

Board of Directors Meeting

**Tuesday, June 1, 2021
Virtual meeting
9:00 a.m.**

Meeting
BOARD OF DIRECTORS
The Research Corporation of the University of Hawaii
Tuesday, June 1, 2021
Virtual meeting
9:00 am

AGENDA

Public Testimony on Agenda Items

Due to the COVID-19 pandemic, this will be a virtual meeting. Written/oral testimony will be accepted in lieu of in-person testimony and may be submitted via email to rcuhed@rcuh.com, U.S. mail, or facsimile at (808) 988-8319 up to 24 hours in advance of the meeting. Individuals wishing to provide oral testimony for the virtual meeting must register via email to rcuhed@rcuh.com no later than 7:00 a.m. on the day of the meeting to be accommodated. Oral testimony will be limited to three (3) minutes per testifier. Individuals interested in observing the virtual meeting may email rcuhed@rcuh.com for connection information.

1. Call to Order
2. Approval of Minutes of March 2, 2021
3. Appointment of Personnel Committee for Evaluation of Executive Director
4. Executive Director's Report
 - a. Legislative Update
 - b. Management Fee Work Group Update/RCUH Budget
 - c. Strategic Planning Questionnaire (Project Survey)
5. Budget for Fiscal Year 2021-22
6. Financial Statement for April 2021
7. Corporate Resolution for FHB Line of Credit
8. Strategic Planning Session with Peter Adler
9. Recognition of Outgoing Board Members
10. Adjournment

c: Office of the Lieutenant Governor

Individuals who require special needs accommodations may request assistance in writing to rcuhed@rcuh.com 48 hours prior to the scheduled meeting.



DRAFT Minutes
BOARD OF DIRECTORS
Research Corporation of the University of Hawai'i
Tuesday, March 2, 2021
Virtual Meeting

PRESENT:

Eugene Bal, Kelli Goodin, Ken Hayashida, Chair Donna Ikeda, David Karl, Vice Chair Michael Maberry, Jan Sullivan, Vassilis Syrmos

RCUH Staff: Leonard Gouveia, Nelson Sakamoto, Glenn Yee, Kaylee Hull
Attorney General's Office: Reese Nakamura

CALL TO ORDER:

The meeting was called to order by Chair Ikeda at 9:00 a.m.

APPROVAL OF MINUTES:

Upon motion made (Maberry), seconded (Sullivan), and duly carried, the minutes of the Dec. 1, 2020 meeting were approved as circulated.

FINANCIAL STATEMENTS FOR MONTH ENDED 1/31/2021

Mr. Yee reviewed the financial statements for the period ending Jan. 31, 2021. The balance sheet reflected a cash increase from last year and RCUH's budget remains on target for FY 2021. Volume of business (the amount of expenditures run through RCUH's system) accelerated in the last quarter while UH extramural awards maintained a positive variance.

Director Sullivan inquired whether there are any awards that sit for a significant amount of time. Mr. Yee explained that if revolving accounts show no activity, RCUH will ask the account owner to close it. These monies go back to the respective college or department; they do not default to RCUH.

Director Bal inquired about the differential in RCUH's volume of business relative to UH's extramural awards. Director Syrmos explained that many extramural expenses are processed by the University and wouldn't be shown in RCUH's volume of business, but will look into it further.

REPORT OF AUDIT COMMITTEE

Audit Committee Chair Maberry reported on the committee's meeting just prior to the board meeting. He noted that the committee is pleased that there will be no increase from last year's proposal. The committee recommended approval of N&K's proposed fee for the FY 2021 financial audit. Upon motion made (Maberry), seconded (Goodin), and duly carried, the Board ratified the Audit Committee's acceptance of N&K's audit proposal for FY 2021 ending June 30, 2021.

EXECUTIVE DIRECTOR'S REPORT

Executive Director Gouveia provided an update on legislative bill SB1393. The bill was deferred at the Feb. 16, 2021 hearing, but it was requested that a resolution be presented to the Senate. RCUH submitted a draft resolution to Senator Kim's office on Feb. 25, 2021, which proposed that a joint committee between RCUH and UH review the Internal Agreement. Executive Director Gouveia also noted that Director Syrmos distributed a memorandum on Feb. 8, 2021, which stated that a RCUH Management Fee Work Group was formed and would be led by SOEST Dean Dr. Brian Taylor.

Executive Director Gouveia was told that the committee was charged with evaluating RCUH's management fee to reduce and possibly limit RCUH's fees by the end of the fiscal year, but Director Syrmos clarified that the committee was charged to look at the fee and make recommendations to OVPRI on whether the fee should change or remain the same. Executive Director Gouveia explained that his main concern was the timeline and that it wouldn't be possible to implement changes to the Internal Agreement by the end of FY 2021. Director Syrmos stated that the deadline is not for RCUH, but rather a deadline for the University regarding a recommendation.

Director Karl stated that RCUH and UH are inextricably linked with their joint success and anything the board can do to facilitate collaboration would be to the advantage of the whole. Director Karl suggested that Director Syrmos share the presentation he provided at the UH Board of Regents Research & Innovation Committee meeting and asked for further clarification on why the fee changed from a modified direct cost structure to the current formula. Director Syrmos provided a brief overview on how the management fee changed over time and explained that the existing formula was constructed 20 years ago.

The board granted authorization to Executive Director Gouveia to proceed working with the RCUH Management Fee Work Group.

STRATEGIC PLANNING SESSION WITH PETER ADLER

Dr. Peter Adler kicked off the discussion for the 2022-2026 RCUH Strategic Plan and invited three guest speakers to share their outlook on the next five years: Carl Bonham, UHERO Executive Director; David Lassner, UH President; and Colin Moore, Director of the Public Policy Center.

Dr. Adler briefly explained the overall strategic planning effort and moderated the discussion, which was intended to create a strong backboard of assumptions for RCUH's next five years. He also discussed some initial themes from his one-on-one interviews with board members and RCUH leadership.

ADJOURNMENT

The meeting adjourned at 11:00 a.m.

Kaylee Hull
Executive Administrator

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



RCUH BOARD OF DIRECTORS MEETING – JUNE 1, 2021 EXECUTIVE DIRECTOR'S REPORT

This report presents programmatic updates and summarizes RCUH's major initiatives since the Board's March 2, 2021 meeting. It begins with updates, followed by a status report of the actions taken toward RCUH's Strategic Plan 2017-2021.

UPDATES

New RCUH Board Member, Updated Terms

Joseph "Joe" Pickard will be replacing Donna Ikeda as the Senate President appointee to the RCUH Board of Directors. His term begins on July 1, 2021 and expires on June 30, 2025. Directors Karl and Hayashida also extended their appointments to the RCUH Board until June 30, 2025. House Speaker Scott Saiki re-appointed Director Maberry, who will complete his term on February 28, 2022.

Legislative Update – SR148 and SCR183

During this past legislative session, [Senate Resolution 148](#) was amended and adopted on March 31, 2021 and the related [Senate Concurrent Resolution 183](#) was adopted on April 8, 2021. This resolution is a single chamber resolution that is not legally binding. However, the resolutions establish a Taskforce to examine several aspects of the UH/RCUH relationship with a proposed Taskforce including three members appointed by the UH President, one member appointed by the BOR Chair, the UH Vice President for Research and Innovation, the RCUH Executive Director, and the RCUH Director of Finance.

Earlier this year, VPRI Vassilis Syrmos charged a group of individuals to already look at a subset of the issues included in SR148 for purposes of examining the entire RCUH operation to determine the root cause or causes of RCUH's increased management fees over the last five years and to recommend potential solutions to reduce and/or contain operational costs, while maintaining the necessary level of service in support of UH's research and training activities. That group continues to meet and includes Brian Taylor, Velma Kameoka, Mike Unebasami, Creighton Litton, Lenny Gouveia, Glenn Yee and Nelson Sakamoto. Substantial progress has been made and several key issues have been discussed within that group (see below for Management Fee Work Group Update).

Dr. Syrmos recently reported that in order to avoid duplication and redundancy, President Lassner has graciously agreed to appoint Brian, Velma and Mike to the SR148 Taskforce. Chair Kudo has appointed UH Regent Gene Bal to the Taskforce. The first meeting of this taskforce will be scheduled shortly to organize and produce a timeline for the requested legislative report. Kevin Hanaoka has been asked by Dr. Syrmos to put together a matrix that shows what has been already addressed/discussed and what other items need to be addressed that are included in SR148, but was not considered under the charge of the original Management Fee Work Group back in January.

Management Fee Work Group Update/ RCUH Budget

The Management Fee Work Group has been meeting on a weekly basis (with some exceptions). RCUH provided the group with detailed RCUH budget information for review and analysis. In sum, increased fees tied to the IT Strategic Plan implementation over the last four years, as well as yearly support to OVPRI (amounting to approximately \$500K+ for each of the last 4 years), and the increase in the ratio of Extramural costs to total project cost are the primary reasons for the increase. RCUH's remaining IT strategic plan needs and costs were evaluated with UH VPIT Garret Yoshimi and DataHouse, an IT

consultant group hired by RCUH to develop an IT Transformation Program (ITTP) with an overall objective of reimagining RCUH's future business and to establish a vision for the IT architecture needed to support RCUH's business strategy and position for future success). Next meeting will be scheduled for some time this week to address the IT needs and costs.

Strategic Planning Questionnaire/Survey

RCUH distributed a survey to approx. 4,500 Principal Investigators (PIs), Fiscal Administrators (FAs), and project staff on March 22, 2021. The survey featured 12-13 questions vetted by Strategic Planner Peter Adler, and focused on RCUH's current operations/services and the projects' needs and priorities post-pandemic. RCUH collected 651 responses—half of which came from project staff, 30% from PIs and Project Supervisors, 8% from FAs, and 12% were classified as "Other." A majority of participants rated that they were very satisfied/ satisfied RCUH's Financial and Human Resources services and 73% were very satisfied/satisfied with RCUH as a whole. [Click here to view detailed results from the project survey.](#)

COVID-19 Vaccination Plan for RCUH Employees

From early February through April 2021, RCUH worked with the University of Hawai'i to coordinate and schedule COVID-19 vaccinations for all RCUH employees on all islands. There were a few issues, but RCUH delivered notices to more than 2,300 employees. Many employees expressed appreciation for being able to get vaccinated ahead of the general population.

Complaint Investigations and Related Issues

Since the beginning of the fiscal year, RCUH has received a larger volume of complaints from employees relating to alleged discrimination and disagreements with their managers/PIs. As of May 12, 2021, RCUH received 63 complaints as compared to 47 complaints in all of the previous fiscal year. There are 11 active investigations at this time.

East-West Center Update

RCUH met with Bob Riley on April 22, 2021, but there has not been much progress in securing a firm move date, especially with the East-West Center (EWC) receiving more requests for space. EWC is in the midst of a space optimization study, which will tentatively be done in July, but the deadline may be extended. RCUH's current budget projects Finance and Corporate Services staff to remain at MIC for Fiscal Year 2022, though we are trying to arrange the move before the end of this calendar year. If all goes well, we expect a slight decrease in our projected budget for rent.

ACTIONS TAKEN TOWARD GOAL ACHIEVEMENT RCUH STRATEGIC PLAN 2017 – 2021

Goal 1. Enhance operations and services to improve quality services.

- **eTimesheet update.** As of May 13, 2021, RCUH has 2,463 of 2,512 employees (or 98% of its workforce) on the eTimesheet System. The remaining 49 employees are in the UH Marine Center. These are ship's crew and marine technicians, who have unique time reporting issues and challenges. We anticipate resolving these issues within the next 2-3 months. The eTimesheet system has provided both our payroll staff and the projects' staff with advantages of time, ease of use and reduced errors. From an operational perspective, RCUH has reduced the total payroll

processing time from 3.5 days to 1.5 days. These significant enhancements have saved time, money and most of all reduced the administrative burden on the PIs and their administrative staff to get their employees paid accurately and on time. We continue to receive positive feedback from project employees and Principal Investigators.

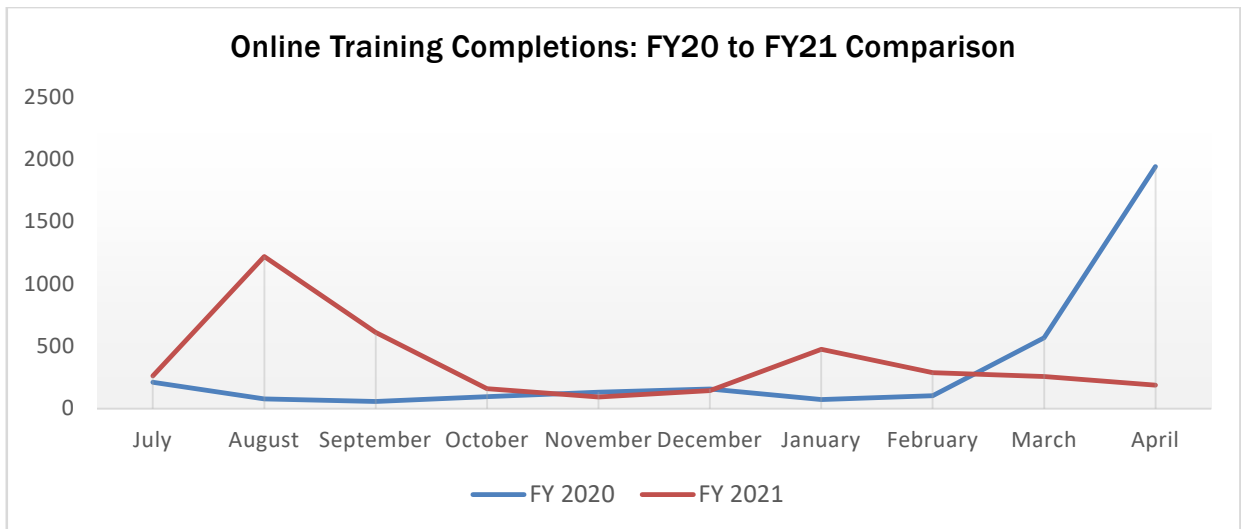
RCUH began testing the "Non-Employee Task Order eTimesheet," which will allow UH employees working for the UH Applied Research Laboratory (ARL) and Vanguard High Performance Computing Center to report their work hours on specific task orders. This variant of the Task Order eTimesheet removes the compensation and leave management features, but retains the detail time reporting/task order process. This will allow the ARL and Vanguard projects to report to their sponsors the work hours of these non-paid UH staff on various task orders along with the work hours/task order by their paid RCUH employees. We hope to deploy this "Non-Employee Task Order eTimesheet" by the end of June 2021.

- **Financial System update.** ED Gouveia and Mr. Yee have met with DataHouse and UH VP for Information Technology Garret Yoshimi (both separately and collectively) to discuss how to proceed with the replacement of the AS/400, which is the backbone of the RCUH Financial Portal. The consensus was that the transition from the AS/400 should begin no later than the next few years. The 30+ year old system is nearing the end of its life and programming support is becoming a problem as consultants who are familiar with the system are retiring. Replacement options being reviewed are SaaS-based (Software as a Service). The preliminary implementation cost is estimated to be between \$1.26 and \$1.37 million and will take 42 weeks to complete. Annual maintenance and operation costs (including software license fees) for the Finance system is expected to decrease from the current invoice of \$405,000 to \$228,000 when the SaaS conversion is completed. We believe it would be wise to include this upgrade starting in Fiscal Year 2022 and completed in Fiscal Year 2023. The implementation cost would be allocated between two fiscal years. It was therefore budgeted in next year's budget that will be presented today. It is also noted that this IT cost was to be part of the 5-year strategic plan under Dr. Sylvia Yuen that was postponed due to reductions to this year's Fiscal Year 2021 budget, in anticipation of an economic slowdown due to the COVID-19 pandemic.
- **PeopleSoft enhancements related to employee benefits.** The Human Resources Department needed to quickly develop several PeopleSoft enhancements as a result of two new laws affecting employee benefits:
 - **COBRA subsidy for terminated employees.** President Biden announced a new initiative called the American Rescue Plan Act (ARPA) in early March. This initiative included offering a subsidy for COBRA, which is a continuation of an employee's medical plan after termination (the employee would be responsible for 102% of the premiums). Under this new law, effective April 1, 2021, employers are required to offer the subsidy to individuals currently on COBRA and those who declined COBRA, but would have qualified. Funding for this subsidy comes out of the FICA tax. The Human Resources Department identified approx. 150 eligible employees and notified them of this change. HR had less than a month to modify PeopleSoft to accommodate the change and have it vetted through RCUH's benefits attorney.
 - **Flexible Spending rollovers.** Another new law allows unlimited rollovers for medical flexible spending accounts (FSAs); there will be no forfeitures through 2022. ARPA also instituted a provision for dependent care FSAs, which allows families to double their dependent care coverage for the period of July 1 – December 31, 2021. HR distributed notices of these changes and ensured that PeopleSoft can track these changes since HR will need to provide a report to the IRS.

Goal 2. Enhance the ability of core and project staff to provide effective services to research, development, and training projects.

- **“RCUH & The Sea.”** On March 10, 2021, the RCUH Core Staff was treated to a virtual presentation by RCUH Board Member and Principal Investigator Dr. David Karl. Using a historical perspective, Dr. Karl illuminated the staff on the research partnership between RCUH and UH, particularly with SOEST. Comments included:
 - *Dr. Karl is very engaging and it was a great reminder of why we are here. It made me proud to work for RCUH and humbled to be just the teeniest, tiniest cog in support of research!*
 - *Hearing history directly from Dr. Karl who created it, was very inspirational and gave meaning/purpose to the work done as RCUH core staff*
 - *It was great to "meet" him after typing and seeing his name so frequently. If he had been my professor during my time at UH, I may have followed in his field.*
- **Online training.** As many employees continue to work remotely, online training remains strong. Learners completed 3,695 courses in the RCUH Training Portal between July 2020 and April 2021, compared to 3,411 completions in the same time period last fiscal year (excludes online video views). The chart below reflects two major spikes in training—the April 2020 surge was related to the first pandemic shutdown as project staff transitioned to remote work and the August 2020 increase can be attributed to the newly required COVID-19 Employee Safety Training developed by UH.

In terms of online training development, RCUH Corporate Services is currently working with Human Resources on updating the online ORS training module for new Principal Investigators and administrative staff who want a refresher on RCUH’s HR services.



- **UH Student Excellence in Research Awards.** Although the line item was removed from the FY 2021 budget, RCUH found funds in other areas to support the UH Student Excellence in Research Awards in conjunction with the UH Office of the Vice Chancellor for Research. RCUH distributed three \$500 monetary awards to Travis Berger (Institute for Astronomy), Victor Kilonzo (Life Sciences), and Viet Sang Doan (Engineering). RCUH included plans to support both the Faculty

and Student Excellence in Research Awards in the FY 2022 budget.

Goal 3. Improve and expand communications at all levels.

- **Strategic Planning Questionnaire for projects.** See update provided earlier today.
- **RCUH Presentation.** RCUH is continuing to work on developing an all-inclusive PowerPoint presentation, which can be adapted for a variety of audiences (i.e., legislative audience, core staff, new board members). The intent is to educate stakeholders on RCUH's services and operations, and to address some misperceptions people may have of RCUH. The content will include, but is not limited to, a historical background of RCUH, a description of the UH/RCUH relationship, charts to explain RCUH's finances, and an overview of major achievements in the last five (5) years. Some of this presentation materials will or have been presented at today's meeting.

Goal 4. Expand services to non-UH research, development, and training projects.

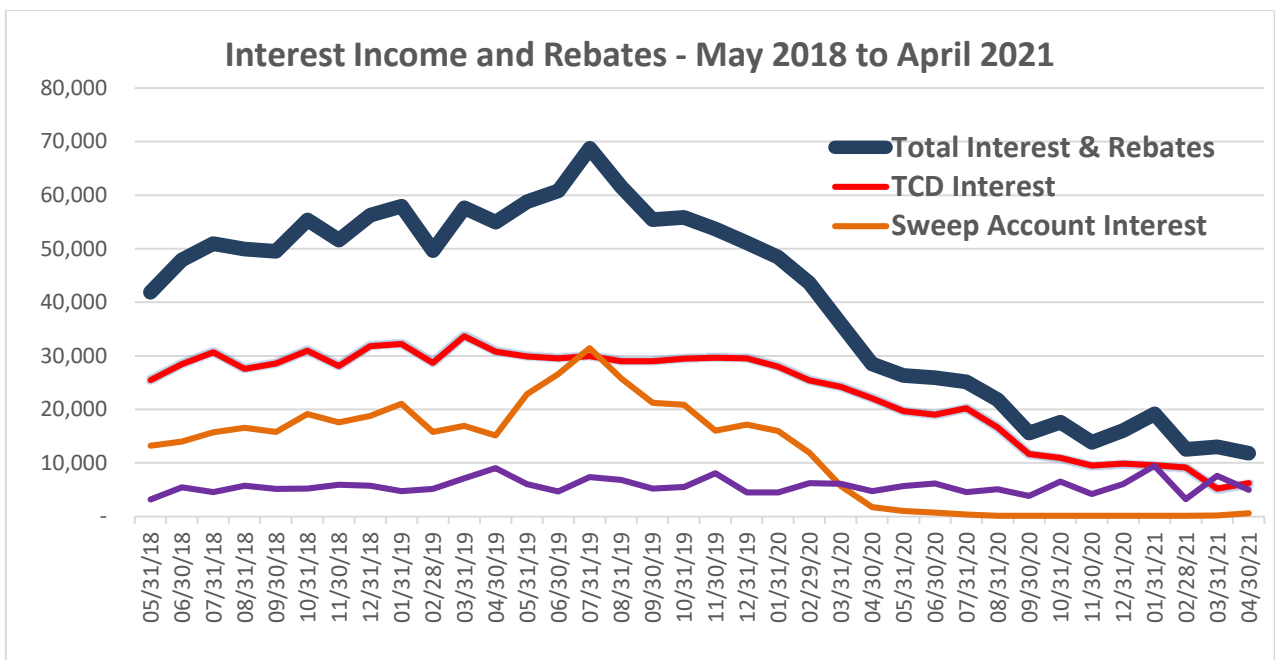
- **Internal Evaluation of Direct Project Procedures.** RCUH is conducting an internal evaluation of its direct project procedures and templates to ensure compliance with the Master Agreement between the State of Hawai'i and RCUH. The current project agreement template was previously vetted and approved by RCUH's previous attorney general Russell Suzuki, and current attorney general Reese Nakamura recently gave his seal of approval. The Procurement and Project Administration sections are also reviewing related policies to ensure that we're looking for efficiencies, following appropriate guidelines in alignment with UH, and making changes as necessary.
- **Project Administration proposals.** The Project Administration team met with the State Department of Human Services (DHS) to explain how RCUH services can administratively assist the agency.
 - **DHS** – RCUH met virtually with the DHS middle management team (Mimari Hall, Policy Director; Mark Choi, IT Enterprise Officer; Katherine Korenaga, Community and Project Development Director) on April 28, 2021. DHS has a number of urgent projects that lack project managers and discussed possible solutions that RCUH could provide within the parameters of the State of Hawai'i and RCUH Master Agreement.
- **Subaru Telescope Support.** The Project Administration team assisted in crafting a service agreement that was used in Subaru's proposal to the University of Texas for their involvement in the Panoptic Astronomical Networked Observatories for a Public Transiting Exoplanets Survey (PANOPTES).
- **New Direct Project.** RCUH secured a new \$4.3 million Direct Project with the State of Hawai'i's Office of the Governor, effective March 1, 2021. The project operates under the Governor's Emergency Education Relief Fund (GEER fund) and the U.S. Department of Education, and awards grants to Governors for the purpose of providing local educational agencies, institutions of higher education, and other education-related entities with emergency assistance as a result of COVID-19. GEER projects funded through RCUH will include Innovation Grants for educational entities to provide immediate relief to significant impacts from COVID-19 with special emphasis on (1) digital equity for access and connectivity and (2) effective ways to deliver parent education, parent training, and family support, and (3) innovative practices to achieve the Global Learner Outcomes. Estimated fees for RCUH are \$133,300 for this project.

Goal 5. Serve as convener to highlight issues of importance to research, development, and training in Hawai’i and the Pacific region.

- **Forum on “Foreign Intrusion into Academic Research & Training.”** On April 29, 2021, RCUH hosted a virtual forum, "Foreign Intrusion into Academic Research and Training." The two-hour forum featured three (3) speakers from the Naval Criminal Investigative Service (NCIS), Defense Counterintelligence and Security Agency (DCSA), and the University of Hawai’i. The forum's goals were to educate attendees about the ongoing threat of foreign intrusion and how to protect their research and data. The speakers accomplished this through background case studies, trends, insights, and tips. The forum received high marks across the board for its information, clarity, knowledge gains, and quality. A report will be published by fiscal year-end and disseminated to the 200 registrants.
- **Promoting External Events for Researchers.** RCUH recently promoted two external events that may be of interest to researchers. The first event was a “UH Research: Compliance, Governance & Security” webinar coordinated by the University on March 23, 2021. RCUH plans to coordinate with the UH Office of Research Compliance, Information Technology Services and the Data Governance Office on similar webinars moving forward to increase PIs’ knowledge of these important topics. RCUH also informed PIs of a federal grants workshop hosted by Congressman Ed Case on May 12, 2021. Even though the announcement provided short notice, nearly 70 PIs clicked to register through RCUH’s email campaign.

Goal 6. Secure revenues to ensure financial security and quality services.

- **Interest Income and Rebates.** Total interest and rebate income for the month of April 2021 was approximately \$11,800. The current yields on 12-month TDCs remain in the range from 0.10% to 0.20%. Additionally, the sweep accounts yields have also been reduced to less than 0.05%. While interest-bearing investments have decreased significantly, the ePayment rebates have been consistent.



2022 Budget

Executive Summary

In fiscal 2021 RCUH developed a budget for an expected economic downturn given the uncertainties with the Covid19 pandemic. In fiscal 2022 RCUH anticipates a recovering economy with the UH beginning to returning normal operations. The significant budget assumptions are as follows:

- Overall FY 2022 revenue and expense budget reflect marginal growth and a slight changes compared to the FY 2021 budget. Total revenues were increased by \$112,000 (1.4%) and total expenses reduced by \$67,000 (0.8%).
 - ▲ Salaries and wages do not include a cost of living or merit increases for core staff. The second consecutive year for no increase. Budgeted salaries and wages provide for existing core staff with no layoffs.
 - ▲ IT maintenance cost budget is essentially flat.
- Capital expenditures for IT system development is budgeted to resume in FY 2022. The estimated capital expenditure is approximately \$1.0 million. The largest initiative will be Phase 1 of the replacement of the AS400 Accounting system.
- Working capital reserve is projected to be \$6.1 million at the end of FY 2022.

**RCUH
BUDGET
FISCAL YEARS 2021 AND 2022**

	<u>FY21 Budget</u>	<u>FY21 Forecast</u>	<u>FY22 Budget</u>	
<u>OPERATING REVENUES & EXPENSES:</u>				
REVENUES				
Fees from University of Hawaii				
Extramural	5,600,000	5,644,771	\$ 5,950,000	
Intramural	372,000	408,750	408,000	
Revolving	948,000	731,901	756,000	
Fees from direct projects	583,025	552,770	596,725	
Interest and other income	272,060	200,183	176,440	
TOTAL REVENUES	<u>7,775,085</u>	<u>7,538,375</u>	<u>7,887,165</u>	A
EXPENSES				
Salaries & fringes	4,601,607	4,165,544	4,744,362	B
Controlled property	4,500	5,913	5,800	
IT services - Systemwide	1,054,000	1,168,391	1,081,374	C
Supplies	103,700	76,691	90,400	
Travel	13,300	-	9,000	D
External audit services	47,120	47,120	47,120	
Communications	20,321	15,840	20,880	
Equipment	4,250	-	4,250	
Rent	275,300	315,300	322,500	E
Insurance	478,775	479,902	493,420	F
Professional/technical support & insurance deductibles	193,272	187,773	179,272	G
Discretionary fund	10,000	2,000	10,000	
Staff development/training	102,795	60,319	85,350	H
Project Development	375,000	-	100,000	I
Tuition support -- research personnel	37,500	37,500	37,500	J
UH awards -- researchers	-	-	16,500	K
Bank fees	24,000	23,999	24,000	
Other	118,000	97,085	114,100	L
Allocation of capitalized IT system development costs (depreciation)	844,000	875,843	855,000	M
New development/outreach department	-	-	-	
TOTAL OPERATING EXPENSES	<u>8,307,440</u>	<u>7,559,221</u>	<u>8,240,827</u>	
NET INCOME (LOSS)	<u>\$ (532,355)</u>	<u>\$ (20,846)</u>	<u>\$ (353,662)</u>	N
<u>CAPITAL EXPENDITURES:</u>				
Equipment	\$ 10,000	\$ 149,200	\$ -	
IT system development	470,300	438,546	1,018,953	O
TOTAL CAPITAL EXPENDITURES	<u>\$ 480,300</u>	<u>\$ 587,746</u>	<u>\$ 1,018,953</u>	
<u>WORKING CAPITAL RESERVE & CASH FLOW:</u>				
Working capital reserve at beginning of year	\$ 6,337,823 *	\$ 6,337,823 *	\$ 6,605,074	
Net income (loss)	(532,355)	(20,846)	(353,662)	
Total capital expenditures	(480,300)	(587,746)	(1,018,953)	
Depreciation	844,000	875,843	855,000	
NET CASH FLOW	<u>(168,655)</u>	<u>267,251</u>	<u>(517,615)</u>	P
WORKING CAPITAL RESERVE AT END OF YEAR	<u>\$ 6,169,168</u>	<u>\$ 6,605,074</u>	<u>\$ 6,087,459</u>	P

Notes to Budget for FY 2022

A	Total Revenues: Total revenue reflects an increase of \$112,000 (1.4%) compared to the 2021 budget. Fees from Extramural projects are expected to increase as expenditures from extramural projects are anticipated to increase relative to total project expenditures. Intramural fees are expected to remain flat as compared to the 2021 forecast. Revolving project fees are expected to increase as compared to 2021 forecast as the UH returns to normal operations. Direct project fees are based upon the expected expenditure volume of current Direct projects.												
B	Salaries and fringes: No cost-of-living or merit increases are budgeted for the current core staff in the Budget for FY 2022. This will be the second consecutive year of no increases. An overall increase of \$143,000 (3.1%) compared to the FY 2021 budget is attributed to an additional core staff position for an IT Director.												
C	IT Service - Systemwide: Includes minimum core maintenance and operating costs. The 2022 budget is essentially flat compared to the FY 2021 budget, a \$27,000 (2.6%) increase. The forecasted operating costs are expected to be over the 2021 budget by approximately \$87,000 (7.4%). This is attributed to bug fixes that are not capitalized cost.												
D	Travel: Minimum travel is neighbor-island travel for the ED and CS.												
E	Rent: Budgeting an increase over the 2021 Budget. Increase driven by MIC Common Area Maintenance charges. Includes rent for space in Burns Hall and Manoa Innovation Center (MIC).												
F	Insurance: FY2022 budget includes negotiated premiums for general liability, excess liability, auto, aviation, directors and officers, professional liability, fiduciary, hull and machinery and vessel pollution and marine liability.												
G	Professional/technical support & insurance deductibles: The 2022 budget includes legal fees (HR, Taxes, Immigration, Marine, etc.) and actuary fees.												
H	Staff development/training: The 2022 budget includes development of three training videos and the renewal of the LITMOS online training platform.												
I	Project Development: The funding of UH research/innovation initiatives was discontinued in FY2021. The \$100,000 budget for FY2022 is for a Student Outreach Program to encourage and develop student involvement in research.												
J	Tuition Support: The FY 2022 budget reflects a commitment of \$37,500 toward tuition expense reimbursement. This is an RCUH program to encourage RCUH employees to seek and acquire education training that is directly applicable to the individual's job at the RCUH through coursework at the UH or another accredited institution if the course is not offered at the UH.												
K	UH Awards: The RCUH cash awards for UH Excellence in Research awardees (faculty and students) will be reinstated in FY2022.												
L	Other: Largest items include: Hawaii Employers Council dues, employee service awards, document storage and destruction costs, subscription services and dues for professional organizations.												
M	Depreciation: Depreciation expense is a result of prior years' capitalized expenditures in IT improvements that are depreciated over a 6 year straight line method.												
N	Net loss: Total operating expenses will exceed budget total revenues. The anticipated net loss of \$354,000 will be covered by funds in RCUH's working capital reserve.												
O	<p>Capital Expense (IT system development): System development initiatives that were placed on hold in FY2021 will resume in FY2022. Planned projects include:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; width: 80%;">Description</th> <th style="text-align: right; width: 20%;">Amount</th> </tr> </thead> <tbody> <tr> <td>Account System Conversion (Oracle Fusion) - Phase I</td> <td style="text-align: right;">750,000</td> </tr> <tr> <td>ePerformance Evaluation</td> <td style="text-align: right;">125,000</td> </tr> <tr> <td>Benefit Administration (eBenefit Enrollment/Change, ACA Phase I)</td> <td style="text-align: right;">75,000</td> </tr> <tr> <td>eHiring/On-Boarding System (Phase I)</td> <td style="text-align: right;">68,953</td> </tr> <tr> <td>Total IT Capital Expenditures</td> <td style="text-align: right;">1,018,953</td> </tr> </tbody> </table>	Description	Amount	Account System Conversion (Oracle Fusion) - Phase I	750,000	ePerformance Evaluation	125,000	Benefit Administration (eBenefit Enrollment/Change, ACA Phase I)	75,000	eHiring/On-Boarding System (Phase I)	68,953	Total IT Capital Expenditures	1,018,953
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eHiring/On-Boarding System (Phase I)	68,953												
Total IT Capital Expenditures	1,018,953												
P	Working capital reserve: The FY 2022 budget reflects a net decrease in the working capital reserve of \$518,000. The FY 2022 budgeted balance of \$6.1 million remains below the RCUH Strategic Plan minimum goal of \$7.5 million.												

**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII
BALANCE SHEETS
APRIL 30, 2021 and 2020**

ASSETS	<u>2021</u>	<u>2020</u>
CASH AND CASH EQUIVALENTS	\$ 14,442,826	\$ 11,389,284
RESTRICTED CASH (RETIREE MEDICAL AND LIFE INSURANCE)	1,700,000	1,700,000
TIME CERTIFICATES OF DEPOSIT	13,274,718	13,001,970
SHORT TERM INVESTMENT	3,000,000	-
RECEIVABLES	-	-
PREPAID EXPENSES	<u>289,684</u>	<u>237,128</u>
TOTAL CURRENT ASSETS	<u>32,707,228</u>	<u>26,328,382</u>
FIXED ASSETS (Less accumulated depreciation of \$6,711,319 and \$5,858,836 for FY 2021 and FY 2020, respectively)	<u>2,862,901</u>	<u>3,209,316</u>
TOTAL ASSETS	<u>\$ 35,570,129</u>	<u>\$ 29,537,698</u>
LIABILITIES AND RETAINED EARNINGS		
LIABILITIES:		
ACCOUNTS PAYABLE	\$ 178,512	\$ 278,713
ACCRUED EXPENSES AND PAYROLL TAXES WITHHELD	2,471,659	2,310,524
ADVANCES		
UNIVERSITY OF HAWAII, NET	11,736,257	6,887,176
OTHER SPONSORING AGENCIES, NET	2,792,823	2,127,413
WORKER'S COMPENSATION RESERVE	2,810,862	2,881,186
UNEMPLOYMENT RESERVE	1,164,613	970,825
VACATION PAY OUT RESERVE	<u>578,874</u>	<u>471,558</u>
TOTAL CURRENT LIABILITIES	<u>21,733,600</u>	<u>15,927,395</u>
ACCRUED SUPPLEMENTAL RETIREMENT BENEFITS	1,755,371	1,490,930
RETIREE MEDICAL AND LIFE INSURANCE BENEFITS	<u>2,601,231</u>	<u>2,628,161</u>
TOTAL LIABILITIES	<u>26,090,202</u>	<u>20,046,486</u>
RETAINED EARNINGS:		
INVESTED IN CAPITAL ASSETS	2,862,901	3,209,316
DESIGNATED FOR:		
WORKING CAPITAL	5,542,308	5,229,926
PROJECT CONTINGENT LIABILITIES RESERVE	<u>1,074,718</u>	<u>1,051,970</u>
TOTAL RETAINED EARNINGS	<u>9,479,927</u>	<u>9,491,212</u>
TOTAL LIABILITIES AND RETAINED EARNINGS	<u>\$ 35,570,129</u>	<u>\$ 29,537,698</u>

NOTES:

- 1) This balance sheet does not include accruals for liabilities related to project expenditures.
- 2) Outstanding purchase orders totaled \$53,063,020 and \$56,188,307 at April 30, 2021 and 2020, respectively.

RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE PERIOD ENDED APRIL 30, 2021 and 2020

	FYE 6/30/21 BUDGET	YTD ACTUAL	% OF BUDGET	YTD LAST YEAR
REVENUES:				
UNIVERSITY OF HAWAII	\$ 6,920,000	\$ 5,559,450	80.3%	\$ 6,411,192
OTHER SPONSORING AGENCIES	583,025	464,849	79.7%	506,443
INTEREST AND OTHER INCOME	272,060	166,324	61.1%	493,862
TOTAL OPERATING REVENUES	7,775,085	6,190,623	79.6%	7,411,497
OPERATING EXPENSES:				
SALARIES & WAGES	3,674,484	2,771,536	75.4%	3,122,271
FRINGE BENEFITS	927,123	701,685	75.7%	706,691
INFO TECH SERVICES	450,000	375,104	83.4%	843,553
HUMAN RES./PAYROLL SYSTEM	604,000	528,612	87.5%	486,802
SUPPLIES	112,450	39,789	35.4%	102,392
TRAVEL	12,700	-	0.0%	19,093
CPA SERVICES	47,120	47,120	100.0%	46,283
UTILITIES	20,321	12,368	60.9%	14,360
RENTAL - SPACE/EQUIP/OTHER	275,300	249,137	90.5%	242,783
REPAIRS & MAINTENANCE	500	-	0.0%	357
BANK FEES	24,000	19,820	82.6%	21,854
TRANSPORTATION	600	-	0.0%	-
BOARD OF DIRECTORS MEETINGS	7,000	14	0.2%	3,192
INSURANCE	478,775	395,085	82.5%	359,884
PROFESSIONAL/TECHNICAL SUPPORT	193,272	132,746	68.7%	160,865
DISCRETIONARY FUND	10,000	1,634	16.3%	2,392
STAFF DEVELOPMENT	13,673	843	6.2%	6,822
TRAINING MATERIAL DEVELOPMENT	89,122	15,007	16.8%	-
RETIREE MEDICAL AND LIFE INS BENEFITS	-	-	0.0%	-
PROJECT DEVELOPMENT COSTS	375,000	-	0.0%	500,000
TUITION SUPPORT	37,500	36,770	98.1%	29,220
UH RESEARCH AWARDS	-	-	0.0%	16,500
OTHER	110,500	79,064	71.6%	164,382
DEPRECIATION EXPENSE	844,000	719,759	85.3%	625,000
PROJ OVERRUNS & DISALLOWANCE	-	190	0.0%	-
TOTAL OPERATING EXPENSES	8,307,440	6,126,283	73.7%	7,474,696
OPERATING INCOME (LOSS)	\$ (532,355)	\$ 64,340		\$ (63,199)
INVESTMENT IN CAPITAL ASSETS				
FIXED ASSETS	10,000	-		17,152
IT SYSTEM DEV - INFO TECH SERVICES	215,000	183,246		248,281
IT SYSTEM DEV - HR/PAYROLL SYSTEM	255,300	139,262		352,296
TOTAL INVESTMENT IN CAPITAL ASSETS	\$ 480,300	\$ 322,508		\$ 617,729

RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII
RETAINED EARNINGS (NET ASSETS)
APRIL 30, 2021

CHANGES IN RETAINED EARNINGS

	INVESTED IN CAPITAL ASSETS	WORKING CAPITAL	PROJ CONTING LIABILITIES	TOTAL OPER FUND BALANCE
BEGINNING BALANCE	\$ 3,260,152	\$ 5,080,717	\$ 1,074,718	\$ 9,415,587
OPERATING INCOME	(719,759)	784,099	-	64,340
INVESTMENT IN CAPITAL ASSETS	322,508	(322,508)	-	-
ENDING BALANCE	<u>\$ 2,862,901</u>	<u>\$ 5,542,308</u>	<u>\$ 1,074,718</u>	<u>\$ 9,479,927</u>

VOLUME OF BUSINESS

	FY 2021	FY2020
UH PROJECTS		
EXTRAMURAL	\$ 171,513,591	\$ 162,114,606
INTRAMURAL (GRS)	12,275,231	12,432,287
REVOLVING & SSF	22,528,897	34,009,077
DIRECT PROJECTS		
FEDERAL	275,156	111,054
NON-FEDERAL	11,298,755	12,490,711
	<u>\$ 217,891,630</u>	<u>\$ 221,157,735</u>

UH EXTRAMURAL AWARDS

(obtained from UH Office of Research Services)

	FY 2021	FY 2020	VARIANCE	% VARIANCE
Fiscal Year to Date (Jul 01 to Apr 30)	\$ 392,221,018	\$ 342,807,258	49,413,760	14.4%
12 month period (May 01 to Apr 30)	499,886,413	410,555,038	89,331,375	21.8%
3 month period (Feb 01 to Apr 30)	76,275,342	71,411,361	4,863,981	6.8%

**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII
STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED APRIL 30, 2021 and 2020**

	<u>CURRENT MONTH</u>	<u>FY 2021 YEAR-TO-DATE</u>	<u>FY 2020 YEAR-TO-DATE</u>
BEGINNING CASH BALANCE	\$ 21,196,365	\$ 14,518,614	\$ 18,485,682
Receipts:			
UH Projects	11,797,266	183,251,595	176,115,378
Direct Projects	2,412,204	11,534,679	12,196,422
UH Management Fee	-	4,739,852	3,834,028
Revolving Funds and Other	1,245,896	11,904,519	18,583,762
	<u>15,455,366</u>	<u>211,430,645</u>	<u>210,729,590</u>
TCD Redemption	<u>250,000</u>	<u>8,650,000</u>	<u>9,000,000</u>
Total Receipts	<u>15,705,366</u>	<u>220,080,645</u>	<u>219,729,590</u>
Disbursements:			
Vendors	8,403,323	87,804,990	101,749,898
UH	141,588	2,341,554	3,118,206
Salaries & Wages	6,810,634	67,672,817	64,259,181
Payroll taxes	2,884,302	28,621,524	27,227,345
TIAA-CREF	1,044,901	10,195,899	10,040,470
HMSA/Kaiser/HDS	1,174,833	11,618,471	10,678,488
TCD Purchase	2,000,000	8,900,000	9,750,000
Short Term Investment Purchase	-	3,000,000	-
Other	-	-	-
	<u>22,459,581</u>	<u>220,155,255</u>	<u>226,823,588</u>
Total Disbursements	<u>22,459,581</u>	<u>220,155,255</u>	<u>226,823,588</u>
Increase(Decrease):			
Petty Cash Balances	300	(550)	(2,400)
Bank of Hawaii (PR)	376	(628)	-
Savings - TCD	-	-	-
Retricted Cash - Retiree Health Ben	-	-	-
Other	-	-	-
	<u>676</u>	<u>(1,178)</u>	<u>(2,400)</u>
ENDING CASH BALANCE	<u>\$ 14,442,826</u>	<u>\$ 14,442,826</u>	<u>\$ 11,389,284</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.

CORPORATE RESOLUTION TO BORROW / GRANT COLLATERAL

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$5,000,000.00	02-01-2021	05-01-2021	7351196500			15455	
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "*****" has been omitted due to text length limitations.							

Corporation: THE RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII 2800 WOODLAWN DR. STE 200 HONOLULU, HI 96822	Lender: First Hawaiian Bank Main Banking Center 999 Bishop Street Honolulu, HI 96813
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I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT:

THE CORPORATION'S EXISTENCE. The complete and correct name of the Corporation is THE RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII ("Corporation"). The Corporation is a corporation for profit which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the State of Hawaii. The Corporation is duly authorized to transact business in all other states in which the Corporation is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which the Corporation is doing business. Specifically, the Corporation is, and at all times shall be, duly qualified as a foreign corporation in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. The Corporation has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. The Corporation maintains an office at 2800 WOODLAWN DR. STE 200, HONOLULU, HI 96822. Unless the Corporation has designated otherwise in writing, the principal office is the office at which the Corporation keeps its books and records. The Corporation will notify Lender prior to any change in the location of the Corporation's state of organization or any change in the Corporation's name. The Corporation shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to the Corporation and the Corporation's business activities.

RESOLUTIONS ADOPTED. At a meeting of the Directors of the Corporation, or if the Corporation is a close corporation having no Board of Directors then at a meeting of the Corporation's shareholders, duly called and held on _____, at which a quorum was present and voting, or by other duly authorized action in lieu of a meeting, the resolutions set forth in this Resolution were adopted.

OFFICER. The following named person is an officer of THE RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII:

NAMES	TITLES	AUTHORIZED	ACTUAL SIGNATURES
LEONARD R. GOUVEIA, JR.	Executive Director	Y X	

ACTIONS AUTHORIZED. The authorized person listed above may enter into any agreements of any nature with Lender, and those agreements will bind the Corporation. Specifically, but without limitation, the authorized person is authorized, empowered, and directed to do the following for and on behalf of the Corporation:

Borrow Money. To borrow, as a cosigner or otherwise, from time to time from Lender, on such terms as may be agreed upon between the Corporation and Lender, such sum or sums of money as in his or her judgment should be borrowed; however, not exceeding at any one time the amount of **Five Million & 00/100 Dollars (\$5,000,000.00)**, in addition to such sum or sums of money as may be currently borrowed by the Corporation from Lender.

Execute Notes. To execute and deliver to Lender the promissory note or notes, or other evidence of the Corporation's credit accommodations, on Lender's forms, at such rates of interest and on such terms as may be agreed upon, evidencing the sums of money so borrowed or any of the Corporation's indebtedness to Lender, and also to execute and deliver to Lender one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for one or more of the notes, any portion of the notes, or any other evidence of credit accommodations.

Grant Security. To mortgage, pledge, transfer, endorse, hypothecate, or otherwise encumber and deliver to Lender any property now or hereafter belonging to the Corporation or in which the Corporation now or hereafter may have an interest, including without limitation all of the Corporation's real property and all of the Corporation's personal property (tangible or intangible), as security for the payment of any loans or credit accommodations so obtained, any promissory notes so executed (including any amendments to or modifications, renewals, and extensions of such promissory notes), or any other or further indebtedness of the Corporation to Lender at any time owing, however the same may be evidenced. Such property may be mortgaged, pledged, transferred, endorsed, hypothecated or encumbered at the time such loans are obtained or such indebtedness is incurred, or at any other time or times, and may be either in addition to or in lieu of any property theretofore mortgaged, pledged, transferred, endorsed, hypothecated or encumbered.

Execute Security Documents. To execute and deliver to Lender the forms of mortgage, deed of trust, pledge agreement, hypothecation agreement, and other security agreements and financing statements which Lender may require and which shall evidence the terms and conditions under and pursuant to which such liens and encumbrances, or any of them, are given; and also to execute and deliver to Lender any other written instruments, any chattel paper, or any other collateral, of any kind or nature, which Lender may deem necessary or proper in connection with or pertaining to the giving of the liens and encumbrances.

Negotiate Items. To draw, endorse, and discount with Lender all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Corporation or in which the Corporation may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the Corporation's account with Lender, or to cause such other disposition of the proceeds derived therefrom as he or she may deem advisable.

Further Acts. In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances under such lines, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements as the officer may in his or her discretion deem reasonably necessary or proper in order to carry into effect the provisions of this Resolution.

ASSUMED BUSINESS NAMES. The Corporation has filed or recorded all documents or filings required by law relating to all assumed business names used by the Corporation. Excluding the name of the Corporation, the following is a complete list of all assumed business names under which the Corporation does business: **None.**

NOTICES TO LENDER. The Corporation will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (A) change in the Corporation's name; (B) change in the Corporation's assumed business name(s); (C) change in the management of the Corporation; (D) change in the authorized signer(s); (E) change in the Corporation's principal office address; (F) change in the Corporation's state of organization; (G) conversion of the Corporation to a new or different type of business entity; or (H) change in any other aspect of the Corporation that directly or indirectly relates to any agreements between the Corporation and Lender. No change in the Corporation's name or state of organization will take effect until after Lender has received notice.

CONSENT. The consent of the stockholders of the Corporation to the transactions authorized in the resolutions is not required.

No proceeding toward the merger, consolidation, sale of assets or business, or dissolution or liquidation of the Corporation has been commenced, and no such proceeding is contemplated.

CERTIFICATION CONCERNING OFFICERS AND RESOLUTIONS. The officer named above is duly elected, appointed, or employed by or for the Corporation, as the case may be, and occupies the position set opposite his or her respective name. This Resolution now stands of record on the books of the Corporation, is in full force and effect, and has not been modified or revoked in any manner whatsoever.

CONTINUING VALIDITY. Any and all acts authorized pursuant to this Resolution and performed prior to the passage of this Resolution are hereby ratified and approved. This Resolution shall be continuing, shall remain in full force and effect and Lender may rely on it until written notice of its revocation shall have been delivered to and received by Lender at Lender's address shown above (or such addresses as Lender may designate from time to time). Any such notice shall not affect any of the Corporation's agreements or commitments in effect at the time notice is given.

IN TESTIMONY WHEREOF, I have hereunto set my hand, affixed the seal of the Corporation and attest that the signature set opposite the name listed above is his or her genuine signature.

I have read all the provisions of this Resolution, and I personally and on behalf of the Corporation certify that all statements and representations made in this Resolution are true and correct. This Corporate Resolution to Borrow / Grant Collateral is dated February 1, 2021.

**CORPORATE RESOLUTION TO BORROW / GRANT COLLATERAL
(Continued)**

CERTIFIED TO AND ATTESTED BY:

CORPORATE

X

CHAIRPERSON OF THE BOARD

SEAL

NOTE: If the officer signing this Resolution is designated by the foregoing document as one of the officers authorized to act on the Corporation's behalf, it is advisable to have this Resolution signed by at least one non-authorized officer of the Corporation.