RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAIʻI
STATE OF HAWAIʻI

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

Fiscal Years Ended June 30, 2024 and 2023

N&K CPAs, Inc.
ACCOUNTANTS | CONSULTANTS

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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, 2024 and 2023, 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, 2024 and 2023, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 opinion. 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 37 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 30, 2024 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, Hawaiʻi
October 30, 2024

The following discussion and analysis provides an overview of the financial position and results of operations for the Research Corporation of the University of Hawaiʻi, State of Hawaiʻi ("Corporation") for the fiscal year ended June 30, 2024. It includes selected comparative information with the fiscal years ended June 30, 2024 and 2023. This discussion and analysis should be read in conjunction with the basic financial statements and accompanying notes.

The Corporation is a State agency, established by the Legislature of the State of Hawaiʻi ("State") in 1965, with a mission to support the research and training programs of the University of Hawaiʻi ("University") and to enhance research, development and training the State. The Corporation's exemption from certain of the State's 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 2024, the Corporation's volume of business (project expenditures) continued on an upward trend. There was a 6% increase in volume of business from 2023 to 2024, which followed a 16% increase from 2022 to 2023 and 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 in 2015.

		Annual	
Fiscal Year	Project Expenditures	Amount (Decrease) Increase	Percentage (Decrease) Increase
2024	$ 354,513,054	$ 20,614,252	6%
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%)

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 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.

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 years.

- 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.

Condensed Statements of Net Position

The Corporation's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2024, 2023 and 2022 are summarized below:

	2024	2023	2022
Current assets	$ 54,549,261	$ 50,412,810	$ 52,652,187
Capital assets	3,842,885	3,431,018	2,429,469
Total assets	58,392,146	53,843,828	55,081,656
Deferred outflows of resources	34,712	81,799	86,456
Total assets and deferred outflows of resources	$ 58,426,858	$ 53,925,627	$ 55,168,112
Current liabilities	$ 40,852,629	$ 37,954,343	$ 40,419,330
Noncurrent liabilities	3,841,661	4,219,642	4,207,587
Total liabilities	44,694,290	42,173,985	44,626,917
Deferred inflows of resources	929,478	782,871	968,928
Total liabilities and deferred inflows of resources	45,623,768	42,956,856	45,595,845
Net position			
Net investment in capital assets	3,726,351	3,144,620	2,172,035
Unrestricted	9,076,739	7,824,151	7,400,232
Total net position	12,803,090	10,968,771	9,572,267
Total liabilities, deferred inflows of resources and net position	$ 58,426,858	$ 53,925,627	$ 55,168,112

Overall, the Corporation's financial condition at June 30, 2024 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 increased by 8% from 2023 to 2024 mainly due to an increase in receivables from the University. The increase in receivables from the University is primarily due to the transfer of revolving accounts and related cash balances of $11,601,671 from the Corporation to the University. 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.

Capital asset acquisitions for 2024 and 2023 totaled $1,231,920 and $1,848,068, respectively. Significant acquisitions were made in 2024 and 2023 to invest in the Corporation's information technology infrastructure by developing and enhancing software applications for human resources and financial services. Depreciation and amortization expense for 2024 and 2023 was $737,381 and $840,329, respectively.

Liabilities

Current liabilities consist primarily of accounts payable and accrued salaries. Current liabilities increased by 8% from 2023 to 2024 and decreased by 6% from 2022 to 2023 as a result of the timing of payments to vendors.

Noncurrent liabilities decreased from 2023 to 2024 and remained level from 2023 to 2022. Long-term liability additions for 2024 and 2023 totaled $532,470 and $189,627, respectively. 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 assumptions in the actuarial valuation of the liability.

Net Position

Net investment in capital assets at June 30, 2024 and 2023 totaled $3,726,351 and $3,144,620, 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.

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, 2024, 2023 and 2022 are summarized as follows:

	2024	2023	2022
Operating revenues			
University of Hawaiʻi	$ 7,482,045	$ 7,338,439	$ 6,705,099
Other sponsoring agencies	574,892	555,513	732,743
Total operating revenues	8,056,937	7,893,952	7,437,842
Operating expenses			
Personnel costs	4,206,023	4,048,929	3,778,162
Data processing services	1,532,546	1,477,290	1,171,655
Depreciation and amortization	737,381	840,329	897,037
Insurance	632,582	586,066	574,374
Professional and technical support	176,827	215,117	261,613
Office and equipment rental	2,122	113,925	179,901
Other expenses	649,211	403,076	506,720
Total operating expenses	7,936,692	7,684,732	7,369,462
Operating income	120,245	209,220	68,380
Nonoperating revenues			
Intergovernmental (Federal awards)			
Revenue	74,791	102,251	349,424
Expense	(74,791)	(102,251)	(349,424)
Interest income	1,628,977	1,186,970	167,550
Unrealized gain (loss)	85,097	314	(144,386)
Increase in net position	1,834,319	1,396,504	91,544
Net position			
Beginning of year	10,968,771	9,572,267	9,480,723
End of year	$ 12,803,090	$ 10,968,771	$ 9,572,267

In fiscal year 2024, management fees earned from the University slightly increased by 2% in comparison to fiscal year 2023. 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 primarily due to an increase in administrative operating expenses. The effective rate charged to the University by the Corporation was 3.1% of modified total direct costs for fiscal year 2024. Operating revenues earned from other sponsoring agencies in 2024 was comparable to 2023. The blended indirect cost rate for other sponsoring agencies was 3.1% for fiscal year 2024.

In fiscal year 2023, management fees earned from the University increased by 9% in comparison to fiscal year 2022. 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% 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.

Operating expenses in fiscal year 2024 increased by 3% in comparison to fiscal year 2023. The increase in administrative operating expenses was primarily due to an increase in personnel costs and other expenses.

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.

For fiscal year 2024, the Corporation's net position (excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources) increased by $1,834,319 as a result of the fiscal year's activities, which was mainly driven by nonoperating revenue from interest income of $1,628,977. For fiscal year 2023, the Corporation's net position increased by $1,396,504 as a result of the fiscal year's activities, which was mainly driven by nonoperating revenues from interest income of $1,186,970.

Condensed Statements of Cash Flows

The Corporation's statements of cash flows for the fiscal years ended June 30, 2024, 2023 and 2022 are summarized as follows:

	2024	2023	2022
Operating activities			
Cash received from operations	$ 8,175,419	$ 7,763,869	$ 7,857,216
Cash payments for operations	(7,821,305)	(6,946,897)	(6,302,378)
Project expenditures and reimbursements, net	(10,193,220)	3,057,987	(3,697,056)
Net cash provided by (used in) operating activities	(9,839,106)	3,874,959	(2,142,218)
Capital and related financing activities	(1,330,298)	(993,220)	(238,250)
Investing activities	3,263,601	11,858,920	1,860,202
Increase (decrease) in cash	(7,905,803)	14,740,659	(520,266)
Cash, cash equivalents, and restricted cash			
Beginning of year	35,969,798	21,229,139	21,749,405
End of year	$ 28,063,995	$ 35,969,798	$ 21,229,139

For fiscal year 2024, the change in net project expenditures and reimbursements was primarily due to the transfer of revolving accounts and related cash balances from the Corporation to the University. Changes in net project expenditures and reimbursements in 2023 and 2022 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 2024, 2023, and 2022 was due to fixed asset acquisitions which included the development and enhancement of software applications. The change in investing activities in 2024 was mainly due to interest income received on cash deposits and investments. The change in investing activities in 2023 and 2022 was mainly due to the redemption and purchase of time certificates of deposit.

Looking Forward

The University received approximately $615,700,000 in extramural research and training awards during fiscal year 2024, which was a new record high and an increase of 19% over fiscal year 2023. In 2023, the University received approximately $515,900,000 in extramural research and training awards, an increase of 2% over fiscal year 2022 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 2025 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 2025 was approved with a 5% increase above the fiscal year 2024 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, 2024 and 2023

	2024	2023
Assets and Deferred Outflows of Resources		
Current assets		
Cash and cash equivalents	$ 27,337,783	$ 33,708,864
Time certificates of deposit	3,000,000	4,000,000
Investments	1,656,374	2,205,901
Receivables		
University of Hawai‘i	21,611,391	8,031,161
Allowance for doubtful accounts	(5,000)	(5,000)
Total receivables	21,606,391	8,026,161
Prepaid expenses	222,501	210,950
Restricted cash	726,212	2,260,934
Total current assets	54,549,261	50,412,810
Noncurrent assets		
Capital assets, net	3,842,885	3,431,018
Total noncurrent assets	3,842,885	3,431,018
Total assets	58,392,146	53,843,828
Deferred outflows of resources		
Deferred outflows for postemployment health care and life insurance benefits	34,712	81,799
Total deferred outflows of resources	34,712	81,799
Total assets and deferred outflows of resources	$ 58,426,858	$ 53,925,627

The accompanying notes are an integral part of these statements.

Research Corporation of the University of Hawaiʻi
State of Hawaiʻi
STATEMENTS OF NET POSITION (Continued)
June 30, 2024 and 2023

	2024	2023
Liabilities and Deferred Inflows of Resources		
Current liabilities		
Accounts payable	$ 18,599,411	$ 15,491,959
Accrued salaries and other	17,329,459	17,276,931
Advances from other sponsoring agencies	3,973,835	4,032,557
Workers' compensation and unemployment claims reserve	660,075	710,237
Current portion of lease liability	9,868	131,681
Current portion of subscription liability	43,981	49,978
Current portion of accrued supplemental retirement benefits	236,000	261,000
Total current liabilities	40,852,629	37,954,343
Noncurrent liabilities		
Lease liability	15,801	13,873
Subscription liability	46,884	90,866
Accrued supplemental retirement benefits	2,317,458	2,246,169
Postemployment health care and life insurance benefits	1,461,518	1,868,734
Total noncurrent liabilities	3,841,661	4,219,642
Total liabilities	44,694,290	42,173,985
Deferred inflows of resources		
Deferred inflows for postemployment health care and life insurance benefits	929,478	782,871
Total deferred inflows of resources	929,478	782,871
Total liabilities and deferred inflows of resources	45,623,768	42,956,856
Commitments and contingencies	--	--
Net Position		
Net invesment in capital assets	3,726,351	3,144,620
Unrestricted	9,076,739	7,824,151
Total net position	12,803,090	10,968,771
Total liabilities, deferred inflows of resources, and net position	$ 58,426,858	$ 53,925,627

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, 2024 and 2023

	2024	2023
Operating Revenues		
University of Hawai‘i	$ 7,482,045	$ 7,338,439
Other sponsoring agencies	574,892	555,513
Total operating revenues	8,056,937	7,893,952
Operating Expenses		
Personnel costs	4,206,023	4,048,929
Data processing services	1,532,546	1,477,290
Depreciation and amortization	737,381	840,329
Insurance	632,582	586,066
Other expenses	432,695	226,355
Professional and technical support	176,827	215,117
Office supplies and services	94,228	82,338
Professional services	51,832	49,005
Tuition support	50,904	40,478
Training material development	19,552	4,900
Office and equipment rental	2,122	113,925
Total operating expenses	7,936,692	7,684,732
Operating income	120,245	209,220
Nonoperating Revenues (Expenses)		
Intergovernmental (Federal awards)		
Revenue	74,791	102,251
Expense	(74,791)	(102,251)
Interest income		
Cash, cash equivalents, money market mutual fund time certificates of deposit, and investments	1,628,977	1,186,970
Net increase in fair value of investments	85,097	314
Total nonoperating revenues	1,714,074	1,187,284
Increase in net position	1,834,319	1,396,504
Net Position		
Beginning of year	10,968,771	9,572,267
End of year	$ 12,803,090	$ 10,968,771

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, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Receipts for		
University of Hawai‘i management fee	$ 7,600,527	$ 6,948,142
Other sponsoring agencies indirect cost recoveries	574,892	555,513
Refund for workers' compensation insurance policy premium	--	260,214
Payments to vendors	(3,625,590)	(2,909,335)
Payments for employee compensation	(4,195,715)	(4,037,562)
Project expenditures	(325,195,029)	(315,222,539)
Project cost reimbursements	326,603,480	318,280,526
Payments to University of Hawai‘i for revolving account balances	(11,601,671)	--
Net cash (used in) provided by operating activities	(9,839,106)	3,874,959
Cash flows from Capital Related and Financing Activities		
Purchase of capital assets	(1,147,671)	(832,557)
Principal payments on lease liabilities	(132,648)	(118,579)
Principal payments on subscription liabilities	(49,979)	(42,084)
Net cash used in capital and related financing activities	(1,330,298)	(993,220)
Cash Flows from Investing Activities		
Purchase of time certificates of deposits	(1,000,000)	(4,250,000)
Redemption of time certificate of deposits	2,000,000	13,196,000
Redemption of investments	740,658	1,777,039
Interest income received on cash deposits and investments	1,522,943	1,135,881
Net cash provided by investing activities	3,263,601	11,858,920
(Decrease) increase in cash and cash equivalents	(7,905,803)	14,740,659
Cash and Cash Equivalents		
Beginning of fiscal year	35,969,798	21,229,139
End of fiscal year	$ 28,063,995	$ 35,969,798
Cash and cash equivalents presented in the accompanying statements of net position		
Cash and cash equivalents	$ 27,337,783	$ 33,708,864
Restricted cash	726,212	2,260,934
	$ 28,063,995	$ 35,969,798

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, 2024 and 2023

	2024	2023
Reconciliation of Operating Income to Net Cash (Used in) Provided by Operating Activities		
Operating income	$ 120,245	$ 209,220
Adjustments to reconcile operating income to net cash (used in) provided by operating activities		
Depreciation and amortization	737,381	840,329
Loss on disposal of capital assets	82,672	6,190
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
Receivables	(13,580,230)	6,296,992
Prepaid expenses	(11,551)	11,408
Deferred outflows for postemployment health care and life insurance benefits	47,087	4,657
Accounts payable, accrued salaries and other	3,088,494	(2,746,457)
Advances from other sponsoring agencies	(58,722)	(408,466)
Workers’ compensation and unemployment claims reserve	(50,162)	(212,028)
Accrued supplemental retirement benefits	46,289	93,656
Postemployment health care and life insurance benefits	(407,216)	(34,485)
Deferred inflows for postemployment health care and life insurance benefits	146,607	(186,057)
Net cash (used in) provided by operating activities	$ (9,839,106)	$ 3,874,959
Noncash Investing, Capital, and Financing Activities		
Acquisition of capital assets financed with accounts payable	$ 71,486	$ 825,884
Acquisition of capital assets financed with lease liabilities	$ 12,763	$ 6,699
Acquisition of capital assets financed with subscription liabilities	$ --	$ 183,475
Change in fair value of investments	$ 85,097	$ 314

The accompanying notes are an integral part of these statements.

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 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.

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.

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.

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, 2024.

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

	2024	2023
Fair Value	$ 31,927,602	$ 37,195,604
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.

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 4.74 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.

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, 2024 and 2023 totaled $6,586,301 and $7,143,165, 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, 2024 and 2023, totaled $963,315 and $739,024, 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, 2024 or 2023.

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.

Reclassifications
Certain amounts in the 2023 financial statements have been reclassified to conform to the 2024 presentation. Such reclassifications had no effect on operating results as previously reported.

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, 2024 and 2023:

	2024		2023	
	Fair Value	Cost	Fair Value	Cost
U.S. Treasury	$ 1,367,946	$ 1,440,559	$ 1,765,351	$ 1,904,944
U.S. Government agencies	288,428	299,767	440,550	470,006
	$ 1,656,374	$ 1,740,326	$ 2,205,901	$ 2,374,950

Investments consist 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 net increase in fair value of investments (unrealized gain) for the fiscal years ended June 30, 2024 and 2023 was $85,097 and $314, respectively.

Custodial credit risk is the risk that in the event of a financial institution failure, the Corporations' investments may not be returned. 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.

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, 2024 was as follows:

	2024	Investment Maturities (in Years)		
	Fair Value	Less than 1	1 to 5	More than 5
U.S. Treasury	$ 1,367,946	$ 596,908	$ 771,038	$ --
U.S. Government agencies	288,428	89,693	198,735	--
	$ 1,656,374	$ 686,601	$ 969,773	$ --

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, 2024 and 2023:

	2024	2023
Extramurally sponsored accounts	$ 28,317,761	$ 25,342,757
Internally funded accounts	(6,264,288)	(5,403,668)
Research recharge accounts	1,116,629	--
Revolving accounts	278,982	(11,651,136)
Ship operations revolving accounts	(6,730,368)	(3,351,963)
Miscellaneous agency accounts	4,156,035	2,240,050
Management fee	1,321,640	1,440,121
Advance	(585,000)	(585,000)
	$ 21,611,391	$ 8,031,161

Advances under direct agreements with other sponsoring agencies in excess of project expenditures totaled $3,973,835 and $4,032,557 at June 30, 2024 and 2023, respectively. Cash relating to a portion of the advances of $726,212 and $2,260,934 at June 30, 2024 and 2023, respectively, is restricted by the other sponsoring agencies.

5. Capital Assets

Capital assets activity for the fiscal years ended June 30, 2024 and 2023 were as follows:

	Beginning Balance	Additions	Dispositions	Ending Balance
2024				
Capital assets not being depreciated				
Computer software development in progress	$ 1,868,560	$ 917,510	$ (82,672)	$ 2,703,398
Capital assets being depreciated				
Office furniture and equipment	701,588	26,483	--	728,071
Computer software	8,350,558	275,164	(1,997,466)	6,628,256
Total capital assets being depreciated	9,052,146	301,647	(1,997,466)	7,356,327
Less: Accumulated depreciation				
Office equipment	418,491	70,157	--	488,648
Computer software	7,346,468	498,292	(1,997,466)	5,847,294
Total accumulated depreciation	7,764,959	568,449	(1,997,466)	6,335,942
Capital assets being depreciated, net	1,287,187	(266,802)	--	1,020,385
Lease assets				
Office furniture and equipment	38,025	12,763	(9,342)	41,446
Office space	327,483	--	(327,483)	--
Total lease assets	365,508	12,763	(336,825)	41,446
Less: Accumulated amortization				
Office equipment	17,225	8,357	(9,342)	16,240
Office space	213,856	113,627	(327,483)	--
Total accumulated amortization	231,081	121,984	(336,825)	16,240
Total lease assets	134,427	(109,221)	--	25,206
Subscription assets				
Software subscription	183,475	--	--	183,475
Total subscription assets	183,475	--	--	183,475
Less: Accumulated amortization				
Software subscription	42,631	46,948	--	89,579
Total accumulated amortization	42,631	46,948	--	89,579
Subscription assets, net	140,844	(46,948)	--	93,896
Total capital assets, net	$ 3,431,018	$ 494,539	$ (82,672)	$ 3,842,885

		Beginning Balance		Additions		Dispositions		Ending Balance
2023								
Capital assets not being depreciated								
Computer software development in progress	$	427,908	$	1,440,652	$	--	$	1,868,560
Capital assets being depreciated								
Office furniture and equipment		526,426		217,242		(42,080)		701,588
Computer software		8,747,655		--		(397,097)		8,350,558
Total capital assets being depreciated		9,274,081		217,242		(439,177)		9,052,146
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		1,759,300		(465,923)		(6,190)		1,287,187
Lease assets								
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
Subscription assets								
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	$	1,007,739	$	(6,190)	$	3,431,018

6. Long-term Liabilities

Long-term liability activities for the fiscal years ended June 30, 2024 and 2023 were summarized as follows:

		Beginning Balance		Additions		Dispositions		Ending Balance		Current Portion
2024										
Lease liability	$	145,554	$	12,763	$	(132,648)	$	25,669	$	9,868
Subscription liability		140,844		--		(49,979)		90,865		43,981
Accrued supplemental retirement benefits		2,507,169		348,558		(302,269)		2,553,458		236,000
Postemployment health care and life insurance benefits		1,868,734		171,149		(578,365)		1,461,518		--
Total long-term liabilities	$	4,662,301	$	532,470	$	(1,063,261)	$	4,131,510	$	289,849

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2023					
Lease liability	$ 257,434	$ 6,699	$ (118,579)	$ 145,554	$ 131,681
Subscription liability	--	182,928	(42,084)	140,844	49,978
Accrued supplemental retirement benefits	2,413,513	330,190	(236,534)	2,507,169	261,000
Postemployment health care and life insurance benefits	1,903,219	218,500	(252,985)	1,868,734	--
Total long-term liabilities	$ 4,574,166	$ 738,317	$ (650,182)	$ 4,662,301	$ 442,659

At June 30, 2024, future minimum lease payments required under the lease agreements are as follows:

	Principal	Interest	Future Minimum Payments
Fiscal years ending June 30,			
2025	$ 9,868	$ 901	$ 10,769
2026	10,277	492	10,769
2027	5,524	114	5,638
	$ 25,669	$ 1,507	$ 27,176

At June 30, 2024, the Corporation had outstanding contract commitments related to lease agreements through June 30, 2025 of $134,664.

For the fiscal year ended June 30, 2023, the Corporation occupied office space under month-to-month leases. The lease agreements provided that the Corporation also pay taxes, maintenance and certain other operating expenses applicable to the leased premises. Total office rental expense for the fiscal year ended June 30, 2023 was $112,124.

At June 30, 2024, future minimum lease payments required under the subscription agreements are as follows:

	Principal	Interest	Future Minimum Payments
Fiscal years ending June 30,			
2025	$ 43,981	$ 5,997	$ 49,978
2026	46,884	3,094	49,978
	$ 90,865	$ 9,091	$ 99,956

At June 30, 2024, the Corporation had contract commitments related to software subscriptions through June 30, 2026 as follows:

Fiscal years ending June 30,	
2025	$ 518,667
2026	146,519
	$ 665,186

7. 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, 2024 and 2023, the amount of the designation was increased by $56,112 and $30,936, respectively. A separate interest-bearing account is maintained for this reserve.

Unrestricted accumulated surplus at June 30, 2024 and 2023 was comprised of the following:

	2024	2023
Designated		
Working capital	$ 7,908,429	$ 6,711,953
Project contingent liabilities	1,168,310	1,112,198
	$ 9,076,739	$ 7,824,151

8. 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, 2024 and 2023 were as follows:

	2024	2023
Extramurally sponsored accounts	$ 6,143,000	$ 5,969,541
Internally funded accounts	495,860	419,655
Revolving accounts	843,185	949,243
	$ 7,482,045	$ 7,338,439

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

9. 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, 2024 and 2023 were $282,005 and $266,328, 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, 2024 and 2023, the Corporation's accrued supplemental retirement benefits totaled $2,553,458 and $2,507,169 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, 2024 and 2023 were $302,269 and $236,534, respectively.

The following is a summary of changes in accrued supplemental retirement benefits for the fiscal years ended June 30, 2024 and 2023:

	2024	2023
Beginning balance	$ 2,507,169	$ 2,413,513
Additions	166,615	244,557
Benefits paid	(302,269)	(236,534)
Adjustments	181,943	85,633
Ending balance	2,553,458	2,507,169
Less: Current portion of accrued supplemental retirement benefits	(236,000)	(261,000)
Noncurrent portion of accrued supplemental retirement benefits	$ 2,317,458	$ 2,246,169

10. 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, 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, 2024 and 2023, the following employees were covered by the benefit terms:

	2024	2023
Retirees and surviving spouses currently receiving benefits	83	86
Active employees	2,373	2,299
Total	2,456	2,385

Total Postemployment Health Care and Life Insurance Benefits Liability

The Corporation's total postemployment health care and life insurance benefit liability at June 30, 2024 and 2023 of $1,461,518 and $1,868,734, respectively, was measured as of June 30, 2024 and 2023, 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:	2024 - 4.21%, based on the S&P Municipal Bond 20 Year High Grade Index as of June 30, 2024. 2023 - 4.13%, based on the S&P Municipal Bond 20 Year High Grade Index as of June 30, 2023.
Healthcare Cost Trend Rate:	2024 - 7.50% 2023 - 7.00%
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:	2036
Mortality:	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, 2024 and 2023:

	2024	2023
Beginning balance	$ 1,868,734	$ 1,903,219
Increase (decrease) in postemployment health care and life insurance benefits attributed to		
Service cost	90,646	78,824
Interest cost	80,503	80,605
Differences between expected and actual experience	(222,502)	(230,209)
Changes in actuarial assumptions	(335,317)	59,071
Benefits paid to participants	(20,546)	(22,776)
Ending balance	$ 1,461,518	$ 1,868,734

The changes in actuarial assumptions for the fiscal year ended June 30, 2024 are primarily due to a change in the election assumption for life insurance coverage based on actual census data. 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.

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, 2024 and 2023:

2024	**1% Decrease 3.21%**	**Current Discount Rate 4.21%**	**1% Increase 5.21%**
Total postemployment health care and life insurance benefits liability	$ 1,627,250	$ 1,461,518	$ 1,321,232

2023	**1% Decrease 3.13%**	**Current Discount Rate 4.13%**	**1% Increase 5.13%**
Total postemployment health care and life insurance benefits liability	$ 2,132,251	$ 1,868,734	$ 1,655,798

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, 2024 and 2023:

2024	**1% Decrease 6.50%**	**Current Trend Rate 7.50%**	**1% Increase 8.50%**
Total postemployment health care and life insurance benefits liability	$ 1,368,343	$ 1,461,518	$ 1,569,483

2023	**1% Decrease 6.00%**	**Current Trend Rate 7.00%**	**1% Increase 8.00%**
Total postemployment health care and life insurance benefits liability	$ 1,780,901	$ 1,868,734	$ 1,970,182

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, 2024 and 2023, 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, 2024 and 2023, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2024		
Changes in assumptions	$ 34,712	$ 507,243
Experience gains or losses	--	422,235
Total deferred outflows and inflows of resources	$ 34,712	$ 929,478
2023		
Changes in assumptions	$ 81,799	$ 394,490
Experience gains or losses	--	388,381
Total deferred outflows and inflows of resources	$ 81,799	$ 782,871

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:

Fiscal Years ending June 30,	Amount
2025	$ (379,193)
2026	(280,807)
2027	(147,677)
2028	(87,089)
	$ (894,766)

11. 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.

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, 2024 and 2023 were as follows:

	University Projects	Direct Projects	Total
2024			
Salaries and wages	$ 130,249,495	$ 9,403,412	$ 139,652,907
Equipment	15,918,367	38,780	15,957,147
Other	194,196,707	4,706,293	198,903,000
	$ 340,364,569	$ 14,148,485	$ 354,513,054
2023			
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
	$ 320,246,397	$ 13,652,405	$ 333,898,802

Project commitments for outstanding project purchase orders that are not reflected in the accompanying statements of net position were approximately $132,014,000 and $75,152,000 at June 30, 2024 and 2023, respectively.

12. 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.

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 Hawaiʻi 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, 2024 and 2023, the workers' compensation reserve amounted to $352,795 and $472,245, 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, 2024 and 2023.

	2024	2023
Beginning balance	$ 472,245	$ 484,611
Payments on claims	(131,880)	(111,406)
Claim adjustment	12,430	71,392
Other (interest credits, etc.)	--	27,648
Ending balance	$ 352,795	$ 472,245

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, 2024 and 2023, the unemployment reserve was $307,280 and $237,992, respectively, and is reported as a current liability in the accompanying statements of net position.

13. Commitments
At June 30, 2024, the Corporation had outstanding contract commitments related to software development and maintenance through June 30, 2025 of $1,414,565.

REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION
AND ANALYSIS

Research Corporation of the University of Hawaiʻi
State of Hawaiʻi
SCHEDULE OF CHANGES IN POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS LIABILITY AND RELATED RATIOS (UNAUDITED)
Fiscal Years Ended June 30, 2024, 2023, 2022, 2021, 2020, 2019, and 2018

	2024	2023	2022	2021	2020	2019	2018
Total postemployment health care and life insurance benefits liability							
Service cost	$ 90,646	$ 78,824	$ 118,593	$ 124,671	$ 110,852	$ 89,027	$ 86,413
Interest	80,503	80,605	55,988	74,773	71,285	89,798	87,228
Differences between expected and actual experience	(222,502)	(230,209)	(199,883)	(174,773)	(99,009)	(574,496)	--
Changes of assumptions or other inputs	(335,317)	59,071	(509,047)	(236,598)	186,375	(53,351)	81,744
Benefit payments	(20,546)	(22,776)	(24,096)	(25,313)	(29,293)	(32,971)	(29,994)
Net change in total postemployment health care and life insurance benefits liability	(407,216)	(34,485)	(558,445)	(237,240)	240,210	(481,993)	225,391
Total postemployment health care and life insurance benefits liability							
Beginning of year	1,868,734	1,903,219	2,461,664	2,698,904	2,458,694	2,940,687	2,715,296
End of year	$ 1,461,518	$ 1,868,734	$ 1,903,219	$ 2,461,664	$ 2,698,904	$ 2,458,694	$ 2,940,687
Covered-employee payroll	$ 143,030,000	$ 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	1.02%	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:

2024	4.21%
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

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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 Hawaiʻi
State of Hawaiʻi

We have audited, in accordance with the 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 Hawaiʻi (Corporation), as of and for the fiscal year ended June 30, 2024, 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 30, 2024.

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 opinion 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 Gover*nment 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 30, 2024