash.

The Corporation's statements of revenues, expenses and changes in net position present the revenues earned and expenses incurred by the Corporation in connection with the administrative support services provided to the University and other sponsoring agencies. The University and other sponsoring agencies are responsible for all programmatic decisions and for authorizing and approving all project expenditures and commitments. The Corporation's responsibilities are limited to providing administrative support services such as human resources, payroll processing, procurement, and disbursement services. Accordingly, the Corporation's statements of revenues, expenses and changes in net position present the results of the Corporation's operations as a service provider. Project expenditures are accounted for within project accounts and are not reflected in the Corporation's statements of revenues, expenses and changes in net position. However, since the contractual commitments of the projects are in the name of the Corporation, the Corporation's statements of net position include the liability relating to such commitments and a corresponding receivable for reimbursement from the University and other sponsoring agencies.

Additional information essential for obtaining an understanding of the Corporation's financial statements are provided in the accompanying notes to the financial statements.

**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII  
STATE OF HAWAII  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
Fiscal Years Ended June 30, 2023 and 2022**

**Condensed Statements of Net Position**

The Corporation's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2023, 2022 and 2021 are summarized below:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current assets	\$ 50,412,810	\$ 52,652,187	\$ 43,570,646
Capital assets	<u>3,431,018</u>	<u>2,429,469</u>	<u>2,830,822</u>
Total assets	53,843,828	55,081,656	46,401,468
Deferred outflows of resources	<u>81,799</u>	<u>86,456</u>	<u>138,003</u>
Total assets and deferred outflows of resources	\$ <u>53,925,627</u>	\$ <u>55,168,112</u>	\$ <u>46,539,471</u>
Current liabilities	\$ 37,954,343	\$ 40,419,330	\$ 31,596,937
Noncurrent liabilities	<u>4,219,642</u>	<u>4,207,587</u>	<u>4,826,947</u>
Total liabilities	42,173,985	44,626,917	36,423,884
Deferred inflows of resources	<u>782,871</u>	<u>968,928</u>	<u>634,864</u>
Total liabilities and deferred inflows of resources	42,956,856	45,595,845	37,058,748
Net position			
Net investment in capital assets	3,144,620	2,172,035	2,830,822
Unrestricted	<u>7,824,151</u>	<u>7,400,232</u>	<u>6,649,901</u>
Total net position	<u>10,968,771</u>	<u>9,572,267</u>	<u>9,480,723</u>
Total liabilities, deferred inflows of resources and net position	\$ <u>53,925,627</u>	\$ <u>55,168,112</u>	\$ <u>46,539,471</u>

Overall, the Corporation's financial condition at June 30, 2023 remains stable.

**Assets**

Current assets consist primarily of cash and cash equivalents, money market mutual funds, time certificates of deposit, investments, and receivables. Current assets decreased by 4% from 2022 to 2023 mainly due to the timing of receipts from the University for cost reimbursable and advance funded projects. Current assets increased by 21% from 2021 to 2022 mainly due to an increase in receivables from the University for project cost reimbursements, and relates to the increase in accounts payable for vendor payments.

Capital asset acquisitions for 2023 and 2022 totaled \$1,848,068 and \$495,684, respectively. Significant acquisitions were made in 2023 to invest in the Corporation's information technology infrastructure by developing and enhancing software applications for human resources and financial services. Depreciation expense for 2023 and 2022 was \$840,329 and \$897,037, respectively.

**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAI'I  
STATE OF HAWAI'I  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
Fiscal Years Ended June 30, 2023 and 2022**

**Liabilities**

Current liabilities consist primarily of accounts payable and accrued salaries. Current liabilities decreased by 6% from 2022 to 2023, and increased by 28% from 2021 to 2022 as a result of the timing of payments to vendors.

Noncurrent liabilities remained level from 2023 to 2022, and decreased by 13% from 2021 to 2022. Long-term debt additions for 2023 and 2022 totaled \$189,627 and \$354,900, respectively. Significant additions were made in 2022 for the recognition of lease liabilities related to the implementation of GASB Statement No. 87, *Leases*. Other changes in noncurrent liabilities are primarily due to changes in the liability for postemployment health care and life insurance benefits as a result of changes in certain actuarial assumptions and differences between expected and actual experience in the actuarial valuation of the liability.

**Net Position**

Net investment in capital assets at June 30, 2023 and 2022 totaled \$3,144,620 and \$2,172,035, respectively.

Resources that are not subject to externally imposed restrictions governing their use are classified as unrestricted for financial reporting purposes. Although unrestricted resources are not subject to externally imposed restrictions, the Corporation's unrestricted resources are internally designated for working capital and project contingent liabilities.

**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII**  
**STATE OF HAWAII**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Fiscal Years Ended June 30, 2023 and 2022**

**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

The Corporation's statements of revenues, expenses, and changes in net position for the fiscal years ended June 30, 2023, 2022 and 2021 are summarized as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues			
University of Hawai'i	\$ 7,338,439	\$ 6,705,099	\$ 6,665,561
Other sponsoring agencies	<u>555,513</u>	<u>732,743</u>	<u>552,855</u>
Total operating revenues	7,893,952	7,437,842	7,218,416
Operating expenses			
Personnel costs	4,048,929	3,778,162	4,098,339
Data processing services	1,477,290	1,171,655	1,139,123
Depreciation and amortization	840,329	897,037	873,309
Insurance	586,066	574,374	477,322
Professional and technical support	215,117	261,613	151,610
Office and equipment rental	113,925	179,901	291,077
Other expenses	<u>403,076</u>	<u>506,720</u>	<u>297,194</u>
Total operating expenses	<u>7,684,732</u>	<u>7,369,462</u>	<u>7,327,974</u>
Operating income (loss)	209,220	68,380	(109,558)
Nonoperating revenues			
Intergovernmental (Federal awards)			
Revenue	102,251	349,424	307,889
Expense	(102,251)	(349,424)	(307,889)
Interest income	1,186,970	167,550	199,670
Unrealized gain (loss)	<u>314</u>	<u>(144,386)</u>	<u>(24,977)</u>
Increase in net position	1,396,504	91,544	65,135
Net position			
Beginning of year	<u>9,572,267</u>	<u>9,480,723</u>	<u>9,415,588</u>
End of year	\$ <u>10,968,771</u>	\$ <u>9,572,267</u>	\$ <u>9,480,723</u>

In fiscal year 2023, management fees earned from the University increased by 9% in comparison to fiscal year 2022. Under the terms of the Internal Agreement, the management fee for extramurally sponsored accounts is based on a percentage of administrative operating expenses. The increase in management fees from the University was due to an increase in administrative operating expenses. The effective rate charged to the University by the Corporation was 3.0% of modified total direct costs for fiscal year 2023. Operating revenues earned from other sponsoring agencies decreased as a result of the decrease in volume of business for direct projects. The blended indirect cost rate for other sponsoring agencies was 3.1% for fiscal year 2023.

**Research Corporation of the University of Hawai'i**  
**State of Hawai'i**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Fiscal Years Ended June 30, 2023 and 2022**

In fiscal year 2022, management fees earned from the University slightly increased by 1% in comparison to fiscal year 2021. The effective rate charged to the University by the Corporation was 3.3% of modified total direct costs for fiscal year 2022. Operating revenues earned from other sponsoring agencies increased as a result of the increase in volume of business for direct projects. The blended indirect cost rate for other sponsoring agencies was 3.1% for fiscal year 2022.

Operating expenses in fiscal year 2023 increased by 4% in comparison to fiscal year 2022. The increase in administrative operating expenses was due to an increase in personnel costs and data processing services.

Operating expenses in fiscal year 2022 increased by 1% in comparison to fiscal year 2021. The slight increase was the result of the Corporation's overall efforts to maintain administrative operating expenses at a conservative level as the economy recovered from a downturn due to the COVID-19 pandemic.

For fiscal year 2023, the Corporation's net position (excess of assets over liabilities) increased by \$1,396,504 as a result of the year's activities, which was mainly driven by non-operating revenues from interest income of \$1,186,970. For fiscal year 2022, the Corporation's net position increased by \$91,544 as a result of the year's activities.

**Condensed Statements of Cash Flows**

The Corporation's statements of cash flows for the fiscal years ended June 30, 2023, 2022 and 2021 are summarized as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Operating activities</b>			
Cash received from operations	\$ 7,763,869	\$ 7,857,216	\$ 8,235,545
Cash payments for operations	(6,946,897)	(6,302,378)	(6,558,201)
Project expenditures and reimbursements, net	<u>3,057,987</u>	<u>(3,697,056)</u>	<u>9,781,624</u>
Net cash provided by (used in)			
operating activities	3,874,959	(2,142,218)	11,458,968
<b>Capital and related financing activities</b>	(993,220)	(238,250)	(443,979)
<b>Investing activities</b>	<u>11,858,920</u>	<u>1,860,202</u>	<u>(4,565,164)</u>
Increase (decrease) in cash	14,740,659	(520,266)	6,449,825
<b>Cash</b>			
Beginning of year	<u>21,229,139</u>	<u>21,749,405</u>	<u>15,299,580</u>
End of year	\$ <u>35,969,798</u>	\$ <u>21,229,139</u>	\$ <u>21,749,405</u>

**Research Corporation of the University of Hawai'i  
State of Hawai'i  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
Fiscal Years Ended June 30, 2023 and 2022**

Changes in net project expenditures and reimbursements stem from the timing of receipts from the University for cost reimbursable and advance funded projects. The change in capital and related financing activities in 2023, 2022 and 2021 was due to fixed asset acquisitions, which included the development and enhancement of software applications. The change in investing activities in 2023, 2022, and 2021 was mainly due to the redemption and purchase of time certificates of deposit.

**Looking Forward**

The University received approximately \$515,900,000 in extramural research and training awards during fiscal year 2023, which was a record high and an increase of 2% over fiscal year 2022. In 2022, the University received approximately \$505,000,000 in extramural research and training awards, an increase of 4% over fiscal year 2021 and the previous record high for the University. As these awards are service ordered to the Corporation in accordance with the Internal Agreement, management projects the volume of business to increase during fiscal year 2024 and onward.

For the past two years, the Corporation has maintained administrative operating expenses within budget while servicing a high volume of business. The budget for administrative operating expenses for fiscal year 2024 was approved at a comparable amount to the fiscal year 2023 budget. Management strives to continue improving operating efficiency and maximizing its resources, while ensuring that the Corporation meets the needs of the University research community and other clientele.

**Research Corporation of the University of Hawai'i**  
**State of Hawai'i**  
**STATEMENTS OF NET POSITION**  
**June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Assets and Deferred Outflows of Resources</b>		
Current assets		
Cash and cash equivalents	\$ 33,708,864	\$ 18,692,136
Time certificates of deposit	4,000,000	12,946,000
Investments	2,205,901	3,931,537
Receivables		
University of Hawai'i	8,031,161	14,328,153
Allowance for doubtful accounts	(5,000)	(5,000)
Total receivables	<u>8,026,161</u>	<u>14,323,153</u>
Prepaid expenses	210,950	222,358
Restricted cash	<u>2,260,934</u>	<u>2,537,003</u>
Total current assets	50,412,810	52,652,187
Noncurrent assets		
Capital assets, net	<u>3,431,018</u>	<u>2,429,469</u>
Total noncurrent assets	<u>3,431,018</u>	<u>2,429,469</u>
Total assets	<u>53,843,828</u>	<u>55,081,656</u>
Deferred outflows of resources		
Deferred outflows for postemployment health care and life insurance benefits	<u>81,799</u>	<u>86,456</u>
Total deferred outflows of resources	<u>81,799</u>	<u>86,456</u>
Total assets and deferred outflows of resources	\$ <u>53,925,627</u>	\$ <u>55,168,112</u>

The accompanying notes are an integral part of these statements.

**Research Corporation of the University of Hawai'i**  
**State of Hawai'i**  
**STATEMENTS OF NET POSITION (Continued)**  
**June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Liabilities and Deferred Inflows of Resources</b>		
Current liabilities		
Accounts payable	\$ 15,491,959	\$ 18,606,021
Accrued salaries and other	17,276,931	16,083,442
Advances from other sponsoring agencies	4,032,557	4,441,023
Workers' compensation and unemployment claims reserve	710,237	922,265
Current portion of lease liability	131,681	118,579
Current portion of subscription liability	49,978	--
Current portion of accrued supplemental retirement benefits	261,000	248,000
Total current liabilities	<u>37,954,343</u>	<u>40,419,330</u>
Noncurrent liabilities		
Lease liability	13,873	138,855
Subscription liability	90,866	--
Accrued supplemental retirement benefits	2,246,169	2,165,513
Postemployment health care and life insurance benefits	1,868,734	1,903,219
Total noncurrent liabilities	<u>4,219,642</u>	<u>4,207,587</u>
Total liabilities	<u>42,173,985</u>	<u>44,626,917</u>
Deferred inflows of resources		
Deferred inflows for postemployment health care and life insurance benefits	782,871	968,928
Total deferred inflows of resources	<u>782,871</u>	<u>968,928</u>
Total liabilities and deferred inflows of resources	<u>42,956,856</u>	<u>45,595,845</u>
Commitments and contingencies	--	--
<b>Net Position</b>		
Net investment in capital assets	3,144,620	2,172,035
Unrestricted	7,824,151	7,400,232
Total net position	<u>10,968,771</u>	<u>9,572,267</u>
Total liabilities, deferred inflows of resources, and net	<u>\$ 53,925,627</u>	<u>\$ 55,168,112</u>

The accompanying notes are an integral part of these statements.

**Research Corporation of the University of Hawai'i**  
**State of Hawai'i**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Fiscal Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Operating Revenues</b>		
University of Hawai'i	\$ 7,338,439	\$ 6,705,099
Other sponsoring agencies	<u>555,513</u>	<u>732,743</u>
Total operating revenues	7,893,952	7,437,842
<b>Operating Expenses</b>		
Personnel costs	4,048,929	3,778,162
Data processing services	1,477,290	1,171,655
Depreciation and amortization	840,329	897,037
Insurance	586,066	574,374
Other expenses	226,355	299,901
Professional and technical support	215,117	261,613
Office and equipment rental	113,925	179,901
Office supplies and services	82,338	81,941
Professional services	49,005	47,120
Tuition support	40,478	32,545
Training material development	<u>4,900</u>	<u>45,213</u>
Total operating expenses	<u>7,684,732</u>	<u>7,369,462</u>
Operating income	<u>209,220</u>	<u>68,380</u>
<b>Nonoperating Revenues (Expenses)</b>		
Intergovernmental (Federal awards)		
Revenue	102,251	349,424
Expense	(102,251)	(349,424)
Interest income		
Cash, cash equivalents, money market mutual fund		
time certificates of deposit, and investments	1,186,970	167,550
Increase (decrease) in fair value of investments	<u>314</u>	<u>(144,386)</u>
Total nonoperating revenues	<u>1,187,284</u>	<u>23,164</u>
Increase in net position	1,396,504	91,544
<b>Net Position</b>		
Beginning of year	<u>9,572,267</u>	<u>9,480,723</u>
End of year	\$ <u>10,968,771</u>	\$ <u>9,572,267</u>

The accompanying notes are an integral part of these statements.

**Research Corporation of the University of Hawai'i**  
**State of Hawai'i**  
**STATEMENTS OF CASH FLOWS**  
**Fiscal Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities</b>		
Receipts for		
University of Hawai'i management fee	\$ 6,948,142	\$ 6,976,919
Other sponsoring agencies indirect cost recoveries	555,513	732,743
Refund for workers' compensation insurance policy premium	260,214	147,554
Payments to vendors	(2,909,335)	(2,542,478)
Payments for employee compensation	(4,037,562)	(3,759,900)
Project expenditures	(315,222,539)	(270,089,837)
Project cost reimbursements	318,280,526	266,392,781
Net cash provided by (used in) operating activities	<u>3,874,959</u>	<u>(2,142,218)</u>
<b>Cash Flows from Capital Related and Financing Activities</b>		
Purchase of capital assets	(832,557)	(136,875)
Principal payments on lease liability	(160,663)	(101,375)
Net cash used in capital and related financing activities	<u>(993,220)</u>	<u>(238,250)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of time certificates of deposits	(4,250,000)	(10,046,000)
Redemption of time certificate of deposits	13,196,000	12,826,329
Purchase of investments	--	(1,077,902)
Redemption of investments	1,777,039	--
Interest income received on cash deposits and investments	1,135,881	157,775
Net cash provided by investing activities	<u>11,858,920</u>	<u>1,860,202</u>
Increase (decrease) in cash and cash equivalents	14,740,659	(520,266)
<b>Cash and Cash Equivalents</b>		
Beginning of year	21,229,139	21,749,405
End of year	\$ <u>35,969,798</u>	\$ <u>21,229,139</u>
Cash and cash equivalents presented in the accompanying statements of net position		
Cash and cash equivalents	\$ 33,708,864	\$ 18,692,136
Restricted cash	2,260,934	2,537,003
	<u>\$ 35,969,798</u>	<u>\$ 21,229,139</u>

The accompanying notes are an integral part of these statements.

**Research Corporation of the University of Hawai'i**  
**State of Hawai'i**  
**STATEMENTS OF CASH FLOWS (Continued)**  
**Fiscal Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by (Used in) Operating Activities</b>		
Operating income	\$ 209,220	\$ 68,380
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Depreciation and amortization	840,329	897,037
Loss on disposal of capital assets	6,190	--
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
Receivables	6,296,992	(11,409,877)
Prepaid expenses	11,408	(28,968)
Deferred outflows for postemployment health care and life insurance benefits	4,657	51,547
Accounts payable and accrued wages	(2,746,457)	9,041,570
Advances from other sponsoring agencies	(408,466)	366,621
Workers' compensation and unemployment claims reserve	(212,028)	(710,377)
Accrued supplemental retirement benefits	93,656	(193,770)
Postemployment health care and life insurance benefits	(34,485)	(558,445)
Deferred inflows for postemployment health care and life insurance benefits	(186,057)	334,064
Net cash provided by (used in) operating activities	\$ <u>3,874,959</u>	\$ <u>(2,142,218)</u>
<b>Noncash investing, capital, and financing activities</b>		
Acquisition of capital assets financed with accounts payable	\$ 825,884	\$ --
Acquisition of capital assets financed with lease liabilities	\$ 6,699	\$ 358,809
Acquisition of capital assets financed with subscription liabilities	\$ 183,475	\$ --

The accompanying notes are an integral part of these statements.

**Research Corporation of the University of Hawai'i**  
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**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023 and 2022**

**1. Organization and Summary of Significant Accounting Policies**

The Legislature of the State of Hawai'i ("State") established the Research Corporation of the University of Hawai'i ("Corporation") in 1965 for the purposes of promoting, encouraging, initiating, developing and conducting scientific research and investigation in all branches of learning, and for disseminating and making available to the public the benefits of such research and investigation. The Corporation is exempt from any income taxes. The Corporation provides administrative support services to projects of the University of Hawai'i ("University"), the State, and other organizations ("sponsoring agencies"). For these services, the Corporation receives reimbursements for administrative expenses based on a negotiated fee under an agreement between the Corporation and the University ("Internal Agreement") or based on an indirect cost rate predetermined or negotiated with other sponsoring agencies.

The Corporation's Board of Directors consists of two members of the University Board of Regents, three members appointed by the Governor, one member appointed by the Senate President, and one member appointed by the Speaker of the House of Representatives. Additionally, the Vice President for Research of the University serves as a nonvoting ex officio member of the Board.

**Financial Statement Presentation and Financial Reporting Entity**

The accompanying financial statements of the Corporation have been prepared in accordance with the accounting principles generally accepted in the United States of America prescribed by the Governmental Accounting Standards Board ("GASB").

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, established standards for defining and reporting on the financial reporting entity. This statement requires that the financial statements of the University include the financial statements of organizations for which the University is financially accountable and other organizations for which the nature and significance of their relationship are such that exclusion would cause the financial statements of the University to be misleading. As defined by Statement No. 61, the nature and significance of the relationship between the University and the Corporation is such that exclusion would cause the financial statements of the University to be misleading. Accordingly, the financial statements of the Corporation should be included in the University's financial statements.

**Measurement Focus and Basis of Accounting**

The financial statements are presented 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 the related cash flows.

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**New Accounting Pronouncements**

For 2023, the Corporation adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement requires the recognition of a subscription asset and a corresponding subscription liability for a subscription-based information technology arrangement. Changes adopted to conform to the provisions of this Statement should be applied retroactively by reporting the cumulative effect as a restatement of beginning net position. However, the beginning net position as of July 1, 2022 was not restated due to immateriality.

For 2022, the Corporation adopted GASB Statement No. 87, *Leases*. This Statement requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the provisions of the contract. Changes adopted to conform to the provisions of this Statement should be applied retroactively by reporting the cumulative effect as a restatement of beginning net position. However, the beginning net position as of July 1, 2021 was not restated due to immateriality.

The GASB issued Statement No. 101, *Compensated Absences*. The primary objective of this Statement is to better meet the needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. The Corporation has not yet determined the effect this Statement will have on its financial statements.

**Revenue Recognition**

Revenues are recognized when earned and expenses are recognized when liabilities are incurred. Operating revenues and expenses generally result from providing services or goods in connection with the Corporation's principal ongoing operations. The principal operating revenues of the Corporation are management fees and indirect cost recoveries. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Corporation considers all highly liquid debt instruments with original maturities of 3 months or less to be cash equivalents.

**Money Market Mutual Fund**

The Corporation's investment in the BlackRock FedFund is a money market mutual fund that seeks to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity.

Investments in the BlackRock Fed Fund are valued at the net asset value ("NAV") of the custodian bank liquid asset portfolio and are generally categorized within Level 1 of the fair value hierarchy. NAV is based on the fair value of the underlying assets held by the fund less its liabilities.

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The preceding measurements described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The market volatility of equity based investments is expected to substantially impact the value of such investments at any given time. It is likely that the Corporation's investment in the BlackRock Fed Fund has fluctuated since June 30, 2023.

Additional information on the Corporation's investment in the BlackRock FedFund are as follows:

	<b>2023</b>	<b>2022</b>
Fair Value	\$ 37,195,604	\$ 24,338,752
Unfunded Commitments	None	None
Redemption Frequency	Daily	Daily
Required Redemption Notice	Same as trade date	Same as trade date

#### **Time Certificates of Deposit**

Time certificates of deposit with an original maturity greater than 3 months are separately reported. Time certificates of deposit are reported at cost.

#### **Investments**

Investments in fixed income securities with readily determinable fair values are reported at fair value based on quoted market prices. Unrealized gains and losses on investments are included in the Statements of Revenues, Expenses, and Changes in Net Position. Realized gains and losses are computed as the difference between the proceeds of the sale and the cost basis of the investment sold. The calculation of realized gains and losses is independent of the calculation of net changes in the fair value of investments.

#### **Fair Value Measurements**

For financial assets reported at fair value, the Corporation defines fair value as the price that would be received to sell an asset in the principal or most advantageous market in an orderly transaction between market participants. The Corporation measures fair value using assumptions developed based on market data obtained from independent external sources and the reporting entity's own assumptions. The hierarchy is broken down into levels based on the reliability of the inputs as follows:

- **Level 1** - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- **Level 2** - Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.
- **Level 3** - Unobservable inputs for an asset or liability reflecting the reporting entity's own assumptions of market participants. Level 3 inputs should be used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

#### **Restricted Cash**

Restricted cash consists of the portion of the advances from other sponsoring agencies that are for project expenditures that will occur within one year or less.

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**Capital Assets**

Capital assets, which include office furniture and equipment and computer software acquired for administrative operations, are reported in the financial statements. Management capitalizes office furniture and equipment and computer software costs if the cost is in excess of \$5,000 and \$25,000, respectively, and the useful life exceeds one year. Purchased capital assets are valued at cost.

Depreciation expense is recorded in the financial statements using the straight-line method over the assets' estimated useful lives. Generally, the useful life used for office furniture and equipment and computer software costs is six years.

Furniture and equipment acquired by the Corporation for projects are charged to project expenditures and are not capitalized for financial statement purposes. Title to fixed assets acquired for direct project contracts generally remains with the sponsoring agency. Title to fixed assets acquired for University projects which are serviced by the Corporation passes directly to the University.

The Corporation is committed under various lease agreements for office equipment and buildings (office space). The lease agreements provide that the Corporation also pay taxes, maintenance, and certain other operating expenses applicable to the leased equipment and office space. A lease asset is recognized if the present value of the future minimum lease payments for equipment and office space is in excess of \$5,000 and \$25,000, respectively, and the lease term exceeds one year. The lease asset is amortized over the life of the associated agreement.

The Corporation is also committed under various agreements for subscription-based information technology arrangements. A subscription asset is recognized if the present value of future minimum payments for the subscription is \$25,000 and the agreement term exceeds one year. The subscription asset is amortized over the life of the associated agreement.

**Deferred Inflows of Resources and Deferred Outflows of Resources**

The Corporation accounts for deferred inflows of resources and deferred outflows of resources as an acquisition of resources that are applicable to future reporting periods and a consumption of resources that are applicable to future reporting periods, respectively.

The deferred outflows of resources related to postemployment health care and life insurance benefits resulted from changes in actuarial assumptions and other inputs which will be amortized over a period of 4.85 to 6.05 years which has been actuarially determined. The deferred inflows of resources related to postemployment health care and life insurance benefits primarily resulted from differences between expected and actual experience in the measurement of the total postemployment health care and life insurance benefits liability and will be amortized over a period of 4.85 to 4.98 years which has been actuarially determined.

**Retirement Plan**

The Corporation sponsors a retirement plan for substantially all employees. The Corporation's policy is to contribute 10% of eligible employees' regular compensation, as defined, to the plan, subject to certain limitations.

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**Vacation**

Employees are credited with vacation at the rate of 168 hours per calendar year. The accumulation of such vacation credits is limited to a maximum of 360 hours at calendar year end. Accumulated vacation for administrative and project personnel has been accrued and reflected in the accompanying statements of net position. Accumulated vacation at June 30, 2023 and 2022 totaled \$7,143,165 and \$6,858,447, respectively.

The Corporation established a vacation payout fringe benefit rate to accumulate a cash reserve to pay for unused vacation hours upon termination of employment. The Corporation's collections, net of payments to terminated employees as of June 30, 2023 and 2022, totaled \$739,024 and \$327,873, respectively. The balance of the accrued liability for earned but unused vacation is included as an offsetting component of the receivable from the University and other sponsoring agencies in the accompanying statements of net position.

**Supplemental Retirement Benefits**

Sick leave accumulates at the rate of 14 hours per month of service without limit and is not convertible to pay upon termination of employment. However, an employee who retires in good standing and meets certain eligibility requirements may be entitled to supplemental retirement benefits.

**Net Position**

Resources are restricted when constraints placed on them are either externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted resources. When both restricted and unrestricted resources are available for use, generally, it is management's policy to use restricted resources first, then unrestricted resources as they are needed. There were no restricted resources at June 30, 2023 or 2022.

**Risk Management**

Liabilities related to certain types of losses (including torts, theft of, damage to, or destruction of assets, errors or omissions, natural disasters, and injuries to employees) are reported when it is probable that the losses have occurred and the amount of those losses can be reasonably estimated.

**Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 those estimates.

**Risks and Uncertainties**

Some agreements with direct projects define the Corporation as the party responsible for administering all aspects of the award, including fulfilling the terms and agreements of the award, and assuring compliance with all requirements.

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**2. Cash, Money Market Mutual Fund, and Time Certificate of Deposits**

The portion of cash and time certificates of deposits not covered by federal depository insurance is covered by collateral held in the name of the Corporation by third party custodians.

Cash equivalents consist of investments in the BlackRock FedFund money market mutual fund which are not covered by collateral held in the name of the Corporation by third party custodians. However, substantially all of the underlying investments in the BlackRock FedFund money market mutual fund are maintained in assets issued or guaranteed as to principal and interest by the United States Government, its agencies, or instrumentalities.

**3. Investments**

The following schedule summarizes the fair value and cost of the Corporation's investments at June 30, 2023 and 2022:

	2023		2022	
	Fair Value	Cost	Fair Value	Cost
U.S. Treasury	\$ 1,765,351	\$ 1,904,944	\$ 3,106,652	\$ 3,242,324
U.S. Government agencies	440,550	470,006	683,003	716,694
Other investments	--	--	141,882	141,882
	<u>\$ 2,205,901</u>	<u>\$ 2,374,950</u>	<u>\$ 3,931,537</u>	<u>\$ 4,100,900</u>

Investments consist primarily of United States Treasury and Government agency securities. The fair value of these investments are primarily based on quoted prices for similar securities and classified as Level 2 in the fair value hierarchy. The increase in fair value of investments (unrealized gain) was \$314 for the fiscal year ended June 30, 2023, and the decrease in fair value of investments (unrealized loss) for the fiscal year ended June 30, 2022 was (\$144,386).

Custodial credit risk is the risk that in the event of a financial institution failure, the Corporations' investments may not be returned to it. The Corporation does not have a deposit policy for custodial credit risk. Investments are classified as to custodial risk within three categories as follows:

- Category 1 includes investments that are insured or registered or securities held by the Corporation or its agent in the Corporation's name.
- Category 2 includes uninsured and unregistered investments with the securities held by the counterparty's trust departments or agent in the Corporation's name.
- Category 3 includes uninsured and unregistered investments, with the securities held by the counterparty or by its trust departments or agent, but not in the Corporation's name.

Investments in United States Treasury and Government agency securities are classified as Category 2.

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Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The price of fixed income securities with a longer time to maturity tend to be more sensitive to changes in interest rates and therefore, are more volatile than those with shorter maturities. The composition of the Corporation's fixed income investments and maturities at June 30, 2023 was as follows:

	<b>2023</b>	<b>Investment Maturities (in Years)</b>		
	<b>Fair Value</b>	<b>Less than 1</b>	<b>1 to 5</b>	<b>More than 5</b>
U.S. Treasury	\$ 1,765,351	\$ 431,508	\$ 1,333,843	\$ --
U.S. Government agencies	440,550	162,777	277,773	--
	<u>\$ 2,205,901</u>	<u>\$ 594,285</u>	<u>\$ 1,611,616</u>	<u>\$ --</u>

**4. Receivables and Advances**

The Corporation's projects are divided into two groups: those administered under the Internal Agreement with the University, and those administered under direct agreements with other sponsoring agencies. Projects are either funded on a cost reimbursable basis or through advance funding. Under cost reimbursable projects, expenditures are initially paid for by the Corporation and are later reimbursed by the University or other sponsoring agencies. Under advance funded projects, the Corporation receives cash in advance of expenditures.

The net receivable balance from the University was comprised of the following at June 30, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Extramurally sponsored accounts	\$ 25,342,757	\$ 34,783,288
Internally funded accounts	(5,403,668)	(7,926,334)
Revolving accounts	(11,651,136)	(11,629,170)
Ship operations revolving accounts	(3,351,963)	(5,143,173)
Miscellaneous agency accounts	2,240,050	3,778,718
Management fee	1,440,121	1,049,824
Advance	<u>(585,000)</u>	<u>(585,000)</u>
	<u>\$ 8,031,161</u>	<u>\$ 14,328,153</u>

Advances under direct agreements with other sponsoring agencies in excess of project expenditures totaled \$4,032,557 and \$4,441,023 at June 30, 2023 and 2022, respectively. Cash relating to a portion of the advances of \$2,260,934 and \$2,537,003 at June 30, 2023 and 2022, respectively, is restricted by the other sponsoring agencies.

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**5. Capital Assets**

Capital assets activity for the fiscal years ended June 30, 2023 and 2022 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
<b>2023</b>				
<b>Capital assets not being depreciated</b>				
Computer software development in progress	\$ 444,240	\$ 1,441,199	\$ (272,763)	\$ 1,612,676
<b>Capital assets being depreciated</b>				
Office furniture and equipment	526,426	217,242	(42,080)	701,588
Computer software	8,731,323	--	(124,881)	8,606,442
Total capital assets being depreciated	9,257,749	217,242	(166,961)	9,308,030
Less: Accumulated depreciation				
Office equipment	393,701	60,680	(35,890)	418,491
Computer software	7,121,080	622,485	(397,097)	7,346,468
Total accumulated depreciation	7,514,781	683,165	(432,987)	7,764,959
Capital assets being depreciated, net	1,742,968	(465,923)	266,026	1,543,071
<b>Lease assets</b>				
Office furniture and equipment	38,025	--	--	38,025
Office space	320,784	6,699	--	327,483
Total lease assets	358,809	6,699	--	365,508
Less: Accumulated amortization				
Office equipment	9,620	7,605	--	17,225
Office space	106,928	106,928	--	213,856
Total accumulated amortization	116,548	114,533	--	231,081
Total lease assets	242,261	(107,834)	--	134,427
<b>Subscription assets</b>				
Software subscription	--	183,475	--	183,475
Total subscription assets	--	183,475	--	183,475
Less: Accumulated amortization				
Software subscription	--	42,631	--	42,631
Total accumulated amortization	--	42,631	--	42,631
Subscription assets, net	--	140,844	--	140,844
Total capital assets, net	\$ 2,429,469	\$ 1,008,286	\$ (6,737)	\$ 3,431,018

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
<b>2022</b>				
<b>Capital assets not being depreciated</b>				
Computer software development in progress	\$ 376,266	\$ 67,974	\$ --	\$ 444,240
<b>Capital assets being depreciated</b>				
Office furniture and equipment	657,002	--	(130,576)	526,426
Computer software	<u>8,662,422</u>	<u>68,901</u>	<u>--</u>	<u>8,731,323</u>
Total capital assets being depreciated	<u>9,319,424</u>	<u>68,901</u>	<u>(130,576)</u>	<u>9,257,749</u>
Less: Accumulated depreciation				
Office equipment	477,643	46,634	(130,576)	393,701
Computer software	<u>6,387,225</u>	<u>733,855</u>	<u>--</u>	<u>7,121,080</u>
Total accumulated depreciation	<u>6,864,868</u>	<u>780,489</u>	<u>(130,576)</u>	<u>7,514,781</u>
Capital assets being depreciated, net	<u>2,454,556</u>	<u>(711,588)</u>	<u>--</u>	<u>1,742,968</u>
<b>Lease assets</b>				
Office furniture and equipment	--	38,025	--	38,025
Office space	<u>--</u>	<u>320,784</u>	<u>--</u>	<u>320,784</u>
Total lease assets	<u>--</u>	<u>358,809</u>	<u>--</u>	<u>358,809</u>
Less: Accumulated amortization				
Office equipment	--	9,620	--	9,620
Office space	<u>--</u>	<u>106,928</u>	<u>--</u>	<u>106,928</u>
Total accumulated amortization	<u>--</u>	<u>116,548</u>	<u>--</u>	<u>116,548</u>
Total lease assets	<u>--</u>	<u>242,261</u>	<u>--</u>	<u>242,261</u>
Total capital assets, net	\$ <u>2,830,822</u>	\$ <u>(401,353)</u>	\$ <u>--</u>	\$ <u>2,429,469</u>

**6. Long-term Liabilities**

The following is a summary of changes in the lease liability for the fiscal years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
<b>Beginning balance</b>	\$ 257,434	\$ --
Additions	6,699	358,809
Principal payments	<u>(118,579)</u>	<u>(101,375)</u>
<b>Ending balance</b>	145,554	257,434
Less: Current portion of lease liability	<u>(131,681)</u>	<u>(118,579)</u>
Noncurrent portion lease liability	\$ <u>13,873</u>	\$ <u>138,855</u>

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At June 30, 2023, future minimum lease payments required under the lease agreements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Future Minimum Payments</u>
<b>Fiscal years ending June 30,</b>			
2024	\$ 131,681	\$ 2,271	\$ 133,952
2025	5,831	224	6,055
2026	5,957	98	6,055
2027	2,085	17	2,102
	<u>\$ 145,554</u>	<u>\$ 2,610</u>	<u>\$ 148,164</u>

The Corporation occupies office space under month-to-month leases. The lease agreement provides that the Corporation also pay taxes, maintenance and certain other operating expenses applicable to the leased premises. Total office rental expense for the fiscal years ended June 30, 2023 and 2022 was \$112,124 and \$176,508, respectively.

The following is a summary of changes in the subscription liability for the fiscal year ended June 30, 2023:

	<u>2023</u>
<b>Beginning balance</b>	\$ --
Additions	182,928
Principal payments	<u>(42,084)</u>
<b>Ending balance</b>	140,844
Less: Current portion of subscription liability	<u>(49,978)</u>
Noncurrent portion subscription liability	<u>\$ 90,866</u>

At June 30, 2023, future minimum lease payments required under the subscription agreements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Future Minimum Payments</u>
<b>Fiscal years ending June 30,</b>			
2024	\$ 49,979	\$ --	\$ 49,979
2025	43,981	5,997	49,978
2026	46,884	3,094	49,978
	<u>\$ 140,844</u>	<u>\$ 9,091</u>	<u>\$ 149,935</u>

At June 30, 2023, the Corporation had contract commitments related to software subscriptions through June 30, 2024 of \$322,558.

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**7. Line of Credit**

The Corporation had a revolving line of credit with First Hawaiian Bank in the amount of \$5,000,000 for short-term working capital, which expired on January 31, 2023. The Corporation is in the process of renewing its revolving line of credit through January 30, 2025. The terms of the revolving line of credit require repayment as specified in the credit agreement. All borrowings are collateralized by a security interest in the Corporation's accounts receivable. The variable rate of interest on borrowings outstanding at June 30, 2023 and 2022 was 6.6% and 3.8%, respectively. At June 30, 2023 and 2022, there were no borrowings outstanding under this line.

**8. Net Position**

**Working Capital**

Many of the projects administered by the Corporation are cost reimbursable. The time lag in receiving reimbursements makes the creation of a reserve for working capital necessary. The Board of Directors authorized the designation of a portion of accumulated surplus for this purpose.

**Project Contingent Liabilities**

The Corporation enters into contracts and agreements in the ordinary course of business on behalf of research projects of the University and other sponsoring agencies. The Internal Agreement and the Corporation's agreements with other sponsoring agencies generally hold the University and the other sponsoring agencies responsible for liabilities resulting from such contracts and agreements. However, due to the risk associated with the Corporation being a party to the contracts and agreements, the Board of Directors authorized the designation of a portion of accumulated surplus to cover such contingent liabilities, which may include, but are not limited to project overruns and disallowances, litigation expenses, professional services, and other project related expenses. For the fiscal years ended June 30, 2023 and 2022, the amount of the designation was increased by \$30,936 and \$4,933, respectively. A separate interest-bearing account is maintained for this reserve.

Unrestricted accumulated surplus at June 30, 2023 and 2022 was comprised of the following:

	<u>2023</u>	<u>2022</u>
Designated		
Working capital	\$ 6,711,952	\$ 6,318,970
Project contingent liabilities	<u>1,112,198</u>	<u>1,081,262</u>
	<u>\$ 7,824,150</u>	<u>\$ 7,400,232</u>

**9. Operating Revenues**

Under the terms of the Internal Agreement, the Corporation is reimbursed for administrative expenses incurred to provide specialized administrative services to projects of the University. Operating revenues from the University for the fiscal years ended June 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Extramurally sponsored accounts	\$ 5,969,541	\$ 5,486,221
Internally funded accounts	419,655	412,528
Revolving accounts	<u>949,243</u>	<u>806,350</u>
	<u>\$ 7,338,439</u>	<u>\$ 6,705,099</u>

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Direct agreements with other sponsoring agencies allow for indirect cost recoveries based on a predetermined or negotiated indirect cost rate.

**10. Retirement Plan**

The Corporation participates with other institutions in the Teachers Insurance and Annuity Association and College Retirement Equities Fund, a noncontributory defined contribution retirement plan which covers substantially all qualified employees. Employees are eligible to participate in this plan upon completion of one year of service. Required contributions by the Corporation to the retirement plan are based on 10% of eligible employees' regular compensation, as defined. All contributions are fully vested and non-forfeitable when made. While it is expected that this retirement plan will continue indefinitely, the Board of Directors of the Corporation reserves the right to modify or discontinue the plan at any time. Total contributions to the retirement plan for the fiscal years ended June 30, 2023 and 2022 were \$266,328 and \$262,744, respectively.

The Corporation offers supplemental retirement benefits in addition to benefits available under the previously mentioned retirement plan. To be eligible, a terminating employee must be at least age 45 years 4 months, have service of 10 years or more, and have accumulated unused sick leave of 60 days or more. The supplemental retirement benefits amount to 10% of the value of the unused sick leave reduced by 1/2% for each month below the age of 62. The terminating employee may elect to purchase an annuity or receive the benefit in cash. At June 30, 2023 and 2022, the Corporation's accrued supplemental retirement benefits totaled \$2,507,169 and \$2,413,513 respectively, in the accompanying statements of net position. The accrual represents the Corporation's best estimate of future supplemental retirement benefits based on available information. Supplemental retirement benefits paid during the fiscal years ended June 30, 2023 and 2022 were \$236,534 and \$215,738, respectively.

The following is a summary of changes in accrued supplemental retirement benefits for the fiscal years ended June 30, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
<b>Beginning balance</b>	\$ 2,413,513	\$ 2,607,283
Additions	244,557	300,570
Benefits paid	(236,534)	(215,738)
Adjustments	85,633	(278,602)
<b>Ending balance</b>	2,507,169	2,413,513
Less: Current portion of accrued supplemental retirement benefits	(261,000)	(248,000)
Noncurrent portion of accrued supplemental retirement benefits	\$ 2,246,169	\$ 2,165,513

**11. Postemployment Health Care and Life Insurance Benefits**  
**Plan Description**

The Corporation provides a single employer defined benefit postemployment benefit program. The program provides healthcare and life insurance to eligible employees and/or spouses. To be eligible for these benefits, a retiree must have 10 years of continuous service, 10 years total participation in the retirement plan/term life insurance program, be age 59-1/2 or older,

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be an annuitant of the RCUH retirement program at the time of application, and retirement status must be in good standing. The Corporation funds the postemployment health care and life insurance benefits plan on a pay-as-you-go basis. Accordingly, there are no assets currently accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**Benefits Provided**

For health insurance, the Corporation contributes a maximum of \$50 per month per participant (employee and spouse). The retiree and spouse are responsible for payments of any remaining premium balance due. The program was established by the Board of Directors and may be changed or rescinded at the Board's discretion. Effective August 1, 2014, the \$50 per month subsidy was eliminated for participants not already receiving the benefit. Employees remain eligible to participate in the postemployment health insurance program by paying the entire premium costs themselves. Term life insurance in the amount of \$5,000 is provided for the retiree only.

**Employees Covered by Benefit Terms**

At June 30, 2023 and 2022, the following employees were covered by the benefit terms:

	<u>2023</u>	<u>2022</u>
Retirees and surviving spouses currently receiving benefits	86	90
Active employees	<u>2,299</u>	<u>2,098</u>
Total	<u><u>2,385</u></u>	<u><u>2,188</u></u>

**Total Postemployment Health Care and Life Insurance Benefits Liability**

The Corporation's total postemployment health care and life insurance benefit liability at June 30, 2023 and 2022 of \$1,868,734 and \$1,903,219, respectively, was measured as of June 30, 2023 and 2022, and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions and Other Inputs**

The total postemployment health care and life insurance benefit liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

**Salary Increases:** 3.00%, including inflation

**Discount Rate:** 2023 - 4.13%, based on the S&P Municipal Bond 20 Year High Grade Index as of June 30, 2023.

2022 - 4.09%, based on the S&P Municipal Bond 20 Year High Grade Index as of June 30, 2022.

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**Healthcare Cost Trend Rate:** 2023 - 7.00%

2022 - 7.25%

**Rate to Which the Cost Trend Rate is Assumed to Decline (Ultimate Trend Rate):** 4.50%

**Year that the Rate Reaches the Ultimate Trend Rate:** 2034

**Mortality:** 2023 - PUBT-2010 Amount-weighted Teachers Mortality Tables, scaled back to 2010, and projected on a fully generational basis using mortality scale MP-2021.

2022 - PUBT-2010 Amount-weighted Teachers Mortality Tables, scaled back to 2010, and projected on a fully generational basis using mortality scale MP-2021.

**Changes in the Total Postemployment Health Care and Life Insurance Benefits Liability**

The following table reconciles the changes in the total postemployment health care and life insurance benefits liability for the fiscal years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
<b>Beginning balance</b>	\$ 1,903,219	\$ 2,461,664
Increase (decrease) in postemployment health care and life insurance benefits attributed to		
Service cost	78,824	118,593
Interest cost	80,605	55,988
Differences between expected and actual experience	(230,209)	(199,883)
Changes in actuarial assumptions	59,071	(509,047)
Benefits paid to participants	(22,776)	(24,096)
<b>Ending balance</b>	\$ <u>1,868,734</u>	\$ <u>1,903,219</u>

The changes in actuarial assumptions for the fiscal year ended June 30, 2023 are primarily due to a change in per capita claims costs and premiums based on updated premium and census information. The changes in actuarial assumptions for the fiscal year ended June 30, 2022 are primarily due to an increase in the discount rate from 2.18% to 4.09%.

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**Sensitivity of the Total Postemployment Health Care and Life Insurance Benefits Liability to Changes in the Discount Rate**

The discount rate assumption has a significant effect on the amounts reported in the accompanying financial statements. The following presents the total postemployment health care and life insurance benefits liability of the Corporation, as well as what the total postemployment health care and life insurance benefits liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate at June 30, 2023 and 2022:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
<b>2023</b>	<b>3.13%</b>	<b>4.13%</b>	<b>5.13%</b>
Total postemployment health care and life insurance benefits liability	\$ 2,132,251	\$ 1,868,734	\$ 1,655,798
	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
<b>2022</b>	<b>3.09%</b>	<b>4.09%</b>	<b>5.09%</b>
Total postemployment health care and life insurance benefits liability	\$ 2,167,306	\$ 1,903,219	\$ 1,690,307

**Sensitivity of the Total Postemployment Health Care and Life Insurance Benefits Liability to Changes in the Healthcare Cost Trend Rate**

The health care cost trend rate assumption has a significant effect on the amounts reported in the accompanying financial statements. The following presents the total postemployment health care and life insurance benefits liability of the Corporation, as well as what the total postemployment health care and life insurance benefits liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate at June 30, 2023 and 2022:

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
<b>2023</b>	<b>6.00%</b>	<b>7.00%</b>	<b>8.00%</b>
Total postemployment health care and life insurance benefits liability	\$ 1,780,901	\$ 1,868,734	\$ 1,970,182
	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
<b>2022</b>	<b>6.25%</b>	<b>7.25%</b>	<b>8.25%</b>
Total postemployment health care and life insurance benefits liability	\$ 1,822,498	\$ 1,903,219	\$ 1,996,182

**Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Postemployment Health Care and Life Insurance Benefits**

Prior to retirement, the health insurance premiums for the Corporation's employees are project expenditures and are not reflected on the Corporation's statements of revenues, expenses, and changes in net position. Accordingly, for the fiscal years ended June 30, 2023 and 2022,

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the Corporation recognized postemployment health care and life insurance benefit expense of \$0. In addition, the net receivable balance from the University and other sponsoring agencies presented in the accompanying statements of net position includes an amount for the postemployment health care and life insurance benefit expense.

At June 30, 2023 and 2022, the Corporation reported deferred outflows of resources and deferred inflows of resources related to postemployment health care and life insurance benefits from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>2023</b>		
Changes in assumptions	\$ 81,799	\$ 394,490
Experience gains or losses	--	388,381
Total deferred outflows and inflows of resources	<u>\$ 81,799</u>	<u>\$ 782,871</u>
<b>2022</b>		
Changes in assumptions	\$ 86,456	\$ 556,571
Experience gains or losses	--	412,357
Total deferred outflows and inflows of resources	<u>\$ 86,456</u>	<u>\$ 968,928</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to postemployment health care and life insurance benefits will be recognized as follows:

<b>Fiscal Years ending June 30,</b>	<b>Amount</b>
2024	\$ (246,440)
2025	(261,510)
2026	(163,124)
2027	<u>(29,998)</u>
	<u>\$ (701,072)</u>

## **12. Project Expenditures and Commitments**

### **University Projects**

University projects are comprised of extramurally sponsored, internally funded and other projects. The Internal Agreement between the University and the Corporation defines the basic responsibilities of each party. For extramurally sponsored projects, including research and training awards, the University is responsible for fulfilling the terms and conditions of the awards and for assuring compliance with all sponsor requirements, including, but not limited to compliance with applicable laws and regulations. For internally funded and other projects, the University establishes the requirements and, accordingly, retains all decision-making responsibility. While the Corporation is authorized to act as the agent for the University, the Corporation's responsibilities are limited to providing all necessary and required administrative and financial management services in support of the University's projects. All commitments and disbursements of project funds must be authorized and approved by the University's designated official.

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Other projects consist of the University's revolving accounts and specialized service facilities. Revolving accounts are self-sustaining, income-generating projects that are established for the purpose of supporting a specialized service facility, a recharge center, or other sales and service activities.

**Direct Projects**

Direct projects are projects assigned to and accepted by the Corporation from organizations other than the University, including federal and state agencies, international organizations, and other not-for-profit organizations. These projects normally remain under the general and technical supervision of personnel employed by the sponsors and the Corporation's responsibilities are limited to providing administrative services.

Project expenditures, less advances and reimbursements from sponsors, are accounted for within project accounts which are reflected on the Corporation's statements of net position. Except for direct intergovernmental projects that fall under the Corporation's responsibility, these transactions are not reflected on the Corporation's statements of revenues, expenses, and changes in net position. Project expenditures for the fiscal years ended June 30, 2023 and 2022 were as follows:

	<b>University Projects</b>	<b>Direct Projects</b>	<b>Total</b>
<b>2023</b>			
Salaries and wages	\$ 118,452,986	\$ 8,893,529	\$ 127,346,515
Equipment	17,317,972	106,680	17,424,652
Other	184,475,439	4,652,196	189,127,635
	<u>\$ 320,246,397</u>	<u>\$ 13,652,405</u>	<u>\$ 333,898,802</u>
<b>2022</b>			
Salaries and wages	\$ 108,847,634	\$ 7,672,963	\$ 116,520,597
Equipment	15,403,102	120,331	15,523,433
Other	143,907,676	12,025,966	155,933,642
	<u>\$ 268,158,412</u>	<u>\$ 19,819,260</u>	<u>\$ 287,977,672</u>

Project commitments for outstanding project purchase orders that are not reflected in the accompanying statements of net position were approximately \$75,152,000 and \$68,684,000 at June 30, 2023 and 2022, respectively.

**13. Risk Management**

**Torts**

The Corporation is involved in various actions, the outcome of which, in the opinion of management, will not have a material adverse effect on the Corporation's financial position.

**Property and General Liability Insurance**

The Corporation is covered under the statewide insurance program of the State of Hawai'i. Under this program, the Corporation has property damage insurance for all risk losses including windstorm losses, losses from earthquake, flood, boiler and machinery, and terrorism.

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The Corporation has general liability insurance under the State. Major exclusions include pollution, asbestos, airport, aircraft and medical-professional losses. The State program also includes crime insurance.

The Corporation also purchases commercial insurance policies to supplement the State of Hawai'i insurance program, as needed.

The Corporation's insurance policies and those in which it is covered under the statewide insurance program are subject to various deductibles.

**Workers' Compensation**

The Corporation is self-insured for workers' compensation losses incurred prior to July 1, 1997 and unpaid as of June 30, 1997, and is liable for all workers' compensation claims filed by its employees for that period. 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. These liabilities include an estimate for claims that have been incurred but not reported. At June 30, 2023 and 2022, the workers' compensation reserve amounted to \$472,245 and \$484,611, respectively, and is reported as a current liability in the accompanying statements of net position. This reserve represents the Corporation's best estimate of workers' compensation liabilities based on available information.

The following is a summary of changes in the workers' compensation reserve for the fiscal years ended June 30, 2023 and 2022.

	<b>2023</b>	<b>2022</b>
<b>Beginning balance</b>	\$ 484,611	\$ 546,061
Payments on claims	(111,406)	(59,560)
Claim adjustment	71,392	(54,992)
Other (interest credits, etc.)	27,648	53,102
<b>Ending balance</b>	<u>\$ 472,245</u>	<u>\$ 484,611</u>

For workers' compensation losses incurred after June 30, 1997, including employer's liability losses, the Corporation has a retrospective rated insurance plan with a commercial insurance company. The insurance excludes bodily injury occurring outside of the United States or Canada unless during temporary travel, vessel operations, and damages from harassment, discrimination, termination and other matters as defined.

**Unemployment Claims Reserve**

The Corporation is self-insured for unemployment claims. Liabilities for unemployment claims are established if information indicates that it is probable that liabilities have been incurred and the amount for those claims can be reasonably estimated. At June 30, 2022 and 2021, the unemployment reserve was \$237,992 and \$437,654, respectively, and is reported as a current liability in the accompanying statements of net position.

**14. Commitments**

At June 30, 2023, the Corporation had outstanding contract commitments related to software development and maintenance through June 30, 2024 of \$2,288,272.

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**15. Subsequent Events**

At July 1, 2023, a majority of the University's revolving accounts and specialized service facilities held by the Corporation were transferred to the University. The Corporation will continue to provide administrative support services to the revolving accounts in accordance with the terms of the Internal Agreement. However, the cash balances held by the Corporation for the advance funding of the revolving accounts were transferred from the Corporation to the University after July 1, 2023.

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

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**SCHEDULE OF CHANGES IN POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE**  
**BENEFITS LIABILITY AND RELATED RATIOS (UNAUDITED)**  
**Fiscal Years Ended June 30, 2023, 2022, 2021, 2020, 2019 and 2018**

	2023	2022	2021	2020	2019	2018
<b>Total postemployment health care and life insurance benefits liability</b>						
Service cost	\$ 78,824	\$ 118,593	\$ 124,671	\$ 110,852	\$ 89,027	\$ 86,413
Interest	80,605	55,988	74,773	71,285	89,798	87,228
Differences between expected and actual experience	(230,209)	(199,883)	(174,773)	(99,009)	(574,496)	--
Changes of assumptions or other inputs	59,071	(509,047)	(236,598)	186,375	(53,351)	81,744
Benefit payments	<u>(22,776)</u>	<u>(24,096)</u>	<u>(25,313)</u>	<u>(29,293)</u>	<u>(32,971)</u>	<u>(29,994)</u>
Net change in total postemployment health care and life insurance benefits liability	(34,485)	(558,445)	(237,240)	240,210	(481,993)	225,391
<b>Total postemployment health care and life insurance benefits liability</b>						
Beginning of year	<u>1,903,219</u>	<u>2,461,664</u>	<u>2,698,904</u>	<u>2,458,694</u>	<u>2,940,687</u>	<u>2,715,296</u>
End of year	<u>\$ 1,868,734</u>	<u>\$ 1,903,219</u>	<u>\$ 2,461,664</u>	<u>\$ 2,698,904</u>	<u>\$ 2,458,694</u>	<u>\$ 2,940,687</u>
Covered-employee payroll	\$ 130,560,000	\$ 119,460,000	\$ 117,945,000	\$ 112,892,000	\$ 110,401,000	\$ 113,696,000
Total postemployment health care and life insurance benefits liability as a % of covered-employee payroll	1.43%	1.59%	2.09%	2.39%	2.23%	2.59%

### Changes of Assumptions or Other Inputs

Changes in assumptions or other inputs reflect the effects of changes in the discount rate each period.

The following are the discount rates used in each period:

2023	4.13%
2022	4.09%
2021	2.18%
2020	2.66%
2019	2.79%
2018	2.98%

### Notes:

- 1) The Corporation funds the postemployment health care and life insurance benefits plan on a pay-as-you-go basis. Accordingly, there are no assets currently accumulated in a trust that may be used to pay benefits at a future date.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of  
Research Corporation of the University of Hawai'i  
State of Hawai'i

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Research Corporation of the University of Hawai'i (Corporation), as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated October 31, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**N&K CPAs, Inc.**

Honolulu, Hawai'i  
October 31, 2023

## **BYLAWS**

### **~~The~~ Research Corporation of the University of Hawai'i**

#### **ARTICLE 1 General Provisions**

SECTION 1. As used in these Bylaws, the word "Corporation" means ~~t~~The Research Corporation of the University of Hawai'i; "Board" means the Board of Directors of the Corporation; "Board of Regents" means Board of Regents of the University of Hawai'i; "Director" means a member of the Board of Directors of the Corporation; H.R.S. means Hawai'i Revised Statutes; and "University" means the University of Hawai'i.

SECTION 2. The seal of the Corporation shall be circular with the words "The Research Corporation of the University of Hawaii, Honolulu, Hawaii" surrounding the word "Seal".

#### **ARTICLE 2 Board of Directors - Composition**

SECTION 1. The Board composition shall be as provided in ~~§section-304A-3002, H.R.S.~~

SECTION 2. The term of members of the Board selected by the Board of Regents shall not extend beyond the term as a member of the Board of Regents. The term of a Board member shall expire upon the failure of the member, without valid excuse, to attend three (3) consecutive meetings duly noticed to all members of the Board of Directors and where the Board failed to constitute a quorum necessary to transact business. The Chairperson of the Board of Directors shall determine if the absence of the member is excusable. The expiration of the member's term shall be effective immediately after the third consecutive unattended meeting and unexcused absence. This provision shall not apply to ex-officio members of the Board.

SECTION 3. All members of the Board shall serve without pay but shall be entitled to reimbursement for necessary expenses while attending meetings and while in the discharge of their duties and responsibilities.

#### **ARTICLE 3 Board of Directors - Meetings**

SECTION 1. The annual meeting of the Board shall be held during the third or fourth quarter of the calendar year for the purpose of electing a Chairperson and Vice Chairperson as provided in Article 5; for the election of other officers as provided in Article 5; for receiving reports; for the formulation and discussion of plans for the ensuing year; and for the transacting of such other business as may come before it.

SECTION 2. Other than the annual meeting, regularly scheduled meetings of a more frequent nature may be held at such times and places as the Board may decide.

SECTION 3. Special meetings of the Board may be held at any time and place upon the call of the Chairperson of the Board or upon the request of three (3) or more of its members.

SECTION 4. Notice of all meetings of the Board shall be given to all members of the Board by mail, telephone, or other electronic means at least six (6) days in advance thereof. The Board shall give written public notice of all its meetings as required by Chapter 92, H.R.S. If an executive meeting of

the Board is anticipated and known in advance, the Board shall give written public notice of the executive meeting and of the reason for the closed meeting. The written public notices shall be filed with the Office of the Lieutenant Governor at least six (6) days prior to the date of the meeting, and shall include an agenda which lists all of the items to be considered at the forthcoming meeting, and the date, time, and place of the meeting.

SECTION 5. The agenda of the Board meeting, once filed, shall not be changed without a two-thirds recorded vote of all members to which the Board is entitled. No item of reasonably major importance, action on which by the Board will affect a significant number of persons, shall be added to the agenda after the agenda is filed with the Office of the Lieutenant Governor. If the Board is unable to complete the agenda of a scheduled meeting, consideration of agenda items of reasonably major importance not completed at the meeting shall be considered only at a meeting continued to a reasonable day and time.

SECTION 6. All meetings of the Board shall be open to the public except for executive meetings permitted pursuant to Chapter 92, H.R.S. Executive meetings closed to the public shall be held upon an affirmative vote, taken at an open meeting, of two-thirds of the members present, provided that the affirmative vote constitutes a majority of the members to which the Board is entitled.

SECTION 7. Any person may submit written and/or oral testimony to the Board on any agenda item, provided that the presentation of oral testimony shall be subject to the reasonable administration thereof by the Board.

SECTION 8. A majority of the members to which the Board is entitled shall constitute a quorum for the transaction of business.

SECTION 9. The concurrence of a majority of all the members to which the Board is entitled shall be necessary to make any action of the Board valid.

SECTION 10. The Board may hold an in-person meeting at multiple meeting sites connected by interactive conference technology pursuant to §92-3.5, H.R.S.; or a remote meeting by interactive conference technology pursuant to §92-3.7, H.R.S.

#### **ARTICLE 4 Board of Directors - Powers**

SECTION 1. The Board shall have charge of the business and other affairs of the Corporation and shall have authority to make, prescribe and enforce all policies, rules, and regulations for the conduct of the business of the Corporation and the management and control of its property.

SECTION 2. The Board may appoint an executive officer or director, with such title as the Board may deem appropriate, and such other employees as may be necessary in administering the affairs of the Corporation. The Board shall set the employees' duties, responsibilities, salaries, holidays, vacations, leaves, hours of work and working conditions. It may grant such other benefits to employees as it deems necessary.

SECTION 3. Any patents, copyrights, inventions, discoveries or other rights arising from Corporation activities shall belong to the Corporation, subject to such policies, rules or regulations as the Board may adopt.

SECTION 4. The Board shall accept all gifts to the Corporation as required by ~~§Section-304A-3003,~~  
H.R.S.

SECTION 5. Those Directors who are also members of the University's Board of Regents have dual fiduciary duties and dual loyalties to both the Corporation and the University. Those members may

participate in the deliberation and vote on Corporation matters directly affecting the University with the understanding that, when acting as a Director, the primary fiduciary duty and loyalty is owed to the Corporation's best interest.

In the event the Chairperson of the Board is a member of the University's Board of Regents and there is a conflict in the interests of the Corporation and of the University with respect to a matter directly and specifically affecting the University, the Chairperson shall yield the chair to the Vice Chairperson or, should a further conflict arise, to any other Director who does not have such a conflict, and may vote on the matter.

SECTION 6. The Board shall approve Any contract, lease, cooperative agreement or other transaction which exceeds or may exceed \$1.0 million in value (in the aggregate) for the benefit of the Corporation and which is not authorized in any agreement previously approved by the Board ~~and all loans shall be approved by the Board.~~ Board approval for extramural awards that exceed \$1.0 million in value are NOT necessary as these agreements have been approved and are governed by the UH and RCUH Internal Agreement.

#### SECTION 7. Committees of the Board.

To facilitate consideration of policies and other significant matters that require the approval of the Board, ~~standing~~ committees may be established as necessary. Authority to act on all matters is reserved to the Board, and the functions of ~~any~~ committee shall be to consider and make recommendations to the Board. The Board, on occasion, may find it necessary to delegate decision-making authority to a committee. When such delegation occurs, the Board will ratify a committee's action.

a. A Personnel Committee may be established for the purpose of:

1. Reviewing and making recommendations on personnel matters requiring Board approval.
2. Developing the appropriate mechanisms for the evaluation of the Executive Director and any other position that reports to the Board.
3. Evaluating the performance of the Executive Director and any other position that reports to the Board and providing a recommendation to the full Board.
4. Reviewing and making recommendations regarding any other matter referred by the Chairperson of the Board.

b. An Audit Committee may be established for the purpose of:

1. Ensuring that RCUH's financial, internal controls, and audit processes are in accordance with generally-accepted auditing standards in the U.S. and are in compliance with policies, statutes, and regulations.
2. Recommending the engagement of an external auditor(s).
3. Reviewing all external audit findings and reports and ensuring that appropriate action is taken.
4. Reviewing and making recommendations on any other matter referred by the Chairperson of the Board.

c. Other committees may be established as may be necessary.

- d. The Chairperson and members of each standing committee shall be appointed by the Chairperson of the Board and shall serve for one year or until the appointment of their successors. The Chairperson of the Board may be an ex-officio, voting member of all standing committees. The Chairperson may also appoint ad hoc members to a committee.
- e. Select or Ad Hoc Committees may be established by the Chairperson of the Board upon authorization by the Board with such powers and duties as determined by the Board. The tenure of a Select or Ad Hoc Committee shall expire upon completion of its assigned task.

## **ARTICLE 5**

### **Officers**

SECTION 1. The officers of the Corporation shall consist of a Chairperson of the Board, a Vice Chairperson of the Board, the Executive Director, ~~the Deputy Executive Director~~, and such other officers as determined by the Board.

SECTION 2. All officers of the Corporation, except the Executive Director ~~and Deputy Executive Director~~, shall be elected at the annual meeting of the Board, and shall serve for a term of one year, beginning upon election at the annual meeting and until their successors are elected and qualified.

SECTION 3. The Chairperson of the Board, in addition to presiding at all regular and special Board meetings, shall:

- a. Be responsible to enforce and execute all policies, rules, regulations, actions, and documents of every kind and description necessary to conduct the business of the Corporation. This authority is delegated to the Executive Director, except as may be reserved in these Bylaws or by policies approved by the Board.
- b. Appoint the chairpersons and members of the committees of the Board.
- c. Acknowledge communications, petitions, requests, and proposals on behalf of the Board and refer same to the Executive Director or appropriate committee of the Board for action or recommendation.
- d. Maintain liaison with the Executive Director to see that there is an effective working relationship between the Corporation staff and the Board.
- e. Approve all press releases and public statements made by the Board.
- f. Approve agenda items for any regular or special meeting of the Board.
- g. Coordinate the efforts of the Board's committees to strengthen the roles and functions of same.

SECTION 4. The Vice Chairperson will assume the duties and responsibilities of the Chairperson in the absence of the Chairperson and will undertake such other duties as may be assigned by the Chairperson.

SECTION 5. An Executive Director ~~and Deputy Executive Director~~ shall be appointed by the Board, shall serve at the pleasure of the Board, and shall have such duties as established in these Bylaws and as may be modified from time to time by the Board. In the absence of the Executive Director, the ~~Deputy Executive Director~~ Board may appoint an interim director who shall assume the responsibilities of the position.

The Executive Director shall have direct administrative supervision over and immediate executive authority with respect to the conduct of the business and affairs of the Corporation, except that no gift

to the Corporation shall be accepted unless approved or confirmed by the Board. In carrying out these responsibilities, the Executive Director shall:

- a. Coordinate and maintain proper relationships with the University, the State of Hawai'i, federal agencies, industry, private donors, and other academic and research institutions.
- b. In accordance with policies established by the Board, executes the basic policies that determine and control the overall objectives, programs, and operations of the Corporation.
- c. Except as limited by these Bylaws, approve contracts with sponsors, both public and private, agreements with agencies, amendments to contracts and agreements, submission of proposals, final overhead negotiations, insurance agreements, rental agreements, lease agreements, patent agreements.
- d. Approve transactions involving personnel, including but not limited to, the authority within statutory guidelines and Corporation policies to hire, compensate, and terminate the services of employees and delegate same to qualified staff members.
- e. Approve transactions involving purchasing, property management, budgeting, accounting, travel, insurance claims, the issuance of manuals of administrative procedure, and except for transactions exceeding \$100,000 in value or involving an interest in land, delegate same to qualified staff members.
- f. Prepare and submit the annual Corporation budget to the Board for the Board's consideration.
- g. Enforce and execute all policies, rules, regulations, actions, and documents of every kind and description necessary to conduct the business of the Corporation, except as may be reserved in these Bylaws or by policies approved by the Board.
- h. Maintain the corporate records of the Corporation, issue notices of meetings to the Board, execute and sign such instruments as require the signature of attestation, and prepare and preserve a record of all meetings of the Board. The Executive Director shall keep the seal of the Corporation, shall affix the same to any instrument requiring it, shall attest the seal or other official act by signature and shall perform such other duties as may be prescribed from time to time by resolution of the Board. In the absence of the Executive Director, or in the event that the Executive Director is not readily and conveniently available, the ~~Deputy Executive Board-~~appointed interim Director shall perform the duties set forth in this Section 5 of Article 5. The Executive Director shall have the authority to delegate these "corporate secretary" functions to an appropriate designee.
- i. The Executive Director shall have custody of the Corporation's funds and property and keep regular books of account of the Corporation's funds and property. The Executive Director shall see that all money and valuables of the Corporation are deposited in such banks and depositories as the Board shall from time to time designate. The Executive Director shall have power to endorse for deposit to the credit of the Corporation all notes, checks, drafts, bonds, and other instruments received by the Corporation. The Executive Director shall approve all disbursements drawn on the Corporation's special account (~~§Section-304A-3010, H.R.S.~~) and shall sign approval of all checks drawn on the special account.
- j. The Executive Director shall also perform such other duties as may be delegated from time to time by the Board. In the absence of the Executive Director, or in the event that the Executive Director is not readily and conveniently available, the ~~Deputy Executive Board-~~appointed interim Director shall perform the duties set forth in this Section 5 of Article 5.

SECTION 6. In case of an extended absence or disability of the Executive Director ~~or the Deputy Executive Director~~, or for any other reason the Board may deem sufficient, the Board may delegate for the time being, in whole or in part, the powers and duties of such officer or officers, to any other person or persons qualified to perform the same.

## **ARTICLE 6 Annual Report**

SECTION 1. The Board shall submit an annual report of the Corporation to the Governor, President of the State Senate, and Speaker of the State House of Representatives. The report shall include, but not be limited to, the Corporation's audited financial statement, total amount of payroll and other disbursements made, and progress and accomplishments made during the year.

## **ARTICLE 7 Special Account**

SECTION 1. The Board shall set up a special account for depositing moneys received from either public or private contracts, or from private or public grants, awards, or gifts. As provided for in §Section 304A-3010, H.R.S. this special account may be used to receive, disburse, and account for funds of research and training projects of the University of Hawai'i, other state agencies, and political subdivisions of the State. All disbursements shall be drawn on such special account upon checks prepared and signed as approved by the Executive Director and some other person authorized by the Board of Directors.

## **ARTICLE 8 Audits**

SECTION 1. The Board shall select a Certified Public Accountant to examine the financial affairs of the Corporation annually, and to report on its status not later than six months after the end of the fiscal year. The audit shall include a comparison of the assets and liabilities with the accounts and records of the Corporation; a determination of whether the accounts are correctly kept; and a recommendation to the Board concerning such changes in the manner of conducting the financial affairs of the Corporation as deemed desirable.

## **ARTICLE 9 Legal Counsel**

SECTION 1. The Attorney General of the State of Hawaii shall be designated as Legal Counsel for the Board and the Corporation.

SECTION 2. Requests for any written legal opinion or advice of the Department of the Attorney General by the Board or any of its members shall be transmitted through the Chairperson of the Board or the Executive Director. Whenever a written legal opinion or advice letter is rendered by the Department of the Attorney General, such opinion, along with a copy of the written request for such opinion, shall be immediately distributed to all Board members.

## **ARTICLE 10 Conflicts of Interest**

SECTION 1. Standards of Conduct. Members of the Board and all officers of the Corporation shall comply with the provisions of these Bylaws and are subject to the standards of conduct and financial

interests disclosure requirements of Chapter 84, H.R.S. (State Ethics Code) and must act in accordance with Chapter 84, H.R.S. the Hawai'i State Ethics Code.

All Directors must complete mandatory State Ethics Training from the Hawai'i State Ethics Commission within 90 days of taking office and once every four (4) years thereafter.

SECTION 2. Fiduciary Responsibility. Members of the Board and the officers of the Corporation serve a public-interest role and thus have a clear obligation to conduct all affairs of the Corporation in a manner consistent with this concept. Members of the Board and the officers of the Corporation are expected to place the welfare of the Corporation above personal interests or the interests of other organizations (including the University), family members, or others who may be personally involved in affairs affecting the Corporation. All decisions of the Board and the officers are to be made solely on the basis of a desire to promote the best interests of the Corporation and the public good. All members of the Board and the officers of the Corporation shall abide by the Statement on Conflicts of Interest, which is attached and is made a part of these Bylaws.

## **ARTICLE 11 Amendments**

SECTION 1. These Bylaws may be amended, revised or repealed, and a new set of Bylaws may be adopted, at any annual, regularly scheduled, or special meeting of the Board of Directors by the affirmative vote of a majority of the members to which the Board is entitled, provided that notice of such amendment, revision or repeal shall have been given in the notice of the meeting.

SECTION 2. Proposals to alter the Bylaws may be made by any Director. Any such proposal must be submitted to the Chairperson of the Board in sufficient time to be included in the notice of the meeting at which it is to be considered.

## Attachment to Bylaws

### **Statement on Conflicts of Interest**

#### **1. Disclosures**

- a. By Members of the Board. In the event the Board must consider any matter for the Corporation which also directly involves:

- (1) A Board member or a member of the Board member's family (which shall be a spouse, parents, siblings and their spouses, children and their spouses, and any household member); or
- (2) A public or private organization with which a Board member is affiliated; or
- (3) A Board member's personal financial interest as defined under Chapter 84, H.R.S.;

any affected Board member, at the first knowledge of the matter, shall disclose fully the precise nature of the interest or involvement.

In the case of the Board members who are also members of the Board of Regents of the University of Hawaii, in matters relating to the University of Hawaii, the provision of Article 4, Section 5, of the Bylaws shall be followed.

For the purposes of this Statement and Article 10 of the Corporation's Bylaws (hereinafter "Bylaws"), affiliation exists if a Board member or a member of the Board member's family is an owner (which shall be ownership interest valued at more than \$5,000 or 10% of the ownership of the business), officer, director, trustee, partner, employee (which shall also include legal counsel, consultant, contractor, advisor, or representative) or agent of such organization. For matters relating to the University of Hawaii, the provision of Article 4, Section 5, of the Bylaws shall be followed.

- b. By Officers of the Corporation. In the event an officer of the Corporation must consider any matter for the Corporation which also directly involves:

- (1) The officer or a member of the officer's family (which shall be a spouse, parents, siblings and their spouses, children and their spouses, and any household member); or
- (2) A public or private organization with which an officer is affiliated; or
- (3) An officer's personal financial interest as defined under Chapter 84, H.R.S.;

any affected officer, at the first knowledge of the matter, shall disclose fully the precise nature of the interest or involvement.

For the purpose of this Statement and Article 10 of the Bylaws, affiliation exists if an officer or a member of the officer's family is an owner (which shall be ownership interest valued at more than \$5,000 or 10% of the ownership of the business), officer, director, trustee, partner, employee (which shall also include legal counsel, consultant, contractor, advisor, or representative) or agent of such organization.

- c. This disclosure requirement shall not apply to any Board member or officer who declares a conflict of interest and recuses himself/herself from consideration of the matter before the Board of the Corporation.

- d. All disclosures required under this Statement must be directed in writing to the Board Chairperson who, together with the Corporation's Legal Counsel, shall be responsible for the administration of this Statement.

Matters covered under this Statement and the Bylaws shall be reported initially to the Chairperson of the Board for appropriate action. Should the Chairperson be the Board member with a potential conflict, the matter shall be reported to the Vice Chairperson. Should both the Chairperson and the Vice Chairperson have a potential conflict, the matter shall be reported to the chairperson of a Board standing committee in the order as listed in Article 4, Section 6, of the Bylaws.

Information disclosed under this statement to the Board and its Chairperson, Vice Chairperson, and committee chairpersons shall be held in confidence to the extent authorized by law.

2. Determination of Conflicts. Questions concerning possible conflicts of interest shall be directed to the Chairperson of the Board. The Board shall resolve the questions by majority vote at a Board meeting in compliance with Chapter 92, H.R.S. Where any matter covered by Chapter 84, H.R.S., is involved, the potential conflict shall be referred to the State Ethics Commission for disposition. Questions of potential conflict not covered by Chapter 84, H.R.S., may be referred to the Corporation's Legal Counsel for a legal opinion.
3. Restraint on Participation or Consideration
  - a. Members of the Board. Members of the Board who have declared a conflict of interest and recused themselves or who have been found to have conflicts of interest in any matter before the Board shall refrain from participating in the consideration of the proposed matter. Those Board members may not vote on such matters before the Board and may not be present during the Board's deliberation and at the time of vote.
  - b. Officers. Officers of the Corporation who have declared a conflict of interest and recused themselves or who have been found to have conflicts of interest in any matter before the Corporation shall refrain from participating in any consideration of the proposed matter. Those officers may not comment, report on, consider and/or act upon such matters before the Corporation.
4. Sanctions and Remedies

Any Board action favorable to a member obtained in violation of this Statement and of the Bylaws and any action of the Corporation favorable to an officer obtained in violation of this Statement and of the Bylaws are voidable by the Board on behalf of the Corporation; provided that in any proceeding to void an action of the Board or of the Corporation pursuant to this Statement and of the Bylaws, the interests of third parties who may be damaged thereby shall be taken into account. Any proceeding to void an action of the Board or of the Corporation shall be initiated within sixty (60) days after the determination of a violation under this Statement.

The Board may pursue all legal and equitable remedies and/or sanctions through the Corporation's Legal Counsel. Any Board action imposing a remedy or sanction under this section must be initiated within one year after the action of the Board or of the Corporation that is affected by a violation.

## **BYLAWS**

### **Research Corporation of the University of Hawai'i**

#### **ARTICLE 1**

##### **General Provisions**

SECTION 1. As used in these Bylaws, the word "Corporation" means the Research Corporation of the University of Hawai'i; "Board" means the Board of Directors of the Corporation; "Board of Regents" means Board of Regents of the University of Hawai'i; "Director" means a member of the Board of Directors of the Corporation; H.R.S. means Hawai'i Revised Statutes; and "University" means the University of Hawai'i.

SECTION 2. The seal of the Corporation shall be circular with the words "The Research Corporation of the University of Hawaii, Honolulu, Hawaii" surrounding the word "Seal".

#### **ARTICLE 2**

##### **Board of Directors - Composition**

SECTION 1. The Board composition shall be as provided in [§304A-3002, H.R.S.](#)

SECTION 2. The term of members of the Board selected by the Board of Regents shall not extend beyond the term as a member of the Board of Regents. The term of a Board member shall expire upon the failure of the member, without valid excuse, to attend three (3) consecutive meetings duly noticed to all members of the Board of Directors and where the Board failed to constitute a quorum necessary to transact business. The Chairperson of the Board of Directors shall determine if the absence of the member is excusable. The expiration of the member's term shall be effective immediately after the third consecutive unattended meeting and unexcused absence. This provision shall not apply to ex-officio members of the Board.

SECTION 3. All members of the Board shall serve without pay but shall be entitled to reimbursement for necessary expenses while attending meetings and while in the discharge of their duties and responsibilities.

#### **ARTICLE 3**

##### **Board of Directors - Meetings**

SECTION 1. The annual meeting of the Board shall be held during the third or fourth quarter of the calendar year for the purpose of electing a Chairperson and Vice Chairperson as provided in Article 5; for the election of other officers as provided in Article 5; for receiving reports; for the formulation and discussion of plans for the ensuing year; and for the transacting of such other business as may come before it.

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SECTION 3. Special meetings of the Board may be held at any time and place upon the call of the Chairperson of the Board or upon the request of three (3) or more of its members.

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the Board is anticipated and known in advance, the Board shall give written public notice of the executive meeting and of the reason for the closed meeting. The written public notices shall be filed with the Office of the Lieutenant Governor at least six (6) days prior to the date of the meeting, and shall include an agenda which lists all of the items to be considered at the forthcoming meeting, and the date, time, and place of the meeting.

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SECTION 7. Any person may submit written and/or oral testimony to the Board on any agenda item, provided that the presentation of oral testimony shall be subject to the reasonable administration thereof by the Board.

SECTION 8. A majority of the members to which the Board is entitled shall constitute a quorum for the transaction of business.

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#### **ARTICLE 4**

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SECTION 4. The Board shall accept all gifts to the Corporation as required by [§304A-3003, H.R.S.](#)

SECTION 5. Those Directors who are also members of the University's Board of Regents have dual fiduciary duties and dual loyalties to both the Corporation and the University. Those members may participate in the deliberation and vote on Corporation matters directly affecting the University with the

understanding that, when acting as a Director, the primary fiduciary duty and loyalty is owed to the Corporation's best interest.

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- a. A Personnel Committee may be established for the purpose of:
  1. Reviewing and making recommendations on personnel matters requiring Board approval.
  2. Developing the appropriate mechanisms for the evaluation of the Executive Director and any other position that reports to the Board.
  3. Evaluating the performance of the Executive Director and any other position that reports to the Board and providing a recommendation to the full Board.
  4. Reviewing and making recommendations regarding any other matter referred by the Chairperson of the Board.
- b. An Audit Committee may be established for the purpose of:
  1. Ensuring that RCUH's financial, internal controls, and audit processes are in accordance with generally-accepted auditing standards in the U.S. and are in compliance with policies, statutes, and regulations.
  2. Recommending the engagement of an external auditor(s).
  3. Reviewing all external audit findings and reports and ensuring that appropriate action is taken.
  4. Reviewing and making recommendations on any other matter referred by the Chairperson of the Board.
- c. Other committees may be established as may be necessary.
- d. The Chairperson and members of each standing committee shall be appointed by the Chairperson of the Board and shall serve for one year or until the appointment of their

successors. The Chairperson of the Board may be an ex-officio, voting member of all standing committees. The Chairperson may also appoint ad hoc members to a committee.

- e. Select or Ad Hoc Committees may be established by the Chairperson of the Board upon authorization by the Board with such powers and duties as determined by the Board. The tenure of a Select or Ad Hoc Committee shall expire upon completion of its assigned task.

## **ARTICLE 5**

### **Officers**

SECTION 1. The officers of the Corporation shall consist of a Chairperson of the Board, a Vice Chairperson of the Board, the Executive Director, and such other officers as determined by the Board.

SECTION 2. All officers of the Corporation, except the Executive Director, shall be elected at the annual meeting of the Board, and shall serve for a term of one year, beginning upon election at the annual meeting and until their successors are elected and qualified.

SECTION 3. The Chairperson of the Board, in addition to presiding at all regular and special Board meetings, shall:

- a. Be responsible to enforce and execute all policies, rules, regulations, actions, and documents of every kind and description necessary to conduct the business of the Corporation. This authority is delegated to the Executive Director, except as may be reserved in these Bylaws or by policies approved by the Board.
- b. Appoint the chairpersons and members of the committees of the Board.
- c. Acknowledge communications, petitions, requests, and proposals on behalf of the Board and refer same to the Executive Director or appropriate committee of the Board for action or recommendation.
- d. Maintain liaison with the Executive Director to see that there is an effective working relationship between the Corporation staff and the Board.
- e. Approve all press releases and public statements made by the Board.
- f. Approve agenda items for any regular or special meeting of the Board.
- g. Coordinate the efforts of the Board's committees to strengthen the roles and functions of same.

SECTION 4. The Vice Chairperson will assume the duties and responsibilities of the Chairperson in the absence of the Chairperson and will undertake such other duties as may be assigned by the Chairperson.

SECTION 5. An Executive Director shall be appointed by the Board, shall serve at the pleasure of the Board, and shall have such duties as established in these Bylaws and as may be modified from time to time by the Board. In the absence of the Executive Director, the Board may appoint an interim director who shall assume the responsibilities of the position.

The Executive Director shall have direct administrative supervision over and immediate executive authority with respect to the conduct of the business and affairs of the Corporation, except that no gift to the Corporation shall be accepted unless approved or confirmed by the Board. In carrying out these responsibilities, the Executive Director shall:

- a. Coordinate and maintain proper relationships with the University, the State of Hawai'i, federal agencies, industry, private donors, and other academic and research institutions.
- b. In accordance with policies established by the Board, executes the basic policies that determine and control the overall objectives, programs, and operations of the Corporation.
- c. Except as limited by these Bylaws, approve contracts with sponsors, both public and private, agreements with agencies, amendments to contracts and agreements, submission of proposals, final overhead negotiations, insurance agreements, rental agreements, lease agreements, patent agreements.
- d. Approve transactions involving personnel, including but not limited to, the authority within statutory guidelines and Corporation policies to hire, compensate, and terminate the services of employees and delegate same to qualified staff members.
- e. Approve transactions involving purchasing, property management, budgeting, accounting, travel, insurance claims, the issuance of manuals of administrative procedure, and except for transactions exceeding \$100,000 in value or involving an interest in land, delegate same to qualified staff members.
- f. Prepare and submit the annual Corporation budget to the Board for the Board's consideration.
- g. Enforce and execute all policies, rules, regulations, actions, and documents of every kind and description necessary to conduct the business of the Corporation, except as may be reserved in these Bylaws or by policies approved by the Board.
- h. Maintain the corporate records of the Corporation, issue notices of meetings to the Board, execute and sign such instruments as require the signature of attestation, and prepare and preserve a record of all meetings of the Board. The Executive Director shall keep the seal of the Corporation, shall affix the same to any instrument requiring it, shall attest the seal or other official act by signature and shall perform such other duties as may be prescribed from time to time by resolution of the Board. In the absence of the Executive Director, or in the event that the Executive Director is not readily and conveniently available, the Board-appointed interim Director shall perform the duties set forth in this Section 5 of Article 5. The Executive Director shall have the authority to delegate these "corporate secretary" functions to an appropriate designee.
- i. The Executive Director shall have custody of the Corporation's funds and property and keep regular books of account of the Corporation's funds and property. The Executive Director shall see that all money and valuables of the Corporation are deposited in such banks and depositories as the Board shall from time to time designate. The Executive Director shall have power to endorse for deposit to the credit of the Corporation all notes, checks, drafts, bonds, and other instruments received by the Corporation. The Executive Director shall approve all disbursements drawn on the Corporation's special account ([§304A-3010, H.R.S.](#)) and shall sign approval of all checks drawn on the special account.
- j. The Executive Director shall also perform such other duties as may be delegated from time to time by the Board. In the absence of the Executive Director, or in the event that the Executive Director is not readily and conveniently available, the Board-appointed interim Director shall perform the duties set forth in this Section 5 of Article 5.

SECTION 6. In case of an extended absence or disability of the Executive Director, or for any other reason the Board may deem sufficient, the Board may delegate for the time being, in whole or in part, the powers and duties of such officer or officers, to any other person or persons qualified to perform the same.

## **ARTICLE 6 Annual Report**

SECTION 1. The Board shall submit an annual report of the Corporation to the Governor, President of the State Senate, and Speaker of the State House of Representatives. The report shall include, but not be limited to, the Corporation's audited financial statement, total amount of payroll and other disbursements made, and progress and accomplishments made during the year.

## **ARTICLE 7 Special Account**

SECTION 1. The Board shall set up a special account for depositing moneys received from either public or private contracts, or from private or public grants, awards, or gifts. As provided for in [§304A-3010, H.R.S.](#) this special account may be used to receive, disburse, and account for funds of research and training projects of the University of Hawai'i, other state agencies, and political subdivisions of the State. All disbursements shall be drawn on such special account upon checks prepared and signed as approved by the Executive Director and some other person authorized by the Board of Directors.

## **ARTICLE 8 Audits**

SECTION 1. The Board shall select a Certified Public Accountant to examine the financial affairs of the Corporation annually, and to report on its status not later than six months after the end of the fiscal year. The audit shall include a comparison of the assets and liabilities with the accounts and records of the Corporation; a determination of whether the accounts are correctly kept; and a recommendation to the Board concerning such changes in the manner of conducting the financial affairs of the Corporation as deemed desirable.

## **ARTICLE 9 Legal Counsel**

SECTION 1. The Attorney General of the State of Hawaii shall be designated as Legal Counsel for the Board and the Corporation.

SECTION 2. Requests for any written legal opinion or advice of the Department of the Attorney General by the Board or any of its members shall be transmitted through the Chairperson of the Board or the Executive Director. Whenever a written legal opinion or advice letter is rendered by the Department of the Attorney General, such opinion, along with a copy of the written request for such opinion, shall be immediately distributed to all Board members.

## **ARTICLE 10 Conflicts of Interest**

SECTION 1. Standards of Conduct. Members of the Board and all officers of the Corporation shall comply with the provisions of these Bylaws and are subject to the standards of conduct and financial interests disclosure requirements of [Chapter 84, H.R.S.](#) (State Ethics Code) and must act in accordance with the Hawai'i State Ethics Code.

All Directors must complete [mandatory State Ethics Training](#) from the Hawai'i State Ethics Commission within 90 days of taking office and once every four (4) years thereafter.

SECTION 2. Fiduciary Responsibility. Members of the Board and the officers of the Corporation serve a public-interest role and thus have a clear obligation to conduct all affairs of the Corporation in a manner consistent with this concept. Members of the Board and the officers of the Corporation are

expected to place the welfare of the Corporation above personal interests or the interests of other organizations (including the University), family members, or others who may be personally involved in affairs affecting the Corporation. All decisions of the Board and the officers are to be made solely on the basis of a desire to promote the best interests of the Corporation and the public good. All members of the Board and the officers of the Corporation shall abide by the Statement on Conflicts of Interest, which is attached and is made a part of these Bylaws.

## **ARTICLE 11**

### **Amendments**

SECTION 1. These Bylaws may be amended, revised or repealed, and a new set of Bylaws may be adopted, at any annual, regularly scheduled, or special meeting of the Board of Directors by the affirmative vote of a majority of the members to which the Board is entitled, provided that notice of such amendment, revision or repeal shall have been given in the notice of the meeting.

SECTION 2. Proposals to alter the Bylaws may be made by any Director. Any such proposal must be submitted to the Chairperson of the Board in sufficient time to be included in the notice of the meeting at which it is to be considered.

## Attachment to Bylaws

### **Statement on Conflicts of Interest**

#### **1. Disclosures**

- a. By Members of the Board. In the event the Board must consider any matter for the Corporation which also directly involves:

- (1) A Board member or a member of the Board member's family (which shall be a spouse, parents, siblings and their spouses, children and their spouses, and any household member); or
- (2) A public or private organization with which a Board member is affiliated; or
- (3) A Board member's personal financial interest as defined under Chapter 84, H.R.S.;

any affected Board member, at the first knowledge of the matter, shall disclose fully the precise nature of the interest or involvement.

In the case of the Board members who are also members of the Board of Regents of the University of Hawaii, in matters relating to the University of Hawaii, the provision of Article 4, Section 5, of the Bylaws shall be followed.

For the purposes of this Statement and Article 10 of the Corporation's Bylaws (hereinafter "Bylaws"), affiliation exists if a Board member or a member of the Board member's family is an owner (which shall be ownership interest valued at more than \$5,000 or 10% of the ownership of the business), officer, director, trustee, partner, employee (which shall also include legal counsel, consultant, contractor, advisor, or representative) or agent of such organization. For matters relating to the University of Hawaii, the provision of Article 4, Section 5, of the Bylaws shall be followed.

- b. By Officers of the Corporation. In the event an officer of the Corporation must consider any matter for the Corporation which also directly involves:

- (1) The officer or a member of the officer's family (which shall be a spouse, parents, siblings and their spouses, children and their spouses, and any household member); or
- (2) A public or private organization with which an officer is affiliated; or
- (3) An officer's personal financial interest as defined under Chapter 84, H.R.S.;

any affected officer, at the first knowledge of the matter, shall disclose fully the precise nature of the interest or involvement.

For the purpose of this Statement and Article 10 of the Bylaws, affiliation exists if an officer or a member of the officer's family is an owner (which shall be ownership interest valued at more than \$5,000 or 10% of the ownership of the business), officer, director, trustee, partner, employee (which shall also include legal counsel, consultant, contractor, advisor, or representative) or agent of such organization.

- c. This disclosure requirement shall not apply to any Board member or officer who declares a conflict of interest and recuses himself/herself from consideration of the matter before the Board of the Corporation.

- d. All disclosures required under this Statement must be directed in writing to the Board Chairperson who, together with the Corporation's Legal Counsel, shall be responsible for the administration of this Statement.

Matters covered under this Statement and the Bylaws shall be reported initially to the Chairperson of the Board for appropriate action. Should the Chairperson be the Board member with a potential conflict, the matter shall be reported to the Vice Chairperson. Should both the Chairperson and the Vice Chairperson have a potential conflict, the matter shall be reported to the chairperson of a Board standing committee in the order as listed in Article 4, Section 6, of the Bylaws.

Information disclosed under this statement to the Board and its Chairperson, Vice Chairperson, and committee chairpersons shall be held in confidence to the extent authorized by law.

2. Determination of Conflicts. Questions concerning possible conflicts of interest shall be directed to the Chairperson of the Board. The Board shall resolve the questions by majority vote at a Board meeting in compliance with [Chapter 92, H.R.S.](#) Where any matter covered by [Chapter 84, H.R.S.](#), is involved, the potential conflict shall be referred to the State Ethics Commission for disposition. Questions of potential conflict not covered by [Chapter 84, H.R.S.](#), may be referred to the Corporation's Legal Counsel for a legal opinion.
3. Restraint on Participation or Consideration
  - a. Members of the Board. Members of the Board who have declared a conflict of interest and recused themselves or who have been found to have conflicts of interest in any matter before the Board shall refrain from participating in the consideration of the proposed matter. Those Board members may not vote on such matters before the Board and may not be present during the Board's deliberation and at the time of vote.
  - b. Officers. Officers of the Corporation who have declared a conflict of interest and recused themselves or who have been found to have conflicts of interest in any matter before the Corporation shall refrain from participating in any consideration of the proposed matter. Those officers may not comment, report on, consider and/or act upon such matters before the Corporation.
4. Sanctions and Remedies

Any Board action favorable to a member obtained in violation of this Statement and of the Bylaws and any action of the Corporation favorable to an officer obtained in violation of this Statement and of the Bylaws are voidable by the Board on behalf of the Corporation; provided that in any proceeding to void an action of the Board or of the Corporation pursuant to this Statement and of the Bylaws, the interests of third parties who may be damaged thereby shall be taken into account. Any proceeding to void an action of the Board or of the Corporation shall be initiated within sixty (60) days after the determination of a violation under this Statement.

The Board may pursue all legal and equitable remedies and/or sanctions through the Corporation's Legal Counsel. Any Board action imposing a remedy or sanction under this section must be initiated within one year after the action of the Board or of the Corporation that is affected by a violation.



## RCUH BOARD OF DIRECTORS MEETING – DECEMBER 5, 2023 EXECUTIVE DIRECTOR'S REPORT

This report presents programmatic updates and summarizes RCUH's major initiatives since the Board's September 19, 2023 meeting. It begins with updates, followed by a status report of the actions taken toward RCUH's 2022-2026 Strategic Plan.

### UPDATES

#### Hawaii Broadband Initiative P3 Agreement

ED Lenny Gouveia and RCUH Finance staff have been working with the Attorney General's Office to execute a \$60 million Public-Private Partnership (P3) agreement with Ocean Networks Inc. (ONI) relating to an inter-island underwater fiberoptic cable on behalf of the Hawaii Broadband Initiative. As this is RCUH's first time negotiating a P3 agreement, the AG's Office recommended procurement of legal services from an external attorney that has experience in implementing these types of agreements (one who has been used by the State, as well as UH). Although this has taken longer than desired, RCUH wants to ensure due diligence has been conducted before entering into such a large and complicated agreement. UH VP for Information Technology and Chief Information Officer Garret Yoshimi is Principal Investigator on this project and will conduct a presentation following this report. No vote is necessary as this presentation is for informational purposes and discussion. President Lassner has already reported the service order of this agreement from UH to RCUH during his President's Report on Oct. 19. No vote was necessary from the UH Board of Regents as UH's decision to service order this award is consistent with ongoing practices based on the Internal Agreement between UH and RCUH.

#### Annual Financial Audit

The annual financial audit of the RCUH financial statement for the fiscal year ending June 30, 2023, was completed by N&K CPAs. The auditors issued an unqualified (clean) opinion on the RCUH financial statements. RCUH did face challenges in implementing a new accounting standard for Subscription-based Information Technology Arrangements (GASB 96) during the fiscal year. Despite that challenge there were no significant findings or material weaknesses noted from the audit. The audited financial statements were submitted timely to the University of Hawai'i on November 1, 2023.

### ACTIONS TAKEN TOWARD GOAL ACHIEVEMENT RCUH 2022 – 2026 STRATEGIC PLAN

#### GOAL 1. EVALUATE AND IMPLEMENT RECOMMENDATIONS FROM THE RCUH TASK FORCE.

- **Determine the appropriate level of and proper use of RCUH's reserves, line of credit.**
  - **Evaluate purpose and need for line of credit.** RCUH is currently discussing the continued need and/or use of RCUH's line of credit with the State's Attorney General Office to decide on whether it is appropriate and consistent with state statutes governing RCUH (e.g., HRS 304A-3001, State Constitution, et al).
- **Collaborate with UH in an effort to minimize IT costs.**
  - **Determine and evaluate areas for possible integration between UH and RCUH systems.** RCUH Human Resources and Corporate Services has been working with UH administrators to create a data feed between RCUH's HR Portal and the University that will help both agencies track

active RCUH employees and UH Principal Investigators/Fiscal Administrators. This will assist UH in reducing vulnerabilities by deactivating accounts of terminated RCUH employees and it will assist RCUH in transferring project authority from terminated PIs and FAs.

## GOAL 2. CLARIFY RCUH'S IDENTITY WITH UH AND THE STATE.

- **Ensure stakeholders understand RCUH's role and limitations.**
  - **Increase engagement with board members.** RCUH's Board of Directors were invited to attend the 2023 Outstanding Employees of the Year Awards Luncheon and forum on AI's Impact on Academic Researchers. Four directors were able to attend the awards luncheon and witnessed the outstanding work supported by RCUH employees, while two directors attended the Nov. 17 forum. RCUH is grateful for the Board's commitment to support both UH and RCUH and looks forward to holding more in-person events in the future.

## GOAL 3. REFORM RCUH'S INTERNAL OPERATIONS.

- **Identify and implement efficiencies in RCUH's operations.**
  - **Evaluate internal procedures and streamline for efficiencies.**
    - **UH Marine Center eTimesheets:** After many months of meetings, testing, and training, RCUH has now fully transitioned the UH Marine Center to eTimesheets.
    - **Pay Ranges:** In order to prepare for the 2024 Pay Transparency Law, RCUH Human Resources enhanced the HR system to include the Minimum and Maximum Compensation Range fields when projects submit position requests. This will streamline the recruitment and hiring process as the law takes effect Jan. 1, 2024.
  - **Evaluate current roles/positions to consider modification of RCUH's organizational chart.** Corporate Services has recently hired a Corporate Services Coordinator and is finalizing the recruitment of a Corporate Services Specialist to backfill an impending retirement. These are revamped positions from the existing Organizational Development/Program Specialist position.
  - **Establish a single physical location for core staff.** RCUH acquired and retrofitted two new offices (4048 and 4050) in late November. The incoming Corporate Services Specialist will be located in 4050 and Project Administration will occupy 4048. By moving Project Administration from 4046, this space will be repurposed for supply storage and another meeting area for staff.
- **Invest in development of RCUH core staff.** An all-day staff retreat is planned for December 29, 2023 at Ko'olau Ballrooms & Conference Center. The retreat will be facilitated by Peter Adler who led RCUH through development of its strategic plan. Of the 30+ core staff, one-third were hired within the last three years. Since employees do not have a complete understanding of what each department/section/core staff employee does, the retreat is intended to increase staff awareness of RCUH's mission, how work flows through the departments/sections, and what role each member plays.

- **NEW — Address staffing shortage:**
  - **Procurement Staffing:** The Procurement Department is now fully staffed with three Procurement Service Specialists and a Procurement Service Associate Specialist. These positions were filled through the use of external recruitment services. Training is being expedited through the use of the newly created Procurement User Guide, as well as a part-time trainer. The trainer is former RCUH Procurement Specialist with previous work experience as a UH Fiscal Administrator.
  - **Accounting Staffing:** The Accounting Department has filled its newly created position, Accounting Information System Specialist. The position was created to absorb the existing duties of a Senior Accountant and in addition assist with the development, implementation, maintenance, and enhancement of the new SAP S/4 HANA accounting information system.
  - **Project Administration Staffing:** The Project Administration section continues to interview candidates primarily from recruitment services to fill an open position for a Project Administration Fiscal Specialist.
- **Ensure systems are secure and in compliance with applicable policies, regulations.**
  - **Implement MFA for all RCUH systems no later than calendar year 2023.** MFA implementation is forecasted to be completed by early 2024. The testing of the MFA software (DUO) with the HR and Financial portals have been successful. However, there are a few technical issues that will be resolved by late November/early December. A communication plan will be drafted in December with the MFA rollout to follow thereafter.
  - **Develop and implement an action plan for data and systems security.** RCUH recently implemented an internal password policy for core staff, as well as password managers to assist staff with storing passwords securely. RCUH's IT Administrator also deployed an easy way for staff to send encrypted emails through Outlook.

Since October was Cybersecurity Awareness month, IT Administrator Michael Cera released weekly emails to core staff on the topics of security culture, secure passwords, social engineering, ransomware, understanding URLs, and the importance of reporting. The email campaign included cybersecurity micro-learning modules with weekly prizes to encourage employee participation.

Additionally, Mr. Cera deployed new software to track IT assets and system updates, and another to reduce the time to deploy new workstations. RCUH was also approved by Microsoft to trial their U.S. Government Community services that offers additional security measures in their Cloud. He is testing this feature as RCUH prepares to transition to Microsoft 365 in Q1 of 2024.

  - **Conduct random inspections to ensure internal policies are being followed.** Mr. Cera has implemented random phishing simulations for core staff to keep cybersecurity top of mind.
- **Reduce the administrative burden for researchers.**
  - **Re-evaluate RCUH's policies and procedures by the end of 2023; modify as appropriate.** Managers have been tasked with reviewing their policies and procedures by the end of the year. A new template has been created and distributed that is more aligned with UH's format

and the refreshed policies will be uploaded in the first half of 2024.

- **Enhance IT systems to reduce manual processes and eliminate paper documents.**
  - **Replace AS 400 system.** The initial phase has begun on the implementation of the replacement of RCUH's AS 400 system with SAP S/4 HANA. An RCUH user group has been created that includes key personnel from Accounting, Procurement, Disbursing, Payroll, and Corporate Services. The function of this group is to provide feedback to SAP's questionnaires and surveys to enable the SAP developers to design the accounting system structure. The group will also test system functions as proposed modules and features are developed, provide suggestions for improvements/enhancements and serve as a resource for future system users. The new accounting system is forecasted to be in use by Dec. 31, 2024.
  - **NEW — Implement an Enterprise Integration and Application Development Platform.** The rollout of the Lumisight platform and a refreshed Financial Portal will be delayed until early 2024. The project is being delayed to allow for additional quality assurance testing by our IT developers (DataHouse). There were a number of errors and bugs in RCUH's initial basic review of the work product resulting in the additional quality assurance testing. RCUH user acceptance testing will begin upon completion of DataHouse's quality assurance testing. RCUH's user acceptance testing will be a collaborative effort involving UH Principal Investigators and Fiscal Administrators.

#### GOAL 4. INCREASE ENGAGEMENT AND OUTREACH TO CLIENTS.

- **Strengthen relationships with Pls, FAs, and Project Staff.** The 2023 RCUH Awards Luncheon was held on October 24 at the UH Mānoa Campus Center Ballroom. Approximately 100 attendees honored 20 outstanding RCUH employees. A video of each nominee was shown and Directors Goodin, Haning, and Wilson participated in the award presentations, while Director Salmon served on the Selection Committee. All nominees received \$50, plus first place awardees received \$1,000 and second place awardees received \$500 (team prizes were shared equally).

Comment from a Principal Investigator: "We were very impressed with all of the staff, your enthusiasm, and how much you clearly care about the work you do (and by extension, supporting the work we do!) An event like this takes an incredible amount of planning, and you truly went above and beyond. Thank you for the opportunity to make our employees feel appreciated for the incredible work they do!"

Comment from a nominee: "The luncheon was a wonderful and memorable event for us!! Thank you again and please send a BIG mahalo to Mr. Gouveia and the entire RCUH Team for a wonderful experience we will long remember!!"

Wall Calendar: The 2024 Wall Calendar featuring the SimTiki Simulation Center was distributed in November to interested projects and employees across the state. Approximately 1,400 calendars were distributed and the feedback was very appreciative.

- **Conduct virtual Q&A sessions each quarter on various RCUH-related topics.** RCUH Human Resources held a webinar on Oct. 12 for Pls, supervisors, and project staff on "What Pay Transparency Law Means for you Total Rewards Strategy." More than 60 individuals participated online and learned about how the impending pay transparency law will affect their recruitments, and how to highlight RCUH's employee benefits to potential new hires.

- **Coordinate professional development opportunities for project staff.** More than 100 RCUH employees and Principal Investigators attended "Supervision 101" conducted by the Hawaii Employers Council. RCUH offered two sessions of this interactive professional development webinar on Sept. 20 and Oct. 1. This was the first of three trainings that are being offered to select PIs and RCUH employees in supervisory roles to align with 2024's performance evaluations.
- **Improve external communications to projects.** RCUH developed and implemented a policy on mandatory training for RCUH employees. This policy will be released on Dec. 4<sup>th</sup> in conjunction with an email to all Principal Investigators who have employees that are not compliant with the mandatory ethics training by the Hawai'i State Ethics Commission.

Security Briefing: As required by the National Industrial Security Program Operating Manual, RCUH will be conducting an annual refresher briefing for employees with security clearances on Nov. 30. The hybrid briefing will be held at the Pacific Disaster Center on Maui, with UH FSO Victoria Rivera and UH AFSSO Valerie Iinuma. Nearly 30 individuals have registered to attend in person, while a handful of individuals plan to join online.

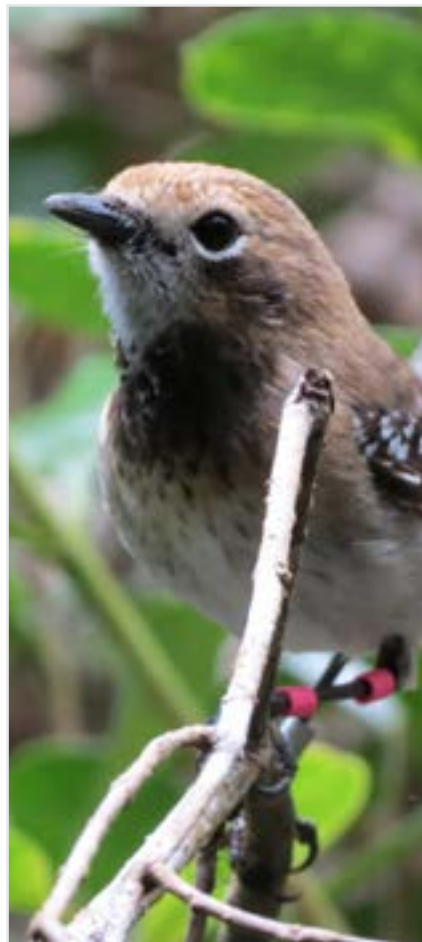
RCUH Employee Benefits: The RCUH Employee Benefits section refreshed its Benefits webpage to provide relevant information in an easy-to-access area for RCUH employees (see here: <https://www.rcuh.com/work/benefits/>). They also implemented Calendly so that new hires and active employees can schedule a one-on-one personalized session with RCUH Benefits staff.

RCUH HR Portal/Employee Self-Service Upgrade: The RCUH Human Resources Portal and Employee Self-Service went through a system upgrade. As part of this upgrade, the systems moved to a new website with an updated layout that was based on the tentative design of the future Financial Portal. RCUH received a lot of feedback and comments from projects about the HR Portal being hard to traverse. The improved and simplified portal interface allows for increased visibility for the system's features and elevates the users' experience. The new layout also provides users quicker access to hiring, personnel actions, eTimesheets, and updating their personal information.

- **Conduct annual forum on research-related topics.** In collaboration with the UH Mānoa, Office of the Vice Provost for Research and Scholarship, RCUH co-sponsored the November 17<sup>th</sup> forum, "Unleashing the Potential: AI's Impact on Academic Research." Panelists Jason Leigh, Director of LAVA and Co-Director of the Hawaii Data Science Institute; Peter Sadowski, Co-Director of the Artificial Intelligence Precision Health Institute; and June Zhang, Co-Principal Investigator, National Science Foundation AI Institute in Dynamic Systems, engaged attendees by highlighting potential AI opportunities, challenges, and recommendations for researchers, institutions, and policymakers. Following the 2-hour forum, RCUH held an invitation-only luncheon and continued discussion of the morning event.

#### OTHER ITEMS OF INTEREST:

- **New Direct Projects (Currently 26 Active Direct Projects):**
  - **Demo Photonic Lantern Nulling (\$114,595).** RCUH has accepted a Subaru Telescope project for a collaborative research effort with the California Institute of Technology. The project will develop optimally customized-mode-selective photonic lanterns to enable the characterization of hundreds of exoplanets on solar system scales. RCUH will be providing HR and fiscal administrative support.



# 2022-2026 STRATEGIC PLAN

The 2022-2026 RCUH Strategic Plan was created by the RCUH Leadership Team and adopted by the RCUH Board of Directors on December 14, 2021. It serves as the basis of a living document to be reviewed annually. Although the primary goals will remain relatively constant, additions and revisions may be made to the objectives and benchmarks as conditions change.

## 2023 UPDATE KEY

 Completed

 In Progress/Ongoing

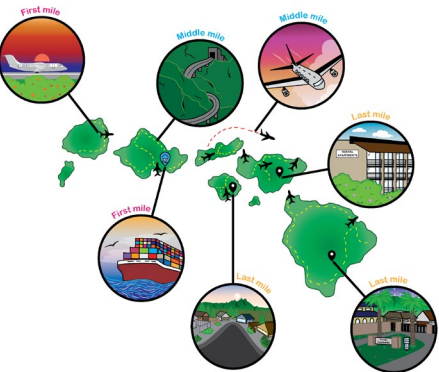
GOAL 1: EVALUATE AND IMPLEMENT RECOMMENDATIONS FROM THE RCUH TASK FORCE		2022	2023	2024	2025	2026
OBJECTIVE	BENCHMARKS					
A. Update the UH/RCUH Internal Agreement	1. Evaluate and determine an appropriate fee structure between UH and RCUH	<input checked="" type="checkbox"/>				
	2. Create specific guidelines for UH and RCUH roles, responsibilities, expectations, and obligations	<input type="checkbox"/>	<input type="checkbox"/>			
	3. Complete negotiations no later than April 30, 2022 with an effective date of June 30, 2023	<input checked="" type="checkbox"/>				
	4. Include a clause that requires a review of the Internal Agreement every five years (or earlier)	<input type="checkbox"/>	<input type="checkbox"/>			
	5. Evaluate decoupling major infrastructure investments from the UH management fee	<input type="checkbox"/>	<input type="checkbox"/>			
B. Determine the appropriate level of and proper use of RCUH's reserves, line of credit	6. Develop policy regarding appropriate RCUH reserve levels and use, including coverage of UH/RCUH liabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>			
	7. Provide board report specific to annual reserve usage	<input type="checkbox"/>	<input type="checkbox"/>			
	8. Evaluate purpose and need for line of credit	<input type="checkbox"/>	<input type="checkbox"/>			
C. Collaborate with UH in an effort to minimize IT costs	9. Collaborate with UH IT on replacement of RCUH's AS 400 system	<input type="checkbox"/>	<input type="checkbox"/>			
	10. Collaborate with UH IT on solicitation and implementation of MFA system	<input checked="" type="checkbox"/>				
	11. Determine and evaluate areas for possible integration between UH and RCUH systems	<input type="checkbox"/>	<input type="checkbox"/>			
GOAL 2: CLARIFY RCUH'S IDENTITY WITH UH AND THE STATE.		2022	2023	2024	2025	2026
OBJECTIVE	BENCHMARKS					
A. Clearly define RCUH's role and relationship with UH, State of Hawai'i	12. Revisit the RCUH/State of Hawai'i's Master Agreement and determine if an update or clarification is necessary	<input type="checkbox"/>	<input type="checkbox"/>			
	13. Engage with stakeholders to establish guidelines, expectations for RCUH's scope of work	<input type="checkbox"/>	<input type="checkbox"/>			
	14. Evaluate and possibly revise RCUH's mission, vision statement	<input type="checkbox"/>	<input type="checkbox"/>			
B. Ensure stakeholders understand RCUH's role and limitations	15. Increase engagement with board members	<input type="checkbox"/>	<input type="checkbox"/>			
	16. Develop marketing strategy, materials for outreach purposes	<input type="checkbox"/>	<input type="checkbox"/>			
	17. Educate government agencies, private companies, not-for-profits about RCUH's services and capabilities	<input type="checkbox"/>	<input type="checkbox"/>			

GOAL 3: REFORM RCUH'S INTERNAL OPERATIONS.		2022	2023	2024	2025	2026
OBJECTIVE	BENCHMARKS					
A. Identify and implement efficiencies in RCUH's operations	18. Evaluate internal procedures and streamline for efficiencies	<input type="checkbox"/>	<input type="checkbox"/>			
	19. Perform operational audit/SWOT analysis and consider recommendations for improvements	<input type="checkbox"/>	<input type="checkbox"/>			
	20. Identify and prioritize RCUH services to accommodate budget reduction, if necessary	<input type="checkbox"/>	<input type="checkbox"/>			
	21. Evaluate current roles/positions to consider modification of RCUH's organizational chart	<input type="checkbox"/>	<input type="checkbox"/>			
	22. Develop a formal remote work policy	<input checked="" type="checkbox"/>				
	23. Establish a single physical location for core staff	<input type="checkbox"/>	<input checked="" type="checkbox"/>			
B. Invest in development of RCUH core staff	24. Professional development plan for core staff developed and implemented as necessary and appropriate for each position	<input type="checkbox"/>	<input type="checkbox"/>			
	25. Develop SOPs for each core staff position	<input type="checkbox"/>	<input type="checkbox"/>			
	26. Utilize and implement feedback from core staff	<input type="checkbox"/>	<input type="checkbox"/>			
	27. Increase retention of core staff	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
C. Ensure systems are secure and in compliance with applicable policies, regulations	28. Perform security audit of RCUH practices and consider recommendations for improvements	<input type="checkbox"/>	<input type="checkbox"/>			
	29. Implement MFA for all RCUH systems no later than calendar year 2023	<input type="checkbox"/>	<input type="checkbox"/>			
	30. Develop and implement an action plan for data and systems security	<input type="checkbox"/>	<input type="checkbox"/>			
	31. Conduct random inspections to ensure internal policies are being followed	<input type="checkbox"/>	<input type="checkbox"/>			
D. Reduce the administrative burden for researchers	32. Re-evaluate RCUH's policies and procedures by the end of 2023; modify as appropriate	<input type="checkbox"/>	<input type="checkbox"/>			
	33. Develop digital user guides, manuals for RCUH transactions	<input type="checkbox"/>	<input type="checkbox"/>			
E. Enhance IT systems to reduce manual processes and eliminate paper documents*	34. Re-evaluate and prioritize IT initiatives based on available budget	<input type="checkbox"/>	<input type="checkbox"/>			
	35. Replace AS 400 system	<input type="checkbox"/>	<input type="checkbox"/>			
	36. Develop electronic service order processing for intramural/revolving accounts	<input type="checkbox"/>				
* Additional benchmarks will be added at a later time upon re-evaluation of the 2020 IT Transformation Plan, and dependent upon available funds						

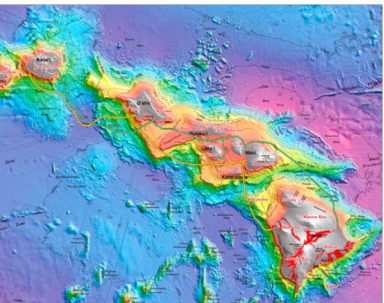
GOAL 4: INCREASE ENGAGEMENT AND OUTREACH TO CLIENTS.		2022	2023	2024	2025	2026
OBJECTIVE	BENCHMARKS					
A. Strengthen relationships with Pls, FAs, and Project Staff	37. Consider focus groups with Pls, FAs, and Project Staff to generate ideas on efficiencies and create consistencies	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
	38. Schedule annual meetings on all islands for RCUH Leadership Team and Pls	<input type="checkbox"/>	<input type="checkbox"/>			
	39. Conduct virtual Q&A sessions each quarter on various RCUH-related topics	<input type="checkbox"/>	<input checked="" type="checkbox"/>			
	40. Coordinate professional development opportunities for project staff	<input type="checkbox"/>	<input checked="" type="checkbox"/>			
B. Improve external communications to projects	41. Develop communication strategy based on use of current platforms	<input type="checkbox"/>	<input type="checkbox"/>			
	42. Respond to inquiries in a timely manner	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
	43. Conduct annual forum on research-related topics	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
	44. Collaborate with UH on transparency and use of targeted communications (consider adoption or modification for RCUH needs)	<input type="checkbox"/>	<input type="checkbox"/>			

## MAJOR ACHIEVEMENTS IN 2023

- Established a single physical location for core staff
- Increased outreach to projects via in-person meetings and virtual Q&A sessions
- Established a working capital reserve policy approved by the RCUH Board of Directors
- Began the implementation for the replacement of the AS400
- Enhanced internal data and systems security procedures
- Reduced administrative burden for researchers by revising the EIC determination process
- Transferred the majority of Revolving Accounts back to the University by July 7 deadline
- Closer working relationships and collaborations with various UH departments



# State Broadband Project Update for RCUH Board of Directors



## Broadband 101

Access, Equity and Literacy, Last Mile, Middle Mile, Governance and Sustainability

**Work**  
Facilitates a job search, application, training and hiring. Work from anywhere, less work, less travel, less stress.



**Education**  
Increases access and outreach to and use of information resources. Remote education, skill sharing, academic collaboration.



**Economy**  
Fosters growth, competition and enhances productivity, e-commerce, online business, globalization.



**Healthcare**  
Streamlines healthcare management and critical information exchange. Patient-centered care, telehealth.



**Government**  
Improves access to services, streamlines transactions, enables digital form sharing and new e-dissemination. Supports all agency services and connectivity with citizens. Access, national security, public safety.



# Broadband Context for Hawaii

## Broadband 101

Access, Equity and Literacy, Last Mile, Middle Mile, Governance and Sustainability

### Work

Facilitates job search, application, training and hiring. Work from anywhere, telework, increased productivity



### Education

Increases access and outreach to endless information resources. Remote education, skill sharing, academic collaboration



### Economy

Fosters growth, competition and enhances productivity. e-commerce, online business, globalization



### Healthcare

Streamlines healthcare management and clinical information exchange. Patient-centered care, telehealth



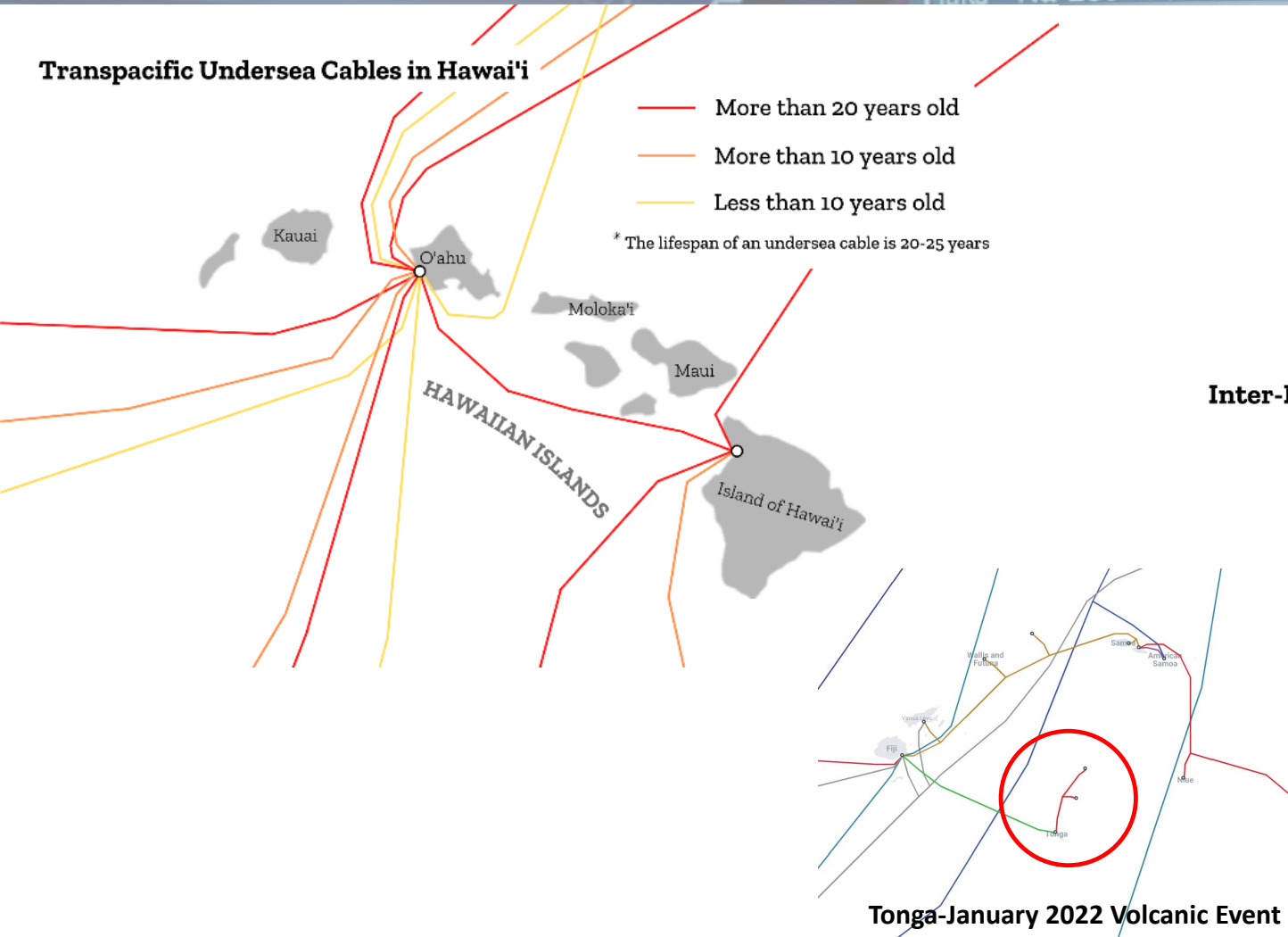
### Government

Improves access to services, streamlines transactions, eases platform sharing and news dissemination. Supports emergency services and connections with citizens. Activism, national security, public safety

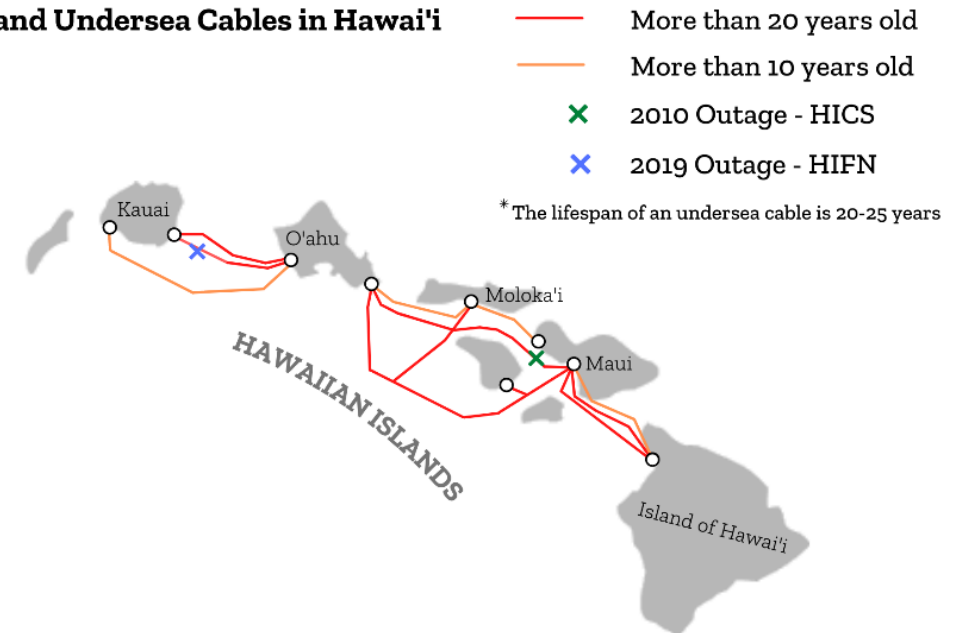


# Hawaii's Delicate (i.e. *Aging and Brittle*) Fiber Connections

## Transpacific Undersea Cables in Hawai'i



## Inter-Island Undersea Cables in Hawai'i



# Primary Federal Sources

Name	Funding Source	Funding Amount
Capital Projects Fund (CPF)	U.S. Treasury	\$115.4m
Broadband Equity Access Deployment (BEAD) Program	NTIA	\$149.5m (match required)
Digital Equity (DE) Planning	NTIA	\$570k
Digital Equity Capacity + Competitive Grants	NTIA	TBD
Tribal Broadband Connectivity (TBC) Program	NTIA	Up to \$90m
Middle Mile Competitive Grant	NTIA	\$37m

# Who's In Charge

- State Executive: Lt. Gov. Sylvia Luke
- Infrastructure Execution: Garret Yoshimi
- Digital Equity Execution: Chung Chang, Burt Lum
- TBCP (DHHL): Katie Ducatt, Jaren Tengan

# Primary Federal Sources

Name	Funding Source	Funding Amount
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Middle Mile Competitive Grant	NTIA	\$37m

# What's Happening Now

- CPF: Inter-island project contract execution
- BEAD: Initial Proposal due by December 27th
- DE Plan (DBEDT): Coordination with DBEDT
- TBCP (DHHL): Technical Assistance to DHHL
- MMG (HT): Middle Mile Project Launched

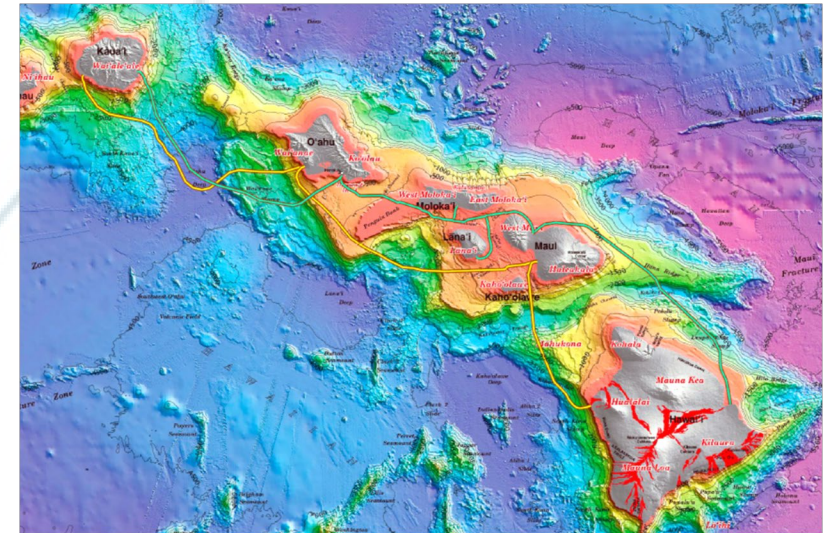
# CPF Subsea Project

Private Entity – Build the “Northern Path”

- Design, Build, Own, Maintain and Operate an Inter-Island Submarine Fiber Optic Cable System
- Connections to Six Major Islands
- Diverse Landing Sites
- Open Access to Capacity and Interconnection Points
- Sustainable Business Model

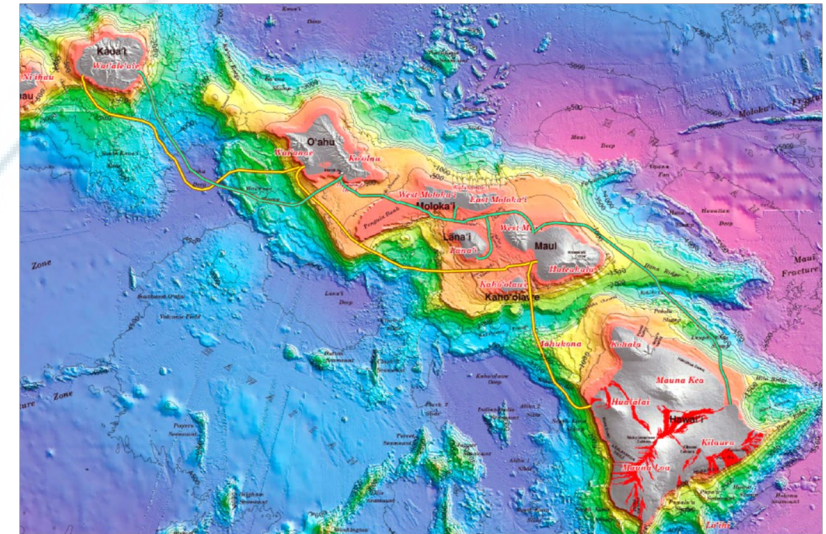
Public Investment in a Private Entity Operational Asset

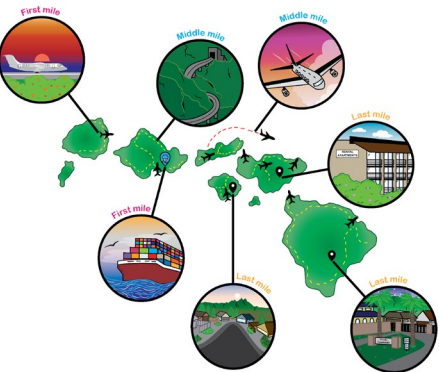
- 20% Equity Interest to Protect Public Interest and Increase Competition
- Dark Fiber Pair – for State (public) Purpose / UH to Operate and Manage, PLUS Lit Capacity – 300Gb for State, 200Gb for DHHL
- Use of ONE-TIME FUNDS – NO future liability for Cost Overruns, O&M nor Capital Calls
- Attract Future Trans-Pacific Landings by New Systems



# CPF Subsea: Stuff Done + Milestones

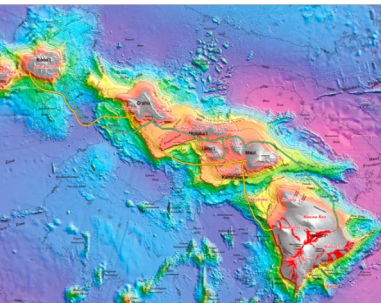
- 8/21: Gov Designates UH as Lead for Broadband Investments
- 10/21: CPF Administrative Funds Awarded (\$5m)
- 3/22: RFP for Desktop Study Issued (State ARPA funds \$1.5m)
- 5/22: Desktop Study Underway
- 9/22: Gov Approved Program Plans Submitted to Treasury
- 11/22: Desktop Study Completed
- 4/23: Treasury Approves Programs
- 6/23: RFP for Subsea Partner Issued
- 8/23: RFP for Subsea Partner RE-Issued
- 9/23: Subsea Partner Selected
- xx/23: Subsea Partner Agreement – RFS: December 2026





Thank you!

Questions?




### Broadband 101

Access, Equity and Literacy, Last Mile, Middle Mile, Governance and Sustainability


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Broadband's healthcare management and clinical information exchange. Patient-centered care, telehealth.



**Government**

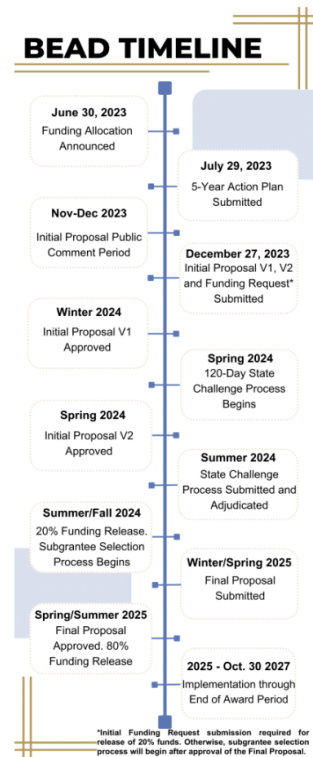
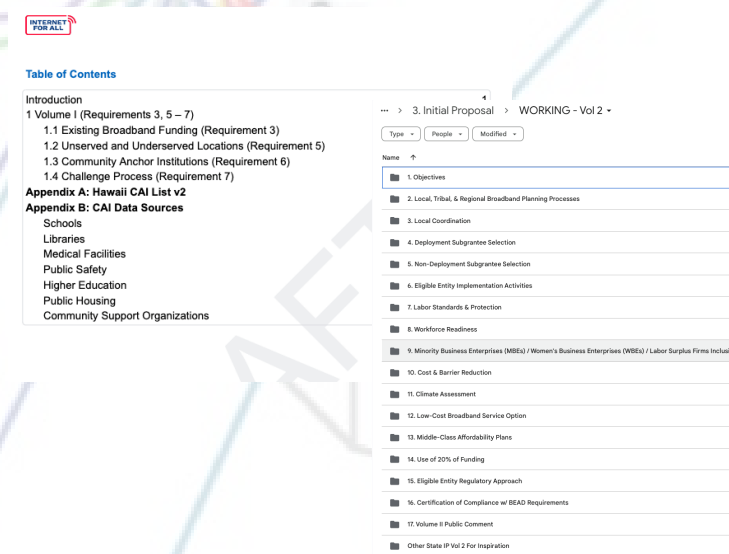
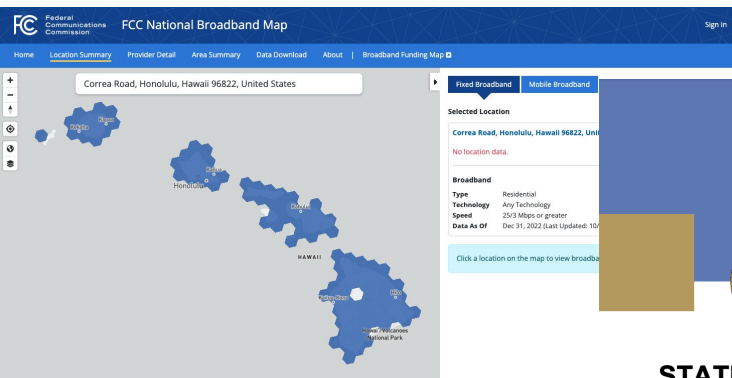
Improve access to services, streamline transactions, reduce paper-based processes. Support emergency response and disaster recovery, public safety.





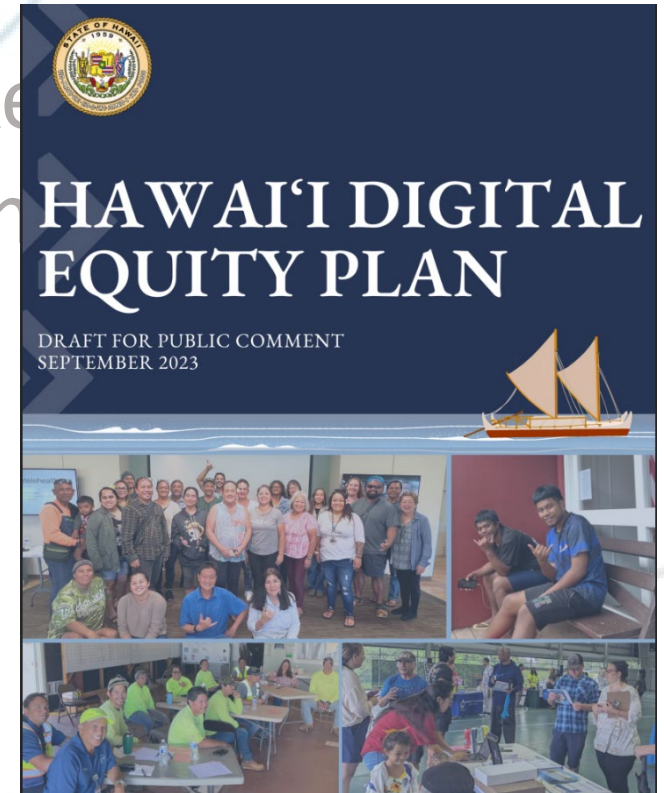
# What's Happening & When

- CPF: Inter-island project contract execution
- BEAD: Initial Proposal due by December 27th



# What's Happening & When

- CPF: Inter-island project contract executed
- BEAD: Initial Proposal due by December 1st
- DE Plan: Draft posted for public comment, due by February 13th



# What's Happening & When

- CPF: Inter-island project contract execution
- BEAD: Initial Proposal due by December 27th
- DE Plan: Draft posted for public comment, due by February 13th
- **TBCP: Initial award + second NOFO response due January 23rd**

**2024 MEETING CALENDAR  
RCUH BOARD OF DIRECTORS**

Date	Time	Location
March 6, 2024	9:00 – 11:30 am	Burns Hall, 4005/4009
June 5, 2024	9:00 – 11:30 am	Burns Hall, 4005/4009
September 4, 2024	9:00 – 11:30 am	Burns Hall, 4005/4009
December 4, 2024	9:00 – 11:30 am	Burns Hall, 4005/4009

**NOTE:** Dates are subject to change if quorum is lost.