



**UNIVERSITY OF HAWAII FOUNDATION**

Financial Statements

June 30, 2007 and 2006

(With Independent Auditors' Report Thereon)



**KPMG LLP**  
PO Box 4150  
Honolulu, HI 96812-4150

## **Independent Auditors' Report**

The Board of Trustees  
University of Hawaii Foundation:

We have audited the accompanying statements of financial position of the University of Hawaii Foundation (the Foundation) as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Hawaii Foundation as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As explained in note 1(g), the financial statements include investments valued at \$66,666,960 and \$51,279,955 at June 30, 2007 and 2006, respectively (25% and 26%, respectively, of net assets), whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the external investment managers.

**KPMG LLP**

March 7, 2008

**UNIVERSITY OF HAWAII FOUNDATION**

Statements of Financial Position

June 30, 2007 and 2006

<b>Assets</b>	<b>2007</b>	<b>2006</b>
Cash and cash equivalents	\$ 17,537,802	9,260,416
Contributions receivable, net (note 2)	27,917,434	12,303,005
Prepaid expenses and other receivables (note 9)	1,267,306	923,557
Property and equipment, at cost, net of accumulated depreciation and amortization of \$1,675,836 in 2007 and \$1,619,585 in 2006	2,262,614	2,252,557
Other assets, at cost	2,893,965	1,049,003
Investments (notes 3 and 10)	208,320,036	169,831,382
Beneficial interest in trusts held by others	12,882,219	11,789,284
Total assets	\$ 273,081,376	207,409,204
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 1,438,329	475,923
Liabilities under split-interest agreements	4,113,861	3,811,028
Amounts held for others	2,348,022	2,168,353
Bank overdraft	990,129	—
Other liabilities	223,499	259,142
Total liabilities	9,113,840	6,714,446
Net assets:		
Unrestricted	3,537,900	3,356,401
Temporarily restricted (note 7)	134,187,940	93,326,383
Permanently restricted (note 7)	126,241,696	104,011,974
Total net assets	263,967,536	200,694,758
Commitments (notes 5, 6, 9, and 10)		
Total liabilities and net assets	\$ 273,081,376	207,409,204

See accompanying notes to financial statements.

**UNIVERSITY OF HAWAII FOUNDATION**

Statement of Activities

Year ended June 30, 2007

	Net assets			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Revenues:				
Contributions	\$ 266,456	39,738,627	21,719,780	61,724,863
Fees, honoraria, royalties, and other (notes 6 and 9)	3,077,777	1,331,662	349,079	4,758,518
Investment return (note 3)	1,817,314	23,842,753	464,638	26,124,705
Administrative fees	3,127,490	(2,823,701)	(303,775)	14
Fund-raising events and projects	—	1,896,556	—	1,896,556
	<u>8,289,037</u>	<u>63,985,897</u>	<u>22,229,722</u>	<u>94,504,656</u>
Net assets released from restrictions (note 7)	<u>23,124,340</u>	<u>(23,124,340)</u>	<u>—</u>	<u>—</u>
	<u>31,413,377</u>	<u>40,861,557</u>	<u>22,229,722</u>	<u>94,504,656</u>
Expenses (note 5):				
Program services:				
Extension and public services	784,799	—	—	784,799
Academic support	5,603,046	—	—	5,603,046
Research	1,336,136	—	—	1,336,136
Student aid and services	7,587,743	—	—	7,587,743
Faculty and staff support	1,917,553	—	—	1,917,553
Capital projects	81,502	—	—	81,502
Athletics	1,942,723	—	—	1,942,723
Special and other	3,870,838	—	—	3,870,838
Total program services	<u>23,124,340</u>	<u>—</u>	<u>—</u>	<u>23,124,340</u>
Supporting services:				
Administrative, management, and fiscal services (note 6)	2,498,370	—	—	2,498,370
Development	5,609,168	—	—	5,609,168
Total supporting services	<u>8,107,538</u>	<u>—</u>	<u>—</u>	<u>8,107,538</u>
Change in net assets	181,499	40,861,557	22,229,722	63,272,778
Net assets at beginning of year	<u>3,356,401</u>	<u>93,326,383</u>	<u>104,011,974</u>	<u>200,694,758</u>
Net assets at end of year	<u>\$ 3,537,900</u>	<u>134,187,940</u>	<u>126,241,696</u>	<u>263,967,536</u>

See accompanying notes to financial statements.

**UNIVERSITY OF HAWAII FOUNDATION**

Statement of Activities

Year ended June 30, 2006

	Net assets			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Revenues:				
Contributions	\$ 452,637	19,357,159	7,085,502	26,895,298
Fees, honoraria, royalties, and other (notes 6 and 9)	3,335,420	3,428,269	1,170	6,764,859
Investment return (note 3)	1,877,974	15,105,961	259,314	17,243,249
Administrative fees	2,612,282	(2,478,632)	(133,636)	14
Fund-raising events and projects	—	2,071,485	—	2,071,485
	<u>8,278,313</u>	<u>37,484,242</u>	<u>7,212,350</u>	<u>52,974,905</u>
Net assets released from restrictions (note 7)	<u>19,376,144</u>	<u>(19,376,144)</u>	<u>—</u>	<u>—</u>
	<u>27,654,457</u>	<u>18,108,098</u>	<u>7,212,350</u>	<u>52,974,905</u>
Expenses (note 5):				
Program services:				
Extension and public services	573,172	—	—	573,172
Academic support	4,077,778	—	—	4,077,778
Research	1,933,828	—	—	1,933,828
Student aid and services	5,551,711	—	—	5,551,711
Faculty and staff support	1,188,601	—	—	1,188,601
Capital projects	151,036	—	—	151,036
Athletics	2,367,382	—	—	2,367,382
Special and other	3,532,636	—	—	3,532,636
Total program services	<u>19,376,144</u>	<u>—</u>	<u>—</u>	<u>19,376,144</u>
Supporting services:				
Administrative, management, and fiscal services (note 6)	2,383,372	—	—	2,383,372
Development	4,419,182	—	—	4,419,182
Total supporting services	<u>6,802,554</u>	<u>—</u>	<u>—</u>	<u>6,802,554</u>
Change in net assets	1,475,759	18,108,098	7,212,350	26,796,207
Net assets at beginning of year	<u>1,880,642</u>	<u>75,218,285</u>	<u>96,799,624</u>	<u>173,898,551</u>
Net assets at end of year	<u>\$ 3,356,401</u>	<u>93,326,383</u>	<u>104,011,974</u>	<u>200,694,758</u>

See accompanying notes to financial statements.

**UNIVERSITY OF HAWAII FOUNDATION**

Statements of Cash Flows

Years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Cash received from contributions	\$ 23,659,640	19,575,701
Cash received for fees, honoraria, royalties, and other	4,409,439	6,830,008
Investment return received	6,824,292	3,508,443
Program and supporting service expenses paid	<u>(29,473,440)</u>	<u>(26,793,528)</u>
Net cash provided by operating activities	<u>5,419,931</u>	<u>3,120,624</u>
Cash flows from investing activities:		
Purchase of investments	(180,009,849)	(208,193,344)
Proceeds from sale of investments	179,702,101	208,386,579
Purchases of property and equipment	<u>(99,432)</u>	<u>(98,532)</u>
Net cash provided by (used in) investing activities	<u>(407,180)</u>	<u>94,703</u>
Cash flows from financing activities:		
Amounts restricted for long-term investment	2,274,506	3,920,225
Increase in bank overdraft	<u>990,129</u>	<u>—</u>
Net cash provided by financing activities	<u>3,264,635</u>	<u>3,920,225</u>
Net increase in cash and cash equivalents	8,277,386	7,135,552
Cash and cash equivalents at beginning of year	<u>9,260,416</u>	<u>2,124,864</u>
Cash and cash equivalents at end of year	<u>\$ 17,537,802</u>	<u>9,260,416</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 63,272,778	26,796,207
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	89,027	83,130
Realized and unrealized gains on investments	(19,494,780)	(13,336,881)
Increase (decrease) in allowance for uncollectible pledges	1,086,397	(185,903)
Loss on disposition of property and equipment	348	—
Increase in contributions receivable	(16,700,826)	(2,389,325)
(Increase) decrease in prepaid expenses and other receivables	(343,749)	38,444
(Increase) decrease in other assets	(1,844,962)	135,998
Increase (decrease) in accounts payable	962,406	(590,028)
Increase in liabilities under split-interest agreements	302,833	420,546
Increase (decrease) in amounts held for others, net	355,824	(559,157)
Decrease in other liabilities	(35,643)	(80,057)
Amounts restricted for long-term investment	<u>(22,229,722)</u>	<u>(7,212,350)</u>
Net cash provided by operating activities	<u>\$ 5,419,931</u>	<u>3,120,624</u>

Supplemental disclosure of noncash activities:

The Foundation received noncash contributions in the amount of \$19,955,216 and \$3,292,125 in 2007 and 2006, respectively.

Unrealized gains (losses) on assets held for others were \$176,155 and \$(136,599) for the years ended June 30, 2007 and 2006, respectively.

See accompanying notes to financial statements.

# UNIVERSITY OF HAWAII FOUNDATION

## Notes to Financial Statements

June 30, 2007 and 2006

### (1) Summary of Significant Accounting Policies

#### (a) *Organization*

The University of Hawaii Foundation (the Foundation) is a not-for-profit entity established to solicit and manage funds for the benefit of the University of Hawaii (University). The Foundation is governed by a self-perpetuating board of trustees primarily consisting of elected volunteers.

#### (b) *Financial Statement Presentation*

The financial statements have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into three classes (unrestricted, temporarily restricted, or permanently restricted) as follows:

**Unrestricted Net Assets** – net assets that represent resources generated from operations or that are not subject to donor-imposed stipulations.

**Temporarily Restricted Net Assets** – net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

**Permanently Restricted Net Assets** – net assets subject to donor-imposed stipulations that must be maintained permanently by the Foundation. Generally, the donor of these assets permits the Foundation to use all or part of the income earned on related investments for general or specific purposes in support of the University.

#### (c) *Amounts Held for Others*

Resources received in transactions that the Foundation acts as an agent are reported as amounts held for others. Investment income earned on amounts received increases amounts held for others. Distributions to specified recipients decrease amounts held for others.

#### (d) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

#### (e) *Cash Equivalents*

Short-term investments held for operations with original maturities of three months or less are classified as cash equivalents. Cash equivalents include short-term U.S. Treasury securities and other short-term, highly liquid investments and are carried at cost, which approximate fair value. Short-term investments held for investment purposes are reflected as investments.

# UNIVERSITY OF HAWAII FOUNDATION

## Notes to Financial Statements

June 30, 2007 and 2006

*(f) Contributions*

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Certain noncash contributions are reported as other assets until liquidation. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Unconditional promises to give (contributions receivable) that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. The Foundation provides an allowance for uncollectible pledges based upon historical experience with its donors as well as individual donor circumstances.

*(g) Investments*

**Marketable Securities**

Debt and equity securities with readily determinable fair values are reported at fair value with unrealized gains and losses included in the statements of activities. Fair value is based on quoted market prices. Gains and losses on investments are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

**Other Investments**

Other investments include partnerships, private equity securities, real estate, and other equity securities that do not have readily determinable fair value. Other investments are reported at fair value with unrealized gains and losses included in the statements of activities. Fair value is generally based on information provided by the respective external investment managers at the most recent valuation date and from the valuation date to fiscal year-end, if applicable. These valuations involve assumptions and methods that are reviewed by management. Because other investments are not readily marketable, their estimated value is subject to uncertainty, and therefore, may differ from the value that would have been used had a ready market for such investment existed. Gains and losses on investments are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

# UNIVERSITY OF HAWAII FOUNDATION

## Notes to Financial Statements

June 30, 2007 and 2006

**(h) *Property and Equipment***

Property and equipment are stated at cost and include approximately \$2,000,000 in land. Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets, ranging from 5 to 10 years, commencing at the time the asset is placed into service.

The Foundation reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**(i) *Split-Interest Agreements***

The Foundation's split-interest agreements with donors consist of irrevocable pooled income funds, charitable remainder trusts, and charitable gift annuities for which the Foundation serves as trustee. Assets held under these split-interest agreements are included in investments. Contribution revenues are recognized at the date the split-interest agreements are established after recording liabilities for the present value (utilizing discount rates ranging between 2% and 5%) of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the split-interest agreements for changes in the fair value of the assets, accretion of the discount, and other changes in the estimates of future benefits. For the years ended June 30, 2007 and 2006, contributions revenue included \$649,410 and \$942,820, respectively, attributable to split-interest agreements. For the years ended June 30, 2007 and 2006, investment return included \$538,619 and \$442,611, respectively, for changes in the value of split-interest agreements.

**(j) *Interest in Trusts Held by Others***

The Foundation is also the beneficiary of certain trusts held and administered by others. The fair value of the estimated future cash receipts from the trusts are recognized as assets and contribution revenues when the Foundation is notified of its existence. The carrying value of the assets is adjusted to fair value.

**UNIVERSITY OF HAWAII FOUNDATION**

Notes to Financial Statements

June 30, 2007 and 2006

**(2) Contributions Receivable**

At June 30, 2007 and 2006, contributions receivable, net of discount for present value and allowance for uncollectible contributions consisted of the following:

	<b>2007</b>	<b>2006</b>
Contributions receivable	\$ 30,204,416	12,841,012
Less discount to present value (2% – 5% discount rate)	(1,015,993)	(353,415)
Subtotal	29,188,423	12,487,597
Less allowance for uncollectible pledges	(1,270,989)	(184,592)
Contributions receivable, net	\$ 27,917,434	12,303,005
Amounts to be collected in:		
Less than one year	\$ 9,127,711	5,652,175
One year to five years	21,076,705	7,188,837
Total	\$ 30,204,416	12,841,012

**(3) Investments**

Investments at June 30, 2007 and 2006 consisted of the following:

	<b>2007</b>		<b>2006</b>	
	<b>Fair values</b>	<b>Cost</b>	<b>Fair values</b>	<b>Cost</b>
Marketable securities:				
Domestic common stocks	\$ 39,929,162	28,273,858	33,802,583	26,678,281
Fixed income securities	52,444,573	53,194,618	43,145,141	44,102,080
Foreign common stocks	44,940,368	35,402,919	38,040,965	32,582,723
Mutual funds	2,983,632	2,621,613	2,593,274	2,601,474
Money market funds	1,354,729	1,354,729	806,231	806,231
Other	612	661	163,233	141,619
Other investments:				
Absolute return	23,743,836	22,350,000	20,616,148	17,538,747
Real assets	24,327,503	15,559,462	17,688,130	11,894,453
Private equity securities	4,846,405	4,677,294	2,638,408	2,687,501
Other	13,749,216	11,921,000	10,337,269	9,836,000
	\$ 208,320,036	175,356,154	169,831,382	148,869,109

**UNIVERSITY OF HAWAII FOUNDATION**

Notes to Financial Statements

June 30, 2007 and 2006

At June 30, 2007 and 2006, investments are classified as short-term and long-term as follows:

	<u>2007</u>	<u>2006</u>
Short-term	\$ 93,444,574	76,090,202
Long-term:		
Split-interest agreements	5,416,983	5,287,038
Permanently restricted	<u>109,458,479</u>	<u>88,454,142</u>
Total long-term	<u>114,875,462</u>	<u>93,741,180</u>
	<u>\$ 208,320,036</u>	<u>169,831,382</u>

Investments are generally pooled and managed under various asset diversification strategies, depending upon the investment objectives and to avoid significant concentrations of market risk. Earnings on permanently restricted contributions (endowment), which the donor designates as being available for program operations are considered temporarily restricted until the specific restrictions have been met. Under the Foundation's endowment spending policy, certain amounts (based on a percentage of the adjusted fair value of the investment pool) are appropriated and are available to support operations. In 2007 and 2006, \$6,255,709 and \$4,910,959, respectively, were made available to support programs. Investment management fees amounted to \$812,184 in 2007 and \$288,216 in 2006. The following schedule summarizes the investment return and its classification in the statements of activities:

The Foundation invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

	<u>Net assets</u>			
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
2007:				
Dividends and interest	\$ 1,654,990	4,862,607	112,328	6,629,925
Realized and unrealized gains, net	<u>162,324</u>	<u>18,980,146</u>	<u>352,310</u>	<u>19,494,780</u>
Total return on investments	<u>\$ 1,817,314</u>	<u>23,842,753</u>	<u>464,638</u>	<u>26,124,705</u>
2006:				
Dividends and interest	\$ 1,004,607	2,715,623	186,138	3,906,368
Realized and unrealized gains, net	<u>873,367</u>	<u>12,390,338</u>	<u>73,176</u>	<u>13,336,881</u>
Total return on investments	<u>\$ 1,877,974</u>	<u>15,105,961</u>	<u>259,314</u>	<u>17,243,249</u>

**UNIVERSITY OF HAWAII FOUNDATION**

Notes to Financial Statements

June 30, 2007 and 2006

**(4) Income Taxes**

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Foundation are deductible for tax purposes by the donor, subject to the normal limitations imposed by the taxing authorities.

**(5) Retirement Annuity Plan**

The Foundation has a defined contribution retirement annuity plan with Teachers Insurance and Annuity Association and College Retirement Equities Fund covering substantially all of its employees. The Foundation recorded contribution expense of \$432,946 in 2007 and \$376,590 in 2006.

**(6) Leases**

The Foundation leases office space from the University under an annual operating lease, which provides for a nominal rental amount. The estimated fair rental value of the property has been reported as unrestricted revenue with an offsetting amount charged to supporting services of \$255,444 in 2007 and 2006.

**(7) Restricted Net Assets**

Restricted net assets consisted of the following restricted amounts at June 30, 2007 and 2006:

	<b>Temporarily restricted</b>	<b>Permanently restricted</b>
2007:		
Extension and public services	\$ 2,174,818	1,949,629
Academic support	23,456,759	15,472,664
Research	5,864,973	694,342
Student aid and services	19,477,183	43,677,257
Faculty and staff support	7,539,300	40,542,138
Capital projects	5,274,206	1,099,232
Athletics	3,269,232	243,383
Special and other	67,131,469	22,563,051
Total	\$ 134,187,940	126,241,696
2006:		
Extension and public services	\$ 2,625,704	924,314
Academic support	17,936,418	8,987,978
Research	6,099,604	608,159
Student aid and services	27,978,535	47,232,270
Faculty and staff support	14,774,293	31,364,638
Capital projects	5,042,956	1,099,332
Athletics	1,990,543	237,315
Special and other	16,878,330	13,557,968
Total	\$ 93,326,383	104,011,974

**UNIVERSITY OF HAWAII FOUNDATION**

Notes to Financial Statements

June 30, 2007 and 2006

Net assets are released from donor restrictions primarily by incurring expenses that satisfy the restricted purpose. For the years ended June 30, 2007 and 2006, net assets released from restriction totaled \$23,124,340 and \$19,376,144, respectively.

**(8) Fair Value of Financial Instruments**

The following table presents the carrying amounts and estimated fair values of the Foundation's financial instruments at June 30, 2007 and 2006. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

	<b>2007</b>		<b>2006</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Cash and cash equivalents	\$ 17,537,802	17,537,802	9,260,416	9,260,416
Contributions receivable, net	27,917,434	27,917,434	12,303,005	12,303,005
Other receivables	1,160,124	1,160,124	877,660	877,660
Investments	208,320,036	208,320,036	169,831,382	169,831,382
Beneficial interest in trusts held by others	12,882,219	12,882,219	11,789,284	11,789,284
Accounts payable	1,438,329	1,438,329	475,923	475,923
Liabilities under split interest agreements	4,113,861	4,113,861	3,811,028	3,811,028
Amounts held for others	2,348,022	2,348,022	2,168,353	2,168,353
Bank overdraft	990,129	990,129	—	—
Other liabilities	223,499	223,499	259,142	259,142

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

**Cash and cash equivalents, accounts payable, bank overdraft and other liabilities** – the carrying amounts approximate fair value because of the short maturity of these instruments.

**Contributions receivable, net, other receivables, and liabilities under split-interest agreements** – the fair value of contribution receivables, other receivables, and liabilities under split-interest agreements are valued at the present value of expected future cash flows discounted at an interest rate commensurate with the risk associated with the respective financial instrument.

**Investments, beneficial interest in trusts held by others, and amounts held for others** – the fair value of investments in marketable securities and interest in trusts held by others are based primarily on quoted market prices. The fair value of other investments that do not have readily determinable fair values are generally based on information provided by the respective external investment managers at the most recent valuation date and adjusted for cash flows from the valuation date to fiscal year-end, if applicable. The fair value for amounts held for others is based on the fair value of the underlying investment.

## UNIVERSITY OF HAWAII FOUNDATION

### Notes to Financial Statements

June 30, 2007 and 2006

**(9) Transactions with the University**

The Foundation has an agreement with the University to provide fund-raising and alumni services through December 31, 2009. Annual compensation from this agreement amounted to \$3,000,000 and \$2,892,871 for the years ended June 30, 2007 and 2006, respectively, of which approximately \$0 and \$185,979 was payable to the Foundation at June 30, 2007 and 2006, respectively. Under separate agreements to provide fund-raising and alumni services for individual University units, compensation amounted to \$190,910 and \$102,429 for the years ended June 30, 2007 and 2006. For these payments, sources other than the University tuition and fees special fund were used.

**(10) Commitments**

The Foundation has commitments to contribute additional amounts to its existing investments of up to approximately \$12,919,500 at June 30, 2007.