



**UNIVERSITY OF HAWAII FOUNDATION**

Financial Statements

June 30, 2008 and 2007

(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, 2008 and 2007, 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, 2008 and 2007, 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) to the financial statements, the financial statements include investments valued at \$143,564,934 at June 30, 2008 (50% 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 quoted market prices of underlying investments and information provided by the external investment managers.

**KPMG LLP**

March 16, 2009

**UNIVERSITY OF HAWAII FOUNDATION**

Statements of Financial Position

June 30, 2008 and 2007

<b>Assets</b>	<b>2008</b>	<b>2007</b>
Cash and cash equivalents	\$ 12,975,282	17,537,802
Contributions receivable, net (note 2)	32,418,532	27,917,434
Prepaid expenses and other receivables (note 9)	804,322	1,267,306
Property and equipment, at cost, net of accumulated depreciation and amortization of \$1,768,321 in 2008 and \$1,675,836 in 2007	2,218,372	2,262,614
Other assets, at cost	3,797,728	2,893,965
Investments (notes 3 and 10)	224,002,399	208,320,036
Beneficial interest in trusts held by others	19,201,331	12,882,219
<b>Total assets</b>	<b>\$ 295,417,966</b>	<b>273,081,376</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 3,230,050	1,438,329
Liabilities under split-interest agreements	4,599,574	4,113,861
Amounts held for others	2,358,769	2,348,022
Bank overdraft	—	990,129
Other liabilities	518,997	223,499
<b>Total liabilities</b>	<b>10,707,390</b>	<b>9,113,840</b>
<b>Net assets:</b>		
Unrestricted	5,222,320	3,537,900
Temporarily restricted (note 7)	132,460,061	134,187,940
Permanently restricted (note 7)	147,028,195	126,241,696
<b>Total net assets</b>	<b>284,710,576</b>	<b>263,967,536</b>
Commitments (notes 5, 6, 9, and 10)		
<b>Total liabilities and net assets</b>	<b>\$ 295,417,966</b>	<b>273,081,376</b>

See accompanying notes to financial statements.

**UNIVERSITY OF HAWAII FOUNDATION**

Statement of Activities

Year ended June 30, 2008

	Net assets			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Revenues:				
Contributions	\$ 1,574,630	29,208,692	21,174,173	51,957,495
Fees, honoraria, royalties, and other (notes 6 and 9)	3,447,379	1,606,919	356,103	5,410,401
Investment return (loss) (note 3)	3,263,159	(3,200,680)	(445,753)	(383,274)
Administrative fees	3,559,754	(3,250,772)	(308,971)	11
Fund-raising events and projects	—	2,631,488	10,947	2,642,435
	<u>11,844,922</u>	<u>26,995,647</u>	<u>20,786,499</u>	<u>59,627,068</u>
Net assets released from restrictions (note 7)	<u>28,723,526</u>	<u>(28,723,526)</u>	<u>—</u>	<u>—</u>
	<u>40,568,448</u>	<u>(1,727,879)</u>	<u>20,786,499</u>	<u>59,627,068</u>
Expenses (note 5):				
Program services:				
Extension and public services	995,502	—	—	995,502
Academic support	5,852,413	—	—	5,852,413
Research	3,094,812	—	—	3,094,812
Student aid and services	7,698,136	—	—	7,698,136
Faculty and staff support	2,371,261	—	—	2,371,261
Capital projects	510,539	—	—	510,539
Athletics	2,371,121	—	—	2,371,121
Special and other	5,829,742	—	—	5,829,742
Total program services	<u>28,723,526</u>	<u>—</u>	<u>—</u>	<u>28,723,526</u>
Supporting services:				
Administrative, management, and fiscal services (note 6)	3,199,396	—	—	3,199,396
Development	6,961,106	—	—	6,961,106
Total supporting services	<u>10,160,502</u>	<u>—</u>	<u>—</u>	<u>10,160,502</u>
Change in net assets	1,684,420	(1,727,879)	20,786,499	20,743,040
Net assets at beginning of year	<u>3,537,900</u>	<u>134,187,940</u>	<u>126,241,696</u>	<u>263,967,536</u>
Net assets at end of year	<u>\$ 5,222,320</u>	<u>132,460,061</u>	<u>147,028,195</u>	<u>284,710,576</u>

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**

Statements of Cash Flows

Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Cash received from contributions	\$ 28,074,584	23,659,640
Cash received for fees, honoraria, royalties, and other	5,054,298	4,409,439
Investment return received	7,005,784	6,824,292
Program and supporting service expenses paid	<u>(36,214,650)</u>	<u>(29,473,440)</u>
Net cash provided by operating activities	<u>3,920,016</u>	<u>5,419,931</u>
Cash flows from investing activities:		
Purchase of investments	(260,889,718)	(180,009,849)
Proceeds from sale of investments	241,210,870	179,702,101
Purchases of property and equipment	<u>(48,244)</u>	<u>(99,432)</u>
Net cash used in investing activities	<u>(19,727,092)</u>	<u>(407,180)</u>
Cash flows from financing activities:		
Amounts restricted for long-term investment	12,234,685	2,274,506
Increase (decrease) in bank overdraft	<u>(990,129)</u>	<u>990,129</u>
Net cash provided by financing activities	<u>11,244,556</u>	<u>3,264,635</u>
Net increase (decrease) in cash and cash equivalents	<u>(4,562,520)</u>	<u>8,277,386</u>
Cash and cash equivalents at beginning of year	<u>17,537,802</u>	<u>9,260,416</u>
Cash and cash equivalents at end of year	<u>\$ 12,975,282</u>	<u>17,537,802</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 20,743,040	63,272,778
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	92,486	89,027
Realized and unrealized (gains) losses on investments	6,446,845	(19,494,780)
Increase in allowance for uncollectible pledges	26,689	1,086,397
Loss on disposition of property and equipment	—	348
Increase in contributions receivable	(4,527,787)	(16,700,826)
(Increase) decrease in prepaid expenses and other receivables	462,984	(343,749)
Increase in other assets	(903,763)	(1,844,962)
Increase in accounts payable	1,791,721	962,406
Increase in liabilities under split-interest agreements	485,713	302,833
Increase in amounts held for others, net	10,747	355,824
Increase (decrease) in other liabilities	295,498	(35,643)
Amounts restricted for long-term investment	<u>(21,004,157)</u>	<u>(22,229,722)</u>
Net cash provided by operating activities	<u>\$ 3,920,016</u>	<u>5,419,931</u>

Supplemental disclosure of noncash activities:

The Foundation received noncash contributions in the amount of \$8,769,472 and \$19,955,216 in 2008 and 2007, respectively.

Unrealized gains (losses) on assets held for others were \$(131,094) and \$176,155 for the years ended June 30, 2008 and 2007, respectively.

See accompanying notes to financial statements.

# UNIVERSITY OF HAWAII FOUNDATION

## Notes to Financial Statements

June 30, 2008 and 2007

### (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, 2008 and 2007

*(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*

**Traditional structures – values based on quoted market prices**

These structures include debt and equity securities with readily determinable fair values are reported at fair value based on quoted market prices.

**Alternative structures – underlying investment values based on quoted market price**

These structures include pooled investments that are not publicly traded. The underlying debt and equity securities are publicly traded and there is visibility to the individual securities within each pooled investment. The value is based on the quoted market prices of the underlying securities.

**Alternative structures – underlying investment values based on estimates provided by fund manager or general partner**

These structures include limited partnership investments in private equity, venture capital, real estate, and hedge funds including absolute return and long/short hedge funds. Fair value is generally based on information provided by the respective external investment manager at the most recent valuation date and from the valuation date to fiscal year-end, if applicable. The private equity, venture capital, and real estate investments are not readily marketable and involve assumptions and methods that are reviewed by management. Because these 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. A portion of the investments made by certain hedge funds are also not readily marketable; additionally, hedge fund managers do not provide the detail of their underlying marketable securities. The hedge fund valuation process is carefully reviewed by management with the assistance of an outside consultant.

# UNIVERSITY OF HAWAII FOUNDATION

## Notes to Financial Statements

June 30, 2008 and 2007

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.

**(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, 2008 and 2007, contributions revenue included \$8,898,540 and \$649,410, respectively, attributable to split-interest agreements. For the years ended June 30, 2008 and 2007, investment return included \$334,875 and \$538,619, 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 is 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.

**(k) *Reclassifications***

Certain balances in the 2007 financial statements have been reclassified to conform to the 2008 presentation. These reclassifications have no effect on the previously reported changes in net assets.

**UNIVERSITY OF HAWAII FOUNDATION**

Notes to Financial Statements

June 30, 2008 and 2007

**(2) Contributions Receivable**

At June 30, 2008 and 2007, contributions receivable, net of discount for present value and allowance for uncollectible contributions consisted of the following:

	<b>2008</b>	<b>2007</b>
Contributions receivable	\$ 34,123,330	30,204,416
Less discount to present value (2% – 5% discount rate)	(407,120)	(1,015,993)
Subtotal	33,716,210	29,188,423
Less allowance for uncollectible pledges	(1,297,678)	(1,270,989)
Contributions receivable, net	\$ 32,418,532	27,917,434
Amounts to be collected in:		
Less than one year	\$ 15,458,789	9,127,711
One year to five years	18,664,541	21,076,705
Total	\$ 34,123,330	30,204,416

**(3) Investments**

Investments at June 30, 2008 and 2007 consisted of the following:

	<b>2008</b>		<b>2007</b>	
	<b>Fair values</b>	<b>Cost</b>	<b>Fair values</b>	<b>Cost</b>
Traditional structures – values based on quoted market prices:				
Domestic common stocks	\$ 12,405,568	12,455,601	16,951,091	15,110,661
Fixed income securities	50,190,869	49,769,824	40,635,439	41,037,661
Foreign common stocks	1,709,092	1,506,845	1,531,619	1,203,186
Money market funds	16,131,936	16,131,936	1,354,729	1,354,729
Alternative structures – values based on quoted market price of underlying investments:				
Domestic equity	17,879,352	15,629,980	30,212,891	19,261,527
International equity	39,841,368	43,359,441	44,587,232	34,937,970
Fixed income	22,508,257	20,680,636	20,116,664	19,863,664
Natural resources	20,043,361	8,276,120	18,755,799	10,076,462
Alternative structures – investment values based on estimates provided by investment managers:				
Hedge funds	26,396,305	24,940,091	23,743,836	22,350,000
Private equity securities	7,291,896	6,821,497	3,861,261	3,692,150
Natural resources	9,604,395	9,040,944	6,569,475	6,468,144
	\$ 224,002,399	208,612,915	208,320,036	175,356,154

**UNIVERSITY OF HAWAII FOUNDATION**

Notes to Financial Statements

June 30, 2008 and 2007

At June 30, 2008 and 2007, investments are classified as short-term and long-term as follows:

	<b>2008</b>	<b>2007</b>
Short-term	\$ 88,248,052	88,027,591
Long-term:		
Split-interest agreements	6,115,162	5,416,983
Permanently restricted	129,639,185	114,875,462
Total long-term	135,754,347	120,292,445
	\$ 224,002,399	208,320,036

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.

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 2008 and 2007, \$7,241,660 and \$6,255,709, respectively, were made available to support programs. Investment management fees amounted to \$1,134,865 in 2008 and \$812,184 in 2007. The following schedule summarizes the investment return and its classification in the statements of activities:

	Net assets			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
2008:				
Dividends and interest	\$ 1,691,125	4,251,003	121,443	6,063,571
Realized and unrealized gains (losses), net	1,572,034	(7,451,683)	(567,196)	(6,446,845)
Total return (loss) on investments	\$ 3,263,159	(3,200,680)	(445,753)	(383,274)
2007:				
Dividends and interest	\$ 1,654,990	4,862,607	112,328	6,629,925
Realized and unrealized gains, net	162,324	18,980,146	352,310	19,494,780
Total return on investments	\$ 1,817,314	23,842,753	464,638	26,124,705

# UNIVERSITY OF HAWAII FOUNDATION

## Notes to Financial Statements

June 30, 2008 and 2007

### (4) Income Taxes

The Foundation is an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is generally not subject to federal income taxes. Contributions to the Foundation are deductible for tax purposes by the donor, subject to the normal limitations imposed by the taxing authorities. However, the Foundation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material basic financial statements taken as a whole.

### (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 \$542,930 in 2008 and \$432,946 in 2007.

### (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 \$314,055 and \$255,444, respectively, in 2008 and 2007.

### (7) Restricted Net Assets

Restricted net assets consisted of the following restricted amounts at June 30, 2008 and 2007:

	<b>Temporarily restricted</b>	<b>Permanently restricted</b>
2008:		
Extension and public services	\$ 3,051,879	1,942,739
Academic support	19,231,304	16,500,495
Research	10,746,052	1,199,581
Student aid and services	21,262,218	53,230,764
Faculty and staff support	11,232,643	42,275,380
Capital projects	7,282,417	1,100,197
Athletics	4,149,811	251,349
Special and other	55,503,737	30,527,690
Total	<u>\$ 132,460,061</u>	<u>147,028,195</u>

**UNIVERSITY OF HAWAII FOUNDATION**

Notes to Financial Statements

June 30, 2008 and 2007

	<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

Net assets are released from donor restrictions primarily by incurring expenses that satisfy the restricted purpose. For the years ended June 30, 2008 and 2007, net assets released from restriction totaled \$28,723,526 and \$23,124,340, 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, 2008 and 2007. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	\$ 12,975,282	12,975,282	17,537,802	17,537,802
Contributions receivable, net	32,418,532	32,418,532	27,917,434	27,917,434
Other receivables	768,173	768,173	1,160,124	1,160,124
Investments	224,002,399	224,002,399	208,320,036	208,320,036
Beneficial interest in trusts held by others	19,201,331	19,201,331	12,882,219	12,882,219
Accounts payable	3,230,050	3,230,050	1,438,329	1,438,329
Liabilities under split-interest agreements	4,599,574	4,599,574	4,113,861	4,113,861
Amounts held for others	2,358,769	2,358,769	2,348,022	2,348,022
Bank overdraft	—	—	990,129	990,129
Other liabilities	518,997	518,997	223,499	223,499

# UNIVERSITY OF HAWAII FOUNDATION

## Notes to Financial Statements

June 30, 2008 and 2007

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 quoted market prices of the underlying investments and 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.

### (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 for each of the years ended June 30, 2008 and 2007. Under separate agreements to provide fund-raising and alumni services for individual University units, compensation amounted to \$175,047 and \$190,910 for the years ended June 30, 2008 and 2007. 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 \$13,000,000 at June 30, 2008.

### (11) Subsequent Events

Recent market conditions have resulted in an unusually high degree of volatility and increased the risks and short-term liquidity associated with certain investments held by the Foundation, which impacted the value of investments after the date of these financial statements.