

Board of Directors Meeting

Wednesday, December 3, 2025
East-West Center | Burns Hall
9:00 a.m.



Meeting
BOARD OF DIRECTORS

Research Corporation of the University of Hawai'i

Date: Wednesday, December 3, 2025 | Time: 9:00 a.m.

In-Person Location: East-West Center Burns Hall 4th Floor, Makai Wing, Room 4005/4009
1601 East-West Road, Honolulu, HI 96848

Virtual Link:

<https://hawaii.zoom.us/j/81313270772?pwd=SfKhpMUXDWOY5SQqPIYTaiuxTRQKiM.1>

Webinar ID: 813 1327 0772 | Password: 990016 | Dial-in: +1 602 753 0140

AGENDA

Public Testimony on Agenda Items

Written testimony may be submitted via email to rcuhed@rcuh.com; U.S. mail to 1601 East-West Road, Burns Hall 4th Floor, Makai Wing, Honolulu, HI 96848; or facsimile to (808) 956-0502. All written testimony submitted are public documents and will be posted on the board's website and distributed to the board. RCUH asks those who wish to provide oral testimony to limit their time allotment to three (3) minutes per testifier.

- 1. Call to Order**
- 2. Approval of Minutes of the September 3, 2025 meeting**
- 3. Financial Statements for October 2025**
- 4. Report of Audit Committee**
 - a. Audited Report for Fiscal Year ending June 30, 2025
 - b. Ratification of Audit Committee's acceptance of the FY 2025 Financial Audit
- 5. Board Decision regarding Time Limits on Public Testimony**
- 6. Executive Director's Report**
 - a. Federal Funding Update
 - b. Broadband Project Update
 - c. IT Transformation Program Updates
 - d. Update on Ship Operations transfer of Revolving Accounts
 - e. HR Benefits and Employment Updates
 - f. Progress Made on 2022-2026 Strategic Plan:
 - i. Goal 1. Evaluate and Implement Recommendations from the RCUH Task Force
 - ii. Goal 2. Clarify RCUH's identity with UH and the State.
 - iii. Goal 3. Reform RCUH's internal operations.
 - iv. Goal 4. Increase engagement and outreach to clients.
 - g. Direct Projects Update
- 7. 2026 RCUH Board of Directors Meeting Schedule**
- 8. Adjournment**



c: Office of the Lieutenant Governor

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



DRAFT Minutes

BOARD OF DIRECTORS

Research Corporation of the University of Hawai'i

Wednesday, September 3, 2025

In-Person Location: East-West Center, Burns Hall 4th Floor, 4005/4009
1601 East-West Road, Honolulu, HI 96848

Recording: <https://youtu.be/41syq9-CKYo>

PRESENT: David Karl, Taryn Salmon, Ken Kawahara, Gabriel Lee, Jaret KC Leong, Chad Walton.
Excused: William Haning.

RCUH Staff: Leonard Gouveia, Tracey Heinrich, Kaylee Hull
Attorney General's Office: Reese Nakamura

CALL TO ORDER

The meeting was called to order by Chair Karl at 9:13 a.m. Mr. Raymond Shin offered oral testimony and identified himself as an educator. He mentioned attending an SBIR/STTR research grant workshop, highlighting that these are non-dilutable federal funds. He recalled meeting UH President Wendy Hensel at a Board of Regents meeting, where two professors emphasized civic participation and digital literacy, particularly with artificial intelligence and machine learning. He noted that September is Digital Literacy Month as declared by Lieutenant Governor Sylvia Luke, and also Native Hawaiian History Month. Mr. Soon spoke about the Hawaii Technology Development Corporation (HTDC) and its new Executive Director, Truong Lan, who is focusing on industries and problem sets related to oceanography and marine biology. He added that HTDC matches up to 50% for Phase 1 federal research grants and assists with intellectual property. Lastly, he reiterated the importance of public-private partnerships with the University of Hawai'i and the state's history, mentioning the 442nd Combat Infantry Regiment. Chair Karl thanked Mr. Soon for his service and civic engagement.

WELCOME NEW BOARD MEMBERS

Chair Karl welcomed Directors Lee and Walton to the RCUH Board of Directors. He provided a brief background for each individual and invited them to offer some comments.

- **Gabe Lee** introduced himself as a UH graduate, having served on the Arts & Science alumni board and as chair of Koa Ānuenue for seven years. He joined the Board of Regents in 2022 and currently serves as its chair, expressing his eagerness to become more involved with RCUH.
- **Chad Walton** introduced himself as the new Interim Vice President for Research and Innovation, a role he took two months prior when Vassilis Syrmos transitioned to interim provost at UH Mānoa. Previously, he served as Associate Vice President for Research and Innovation and Assistant Vice Provost of Research and Scholarship at Mānoa for a decade. His background is in biomedical engineering, having been faculty in medicine and surgery and Director of Trauma Research for the state. He emphasized his extensive experience across all 10 UH campuses over the past decade.

APPROVAL OF MINUTES OF THE JUNE 4, 2025 MEETING

Upon motion made (Kawahara), seconded (Leong), and duly carried, the minutes of the June 4, 2025 meeting were approved as circulated.

FINANCIAL STATEMENTS FOR FISCAL YEAR 2025

Ms. Heinrich presented the financial results for Fiscal Year 2025 and advised that these were unaudited financials:

- Balance Sheet: Cash and cash equivalents increased by \$5.5 million compared to June 2024, primarily due to \$2 million in redemption of treasury CDs and the timing of project cost reimbursements and advances. Advances from other sponsoring agencies increased by \$2.9 million, including a \$2.4 million advance for the Mauna Kea Stewardship and Oversight Authority (MKSOA). The vacation payout reserve decreased by \$600,000, a result of a change in the fringe benefit rate (from 0.99% in FY24 to 0.45% in FY25) and a \$200,000 increase in vacation payouts.
- Income Statement: Total revenues of \$9.6 million were \$400,000 higher than budgeted, mainly due to interest income. Operating expenses were \$700,000 (8%) under budget, attributed to lower compensation and fringe benefits (\$280,000 less due to fewer FTEs and lower base salaries), reduced depreciation expense (\$194,000 less due to the SAP Go-Live shift to next year), and decreased professional and technical support (\$189,000 less due to fewer legal consultations).
- Volume of Business: The volume of business reached \$379 million, which is \$24.7 million (7%) higher than the prior fiscal year. Extramural projects increased by \$35.6 million (13.1%), including approximately \$30 million in payments for the broadband initiative. Intramural projects decreased by \$3 million (12.9%) due to activity from the UH Cancer Center. Revolving saw an anticipated reduction following the transfer of ship operations from RCUH to UH. Direct projects remained relatively flat.
- Cash Flow: Receipts for UH projects were notably high at \$53.5 million, largely due to ONI payments in June. Direct projects were up \$3.1 million due to the MKSOA advance.

FINANCIAL STATEMENTS FOR JULY 2025

In terms of the July 2025 financials, which reflect a single month of the new fiscal year, Ms. Heinrich provided the following overview:

- Balance Sheet: Cash-and -cash equivalents increased from treasury redemption and MKSOA advances, with a \$1.1 million decrease from the University of Hawai'i due to timing. The vacation payout reserve showed a \$600,000 decrease, but the fringe benefit rate was raised to 0.80% for the current fiscal year to address potential increased vacation amounts.
- Income Statement: Revenues were slightly ahead of the straight-line budget at 9.1%, again driven by interest income. Expenses were slightly under budget at 7.5%, due to timing-related factors in HR, payroll, and professional technical services, and lower salaries/wages from being under full-time headcount.
- Volume of Business: Totaled \$37.6 million, an \$8.8 million (30%) increase over July of the prior year. This increase was primarily from extramural projects, with a \$4.3 million differential in payments to Ocean Networks. Ms. Heinrich noted that income was not

dropping as some had predicted, and referred to the previously discussed six-month lag in federal funding impacts.

APPOINTMENT OF AUDIT COMMITTEE & DELEGATION OF AUTHORITY TO APPROVE FY 2025 AUDITED FINANCIAL STATEMENTS

Chair Karl explained the necessity of an Audit Committee to review and approve the Fiscal Year 2025 audited financial statements. He mentioned the previous committee members and the specialized expertise of Wally Chin, a non-board member. He called for nominations from the board. Vice Chair Salmon volunteered to participate again and offered the chair position. She noted the majority of the work occurs in October, with a proposal review in March. Director Lee volunteered to join the committee, as well as Chair Karl. The Audit Committee was appointed as follows: Vice Chair Salmon (Chair), Director Lee, and Chair Karl. Chair Karl thanked Wally Chin for his past service and noted he might be called upon in the future.

A motion was then made to delegate authority to the newly assembled Audit Committee to approve the Fiscal Year 2025 audited financial statements. Upon motion made (Kawahara), seconded (Salmon), and duly carried, the delegation of authority to the Audit Committee was unanimously approved. Ms. Hull will be in contact with the committee members within a couple of weeks to a month.

EXECUTIVE DIRECTOR'S REPORT

ED Gouveia welcomed new board members Gabe Lee and Chad Walton. He commended Ms. Hull and his leadership team for preparing succinct board packets, and praised the RCUH team as small, efficient, and aligned with RCUH's mission to support the University of Hawai'i.

Federal Funding Update: ED Gouveia highlighted that uncertainty in federal funding remains high among higher education institutions nationally. Despite this, President Hensel reported a new extramural funding record for UH of \$734 million in Fiscal Year 2025. RCUH processed \$354 million in FY24, \$379 million in FY25, and \$37 million for the first month of the current fiscal year, a significant increase of \$10 million compared to July 2024. He noted that an anticipated decrease has not yet materialized. The President and the UH team, including ED Gouveia, are closely monitoring the situation to minimize potential impacts. The most significant impact observed at RCUH is a rise in involuntary terminations among Regular-status employees, primarily due to project terminations, program needs, and budgetary constraints. This has led to a marked increase in unemployment insurance claims, with \$75,000 in payouts in July 2025 compared to \$30,000 in July 2024 and \$37,000 in July 2023. RCUH's reserves are currently sufficient to cover these claims. Vacation reserves are also being heavily drawn upon, as accelerated involuntary terminations lead to higher payouts.

Progress on IT Transformation Program: ED Gouveia reported that the finance team is moving forward with the SAP 4HANA implementation, but system operating costs have increased, and the go-live timeline has been delayed. He noted that Ms. Heinrich is collaborating with SAP and

DataHouse to find the most cost-effective solutions. The go-live date is now expected in the first quarter of calendar year 2026.

ONI Project Update RCUH continues to provide support for the broadband project. ED Gouveia stated that Garrett Yoshimi, UH OVPIT and CIO, would provide a detailed update on this project, specifically focusing on RCUH's contributions.

Mauna Kea Stewardship and Oversight Authority (MKSOA) Update: RCUH continues to support MKSOA's transitional requirements. RCUH recently completed an RFP for consultant services to assist in developing MKSOA's 5- to 10-year management and strategic plan, which must address requirements of Act 255 and ensure proper land management for Mauna Kea. RCUH is also involved in the complex process of restructuring personnel who are currently RCUH employees. The plan has a tight timeline, needing completion by 2028.

Launch of refreshed RCUH website: ED Gouveia announced that the new RCUH website is expected transition on Sept. 6. The objective was a modern design that better reflects RCUH's identity and provides easier access to policies and procedures. Ms. Hull provided a virtual demonstration of the new website. The new site features a modern layout with an alert banner, quick links for frequent users (i.e., employees, Pls, FAs), and showcases RCUH's values (efficiency, responsiveness, service) and supported projects. It includes news sorted by relevant topics, important dates like board meetings and payroll deadlines, and features supported projects such as GoFarm Hawaii and HIMB, linking directly to their websites. The site also contains videos on RCUH's mission and a searchable Resources tab for policies, forms, and documents, sortable by type and topic. Additionally, there are dedicated pages for different positions (i.e., employees, Pls/supervisors, fiscal administrators). The new site is anticipated to be live by Monday morning, Sept. 9, 2025. Ms. Hull confirmed that a history of RCUH section with historical highlights from the 1960s is available under "Introduction to RCUH". ED Gouveia noted that current cost-cutting measures, due to federal funding uncertainties, have limited expenses like new videos.

Progress Made on 2022-2026 Strategic Plan: ED Gouveia acknowledged that detailed progress on the current 2022-2026 Strategic Plan is included in the executive reports. He emphasized that the development of a new 5-year strategic plan for the period after 2026 will be critical for the Board. This new plan will define what the University of Hawai'i needs from RCUH and the necessary support, informed by the analysis of federal funding and future needs.

Direct Projects Update: RCUH supports both University of Hawai'i projects and direct projects for other state agencies. ED Gouveia reported on two new direct projects and eight project extensions. He specifically noted the denial of a request from the Hawaii High Intensity Drug Trafficking Areas (HIDTA), explaining that after careful consideration by himself, Ms. Heinrich, and the direct project administration manager, the request did not meet the criteria for RCUH support. He stressed that RCUH takes these projects seriously and must ensure their appropriateness. Chair Karl inquired about the governor's sustainability fund and whether RCUH would be involved. ED Gouveia stated RCUH had not been specifically contacted about this fund but had generally discussed its capabilities with various individuals. He reiterated the importance of legislative support and early planning for RCUH to handle such large-scale initiatives.

HAWAII BROADBAND INITIATIVE UPDATE

ED Gouveia introduced VPIT Yoshimi and asked him to provide an update on the Hawaii Broadband Initiative, acknowledging its complex history and various moving parts involving P3 (i.e., Public-Private Partnerships) and outside investors. VPIT Yoshimi thanked RCUH for its critical support in executing the projects, particularly for handling large commitments and managing cash flow. He explained that special procedures are in place for UH to reimburse RCUH for Ocean Networks' contracts within a two-week window, which then allows UH to seek federal reimbursement promptly. RCUH's procurement and HR teams have provided absolute support for these efforts. The largest funding source is the U.S. Treasury, with \$112 million allocated to UH out of \$115 million for the state's internet cable project. Another significant source is the NTIA and Department of Commerce. Both agencies continue to provide strong support without any indications of funding fallback, with the Treasury being particularly complimentary of the project's progress. The interisland system, managed by Ocean Networks, Inc., is approximately one-third through its budget and is on or ahead of schedule, with expected completion within 15 months. Other projects funded through Commerce and NTIA are anticipated to take several more years. The internet cable will land at all six major Hawaiian islands, with permitting and environmental reviews underway. Supplier contracts for the interisland project have been secured, and the system, known as HIFO (Hawaiian Islands Fiber Optic), is now recognized on the Global TeleGeography map. Early survey work was completed with ARPA funds, with Treasury funds now driving the actual design and construction. Furthermore, Google's trans-Pacific cables will land at the UH West O'ahu campus, significantly boosting the state's connectivity to the continental U.S. and Japan. The internet cable project completion date is the end of calendar year 2026, while terrestrial sites under the Commerce Project have a four-year implementation window. In response to a query about public accessibility of project details, Mr. Yoshimi directed the board to [ConnectKakou.org](https://connectkakou.org), the Lieutenant Governor's umbrella site, which links to the [Hawaii.edu](https://hawaii.edu/broadband) broadband site for more detailed information.

IT TRANSFORMATION UPDATE FROM DATAHOUSE

ED Gouveia introduced Eddie Ontai, President of DataHouse, and Scott Fujieda, Chief Security Architect, noting DataHouse's long-standing partnership with RCUH and UH. Mr. Ontai shared that DataHouse is celebrating its 50th anniversary, founded in 1975 by Dan Arita, a former UH CIO and the state's first CIO. The company aims to leverage technology to create high-paying local jobs and has partnered with UH to source talent. He highlighted that DataHouse built RCUH's original procurement and contract management system in the 1980s, which is now almost 40 years old and needs replacement.

The current IT Transformation journey began in 2017 with the ITTP document, and the project was kicked off in 2022. Mr. Ontai transparently stated that the project is not on time or on budget. Mr. Fujieda explained that the project, when first presented in 2022, was aligned with RCUH's 2026 strategic plan. The previous situation involved siloed departments, independent systems (including the 30-year-old AS400), and difficult information sharing, which was unsustainable. The envisioned future involves connected platforms and ecosystems, with an Enterprise Integration Platform (EIP) to facilitate information exchange and bind everything together. The plan called for investment in enterprise-scale technologies for scalability and security, modernizing solutions and user

experiences for both staff and researchers. The AS400 was not originally built for accounting and was a highly customized workaround. The recommended solution included a SaaS financial solution and modernizing the FIS web app. The scope of work involved two phases: implementing the EIP and updating the web app, followed by planning and upgrading the financial system to replace the AS400. The goal was to build a system for the next 30 years, ensuring high customer satisfaction while modernizing the web app without drastic changes to the user experience. The core modernization involved replacing the underlying financial system, as many standard accounting procedures were performed manually. After evaluating SAP, Oracle, and MS Dynamics, SAP was selected as the global enterprise solution, aiming to adopt its standardized processes rather than build another customized solution dependent on DataHouse.

Mr. Fujieda detailed the project journey. The initial plan was created in 2020, but a significant lull occurred between 2020 and 2023 due to the pandemic, halting system upgrades. The project regained momentum in late 2022, prompted by a KFS update. The sequence of phases was flipped to establish the EIP first to accommodate new data, which was completed within eight months. The web app updates, however, took longer, going live in July 2024. The SAP implementation began in 2023 but experienced resource shortages due to the ongoing Phase 1 and other RCUH priorities. Progress improved in Q4 2024 with the arrival of Ms. Heinrich, who provided clearer requirements. Upcoming steps include building a data warehouse, and AS400 data conversion, with the go-live still projected for Q1 in 2026. Regarding budget comparisons, Mr. Fujieda indicated that service costs show a large variance due to project delays (extending the project and keeping teams intact). Software costs also show a significant variance, primarily because the initial 2020 budget did not anticipate SAP's 2023 cloud license subscriptions, which are consumption-based (i.e., based on data sent in and out of the system) rather than traditional licenses. These consumption-based credits led to unexpected rates. Vice Chair Salmon emphasized the critical need for consumption rationalization and a strong partnership with DataHouse to manage internal business processes effectively. ED Gouveia acknowledged that Ms. Heinrich's involvement helped get the project back on track after initial delays, including impacts from COVID-19. He noted the shift from a highly customized AS400 system, which allowed for quick fixes, to a more standardized, off-the-shelf SAP system. He mentioned past frustrations where RCUH followed a state-selected path, only for the state to change direction, leading to delays and increased costs.

EXECUTIVE SESSION

Upon motion made (Salmon), seconded (Kawahara), and duly carried, the Board convened in executive session at 10:55 a.m. to consider the evaluation of the RCUH Executive Director, pursuant to Section 92-5(a)(s) of the Hawai'i Revised Statutes. The meeting resumed at 11:15 a.m.

ELECTION OF OFFICERS

Ms. Hull facilitated the election of officers. For the position of Board Chair, Director Kawahara and Vice Chair Salmon were nominated by their peers. Both candidates provided statements, with Director Kawahara reflecting on his experience working with RCUH employees and Vice Chair Salmon speaking on her background as an engineer and scientist. Ballots were cast, resulting in a 3-2 vote for Director Kawahara. Ms. Hull clarified that five votes (a unanimous decision, given present

members) were required for validation. Chair Karl expressed a desire for a resolution today and suggested proceeding with the Vice Chair Election first.

For the position of Board Vice Chair, Chair Karl nominated Vice Chair Salmon, who expressed her willingness to continue serving in her current role. No further nominations were received. A roll call vote was conducted and the motion carried unanimously.

Ms. Hull re-opened the nominations for Board Chair and Director Kawahara was nominated. No further nominations were received. A roll call vote was conducted and the motion carried unanimously. Chair Karl thanked Ms. Hull for facilitating and expressed his support for the new leadership. Director Kawahara, Vice Chair Salmon, and ED Gouveia thanked Chair Karl for his leadership and contributions to RCUH during these challenging times.

ADJOURNMENT

Upon motion made, seconded, and duly carried, the meeting adjourned at 11:30 a.m.

/s/

Kaylee Hull
Executive Administrator

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

Financial Statement Summary – October 2025

Overview of the organization's financial position as of October 31, 2025, with analysis compared to the prior year and budget.

Balance Sheet: October 2025 vs. October 2024

Key variances on the Balance Sheet are concentrated in cash, fixed assets, and specific liabilities.

- **Cash and Cash Equivalents:** Cash has increased by \$3.4 million compared to the prior year. This is primarily the result of \$3.0 million in redemptions of Time Certificate of Deposits (TCDs); at present, RCUH does not plan to reinvest in new TCDs. The remaining variance is due to the timing of project cost reimbursements and advances, including a net \$1.7 million from other sponsoring agencies (driven by a \$2.4 million advance for the Mauna Kea Stewardship & Oversight Authority) offset by a \$1.2 million increase in receivables from the University of Hawaii.
 - **Forward-Looking Note:** Ship Operations revolving accounts will be closed, and the remaining \$7.3 million account balance will be refunded.
- **Fixed Assets:** Fixed assets have increased by \$462k (11.0%) due to the ongoing SAP S/4HANA implementation and the Data Warehouse. Capitalized costs are being recorded in fixed assets, and depreciation will commence after the respective projects go-live.
- **Vacation Payout Reserve:** The reserve has decreased by \$593k (86%). This significant reduction is due to a combination of fringe benefit rate changes and a higher-than-anticipated volume of vacation payouts in Fiscal Year 2026 (FY26). We will continue to monitor and currently expect the fringe rate to increase in Fiscal Year 2027.
- **Subscription Liability:** This liability has doubled from the prior year. The increase is driven by the license agreement with Carahsoft for SAP S/4HANA (\$139k). The remainder of the balance is for the Litmos subscription, which is in its final contract year.

Income Statement: YTD vs. Budget

Four months into FY26, the expectation for straight-line budget utilization would be 33.3%.

- **Revenues:** Revenues are slightly ahead of budget at 37%, primarily due to higher-than-budgeted interest income.

Financial Statement Summary – October 2025

- **Expenses:** Expenses are slightly under budget at 31%, representing a favorable variance of \$194k. This is attributable to:
 - **IT Services, HR/Payroll (\$84k):** Due to the timing of expenses or delay of internal projects. Maintenance and Operations support costs for SAP 4/Hana are budgeted for but will not be incurred until the last quarter of FY26. HR/Payroll spend is lower as only those projects deemed essential or mandated are being done while all efficiency improvements are on hold.
 - **Salaries and Wages (\$68k):** A combination of operating with fewer FTEs than budgeted and no merit payouts occurring during this period.
 - **Professional/Technical (\$45k):** Lower-than-budgeted utilization of external consultations (e.g., tax attorneys) at this point in the fiscal year.

Volume of Business: October 2025 YTD vs. October 2024 YTD

As of October 2025, year to date (YTD) Volume of Business was \$145.2 million. This is an increase of \$21.9 million (17.8%) compared to the prior YTD.

The increase was primarily driven by Extramural projects, which saw growth of \$21.0m (20.7%) over prior YTD. The Broadband project has processed \$19.8 million in payments YTD, compared to \$6.2 million in the prior YTD.

An increase of \$2.6m (26.2%) was seen in SSRC/Revolving/SSF projects due to School of Ocean and Earth Science and Technology (SOEST) Ship Operations expenditures of \$7.5m in CY versus \$4.3m in prior year due to the dry-dock of the R/V *Kilo-Moana*.

There has been a reduction in YTD Intramural project volume of \$1.8m (25%) due to various SOEST projects (\$750k) and several University of Hawaii Cancer Center projects (\$646k).

Cash Flow Statement: October 2025 vs. October 2024

The Statement of Cash Flow reflects the increased operational activity. The YTD increase in cash receipts (before TCDs) of \$22.8 million and the YTD increase in vendor disbursements of \$25.7 million are both correlated to the 17.8% increase in Volume of Business detailed above.

RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII
BALANCE SHEETS
October 31, 2025 and 2024

ASSETS	<u>2025</u>	<u>2024</u>
CASH AND CASH EQUIVALENTS	\$ 17,869,300	\$ 14,482,941
RESTRICTED CASH (RETIREE MEDICAL AND LIFE INSURANCE)	1,700,000	1,700,000
TIME CERTIFICATES OF DEPOSIT	-	3,000,000
SHORT TERM INVESTMENT	4,400,853	4,203,221
RECEIVABLES		
UNIVERSITY OF HAWAII, NET	5,047,279	3,814,397
PREPAID EXPENSES	<u>206,273</u>	<u>220,991</u>
TOTAL CURRENT ASSETS	<u>29,223,705</u>	<u>27,421,550</u>
FIXED ASSETS (Less accumulated depreciation of \$7,084,216 and \$6,571,942 for FY 2026 and FY 2025, respectively)	<u>4,526,763</u>	<u>4,065,195</u>
TOTAL ASSETS	<u><u>\$ 33,750,468</u></u>	<u><u>\$ 31,486,745</u></u>
 LIABILITIES AND RETAINED EARNINGS		
LIABILITIES:		
ACCOUNTS PAYABLE	\$ 343,827	\$ 299,746
ACCRUED EXPENSES AND PAYROLL TAXES WITHHELD	3,117,223	3,056,662
ADVANCES		
OTHER SPONSORING AGENCIES, NET	5,442,664	3,694,905
WORKER'S COMPENSATION RESERVE	2,558,891	2,594,682
UNEMPLOYMENT RESERVE	3,070,542	3,381,928
VACATION PAY OUT RESERVE	<u>96,097</u>	<u>688,914</u>
TOTAL CURRENT LIABILITIES	<u>14,629,244</u>	<u>13,716,837</u>
LEASE LIABILITY	15,801	25,669
SUBSCRIPTION LIABILITY	188,415	90,866
ACCRUED SUPPLEMENTAL RETIREMENT BENEFITS	1,745,358	1,763,776
RETIREE MEDICAL AND LIFE INSURANCE BENEFITS	<u>2,505,770</u>	<u>2,524,089</u>
TOTAL LIABILITIES	<u>19,084,588</u>	<u>18,121,237</u>
RETAINED EARNINGS:		
INVESTED IN CAPITAL ASSETS	4,526,763	4,065,195
DESIGNATED FOR:		
WORKING CAPITAL	8,919,551	8,132,003
PROJECT CONTINGENT LIABILITIES RESERVE	<u>1,219,566</u>	<u>1,168,310</u>
TOTAL RETAINED EARNINGS	<u>14,665,880</u>	<u>13,365,508</u>
TOTAL LIABILITIES AND RETAINED EARNINGS	<u><u>\$ 33,750,468</u></u>	<u><u>\$ 31,486,745</u></u>

NOTES:

- 1) This balance sheet does not include accruals for liabilities related to project expenditures.
- 2) Outstanding purchase orders totaled \$146,915,515 and \$123,892,555 at October 31, 2025 and 2024, respectively.

RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE PERIOD ENDED OCTOBER 31, 2025 and 2024

	FYE 6/30/26 BUDGET	YTD ACTUAL	% OF BUDGET	YTD LAST YEAR
REVENUES:				
UNIVERSITY OF HAWAII	\$ 7,518,688	\$ 2,621,768	34.9%	\$ 2,687,211
OTHER SPONSORING AGENCIES	617,942	198,103	32.1%	193,714
INTEREST AND OTHER INCOME	580,000	409,594	70.6%	488,083
TOTAL OPERATING REVENUES	8,716,630	3,229,465	37.0%	3,369,008
OPERATING EXPENSES:				
SALARIES & WAGES	3,769,646	1,188,902	31.5%	1,284,321
FRINGE BENEFITS	904,958	299,088	33.0%	300,125
INFO TECH SERVICES	755,000	220,083	29.2%	243,837
HUMAN RES./PAYROLL SYSTEM	738,971	193,660	26.2%	249,638
SUPPLIES	58,000	3,214	5.5%	17,619
TRAVEL	29,000	304	1.0%	7,036
CPA SERVICES	56,628	56,628	100.0%	54,450
UTILITIES	13,000	2,979	22.9%	1,078
RENTAL - SPACE/EQUIP/OTHER	160,000	50,885	31.8%	49,232
BANK FEES	48,000	15,798	32.9%	15,251
TRANSPORTATION	500	-	0.0%	-
BOARD OF DIRECTORS MEETINGS	5,000	369	7.4%	518
INSURANCE	682,000	215,660	31.6%	217,642
PROFESSIONAL/TECHNICAL SUPPORT	221,821	28,743	13.0%	28,776
DISCRETIONARY FUND	10,000	2,676	26.8%	908
STAFF DEVELOPMENT	24,925	2,410	9.7%	8,438
TRAINING MATERIAL DEVELOPMENT	70,000	55,276	79.0%	55,194
TUITION SUPPORT	50,000	7,974	15.9%	5,748
OTHER	112,980	41,312	36.6%	30,778
DEPRECIATION EXPENSE	701,000	233,600	33.3%	236,000
CLAIMS & SETTLEMENTS	28,156	-	0.0%	-
TOTAL OPERATING EXPENSES	8,439,585	2,619,561	31.0%	2,806,589
OPERATING INCOME	\$ 277,045	\$ 609,904		\$ 562,419
INVESTMENT IN CAPITAL ASSETS				
FIXED ASSETS	-	10,715		33,717
IT SYSTEM DEV - INFO TECH SERVICES	472,000	293,729		314,136
IT SYSTEM DEV - HR/PAYROLL SYSTEM	219,000	17,387		110,456
TOTAL INVESTMENT IN CAPITAL ASSETS	\$ 691,000	\$ 321,831		\$ 458,309

RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII
RETAINED EARNINGS (NET ASSETS)
OCTOBER 31, 2025

CHANGES IN RETAINED EARNINGS

	INVESTED IN CAPITAL ASSETS	WORKING CAPITAL	PROJ CONTING LIABILITIES	TOTAL OPER FUND BALANCE
BEGINNING BALANCE AS OF JULY 1, 2025	\$ 4,438,531	\$ 8,397,879	\$ 1,219,566	\$ 14,055,976
OPERATING INCOME	(233,600)	843,504	-	609,904
INVESTMENT IN CAPITAL ASSETS	321,832	(321,832)	-	-
ENDING BALANCE	<u>\$ 4,526,763</u>	<u>\$ 8,919,551</u>	<u>\$ 1,219,566</u>	<u>\$ 14,665,880</u>

VOLUME OF BUSINESS

	FY 2026 YTD	FY 2025 YTD
UH PROJECTS		
EXTRAMURAL	\$ 122,182,053	\$ 101,204,349
INTRAMURAL	5,448,740	7,265,815
SRRC, REVOLVING & SSF	12,596,455	9,984,400
DIRECT PROJECTS		
FEDERAL	-	-
NON-FEDERAL	4,943,090	4,821,887
	<u>\$ 145,170,338</u>	<u>\$ 123,276,451</u>

RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII
STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED OCTOBER 31, 2025 and 2024

	CURRENT MONTH	FY 2026 YTD	FY 2025 YTD
BEGINNING CASH BALANCE	\$ 25,472,545	\$ 27,700,519	\$ 22,164,986
Receipts:			
UH Projects	27,240,051	131,300,082	107,248,467
Direct Projects	1,760,963	4,366,363	5,615,425
Revolving Funds and Other	815,551	2,262,828	2,191,755
UH Management Fee	-	-	-
	<u>29,816,565</u>	<u>137,929,273</u>	<u>115,055,647</u>
TCD Redemption	<u>-</u>	<u>1,000,000</u>	<u>2,000,000</u>
Total Receipts	<u>29,816,565</u>	<u>138,929,273</u>	<u>117,055,647</u>
Disbursements:			
Vendors	22,007,227	85,906,567	60,163,654
UH Payroll Clearing	17,421	31,961	26,353
Salaries & Wages	9,008,290	36,954,481	36,314,642
Payroll taxes	3,621,414	14,714,697	15,231,032
TIAA-CREF	1,272,010	5,103,767	5,025,626
HMSA/Kaiser/HDS	1,490,980	6,051,951	5,973,385
TCD Purchase	-	-	2,000,000
	<u>37,417,342</u>	<u>148,763,424</u>	<u>124,734,692</u>
Total Disbursements	<u>37,417,342</u>	<u>148,763,424</u>	<u>124,734,692</u>
Other Increase(Decrease):			
Change in Petty Cash Balances	<u>(2,468)</u>	<u>2,932</u>	<u>(3,000)</u>
Total Other Increase/(Decrease)	<u>(2,468)</u>	<u>2,932</u>	<u>(3,000)</u>
ENDING CASH BALANCE	<u><u>\$ 17,869,300</u></u>	<u><u>\$ 17,869,300</u></u>	<u><u>\$ 14,482,941</u></u>

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

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

Fiscal Years Ended June 30, 2025 and 2024



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RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII

STATE OF HAWAII

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Research Corporation of the University of Hawai'i (Corporation), a component of the University of Hawai'i, as of and for the fiscal years ended June 30, 2025 and 2024, 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, 2025 and 2024, 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, 2025 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

N&K CPAs, Inc.

Honolulu, Hawai'i
October 30, 2025

RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII
STATE OF HAWAII
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Years Ended June 30, 2025 and 2024

Management's Discussion and Analysis

The following discussion and analysis provides an overview of the financial position and results of operations for the Research Corporation of the University of Hawaii, State of Hawaii ("Corporation") for the fiscal year ended June 30, 2025. 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 financial statements and accompanying notes to the financial statements.

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

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

Financial Highlights

In 2025, the Corporation's volume of business (project expenditures) continued an upward trend. There was a 7% increase in volume of business from 2024 to 2025, which followed a 6% increase in volume of business from 2023 to 2024, and a 16% increase in volume of business from 2022 to 2023. The increase in volume of business correlates to an increase in research awards to the University. Prior to 2022, the Corporation had experienced a comparatively stable volume of business activity from 2016 through 2021.

Fiscal Year	Project Expenditures	Annual	
		Amount (Decrease) Increase	Percentage (Decrease) Increase
2025	\$ 379,244,010	\$ 24,730,956	7%
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%)

RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAI'I
STATE OF HAWAI'I
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Fiscal Years Ended June 30, 2025 and 2024

For the fiscal year ended June 30, 2025, the Corporation was required to implement Governmental Accounting Standards Board Statement No. 101, *Compensated Absences* ("GASB 101"). This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. As a result of adopting this standard, comparability with reports issued in prior years is affected. Due to the adoption of GASB 101 in fiscal year 2025, beginning net position as of July 1, 2023 was restated by \$435,548 from \$10,968,771 to \$10,533,223. The Corporation recognized total compensated absence liability of \$20,801,688 and \$19,740,291 at June 30, 2025 and 2024, respectively. The condensed financial information for 2023 included in the following discussion and analysis has not been restated to reflect the adoption of GASB 101, and as a result 2023 amounts may not be comparable to 2024 or 2025.

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.

**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII
STATE OF HAWAII
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Fiscal Years Ended June 30, 2025 and 2024**

Condensed Statements of Net Position

The Corporation's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2025, 2024 and 2023 are summarized below:

	2025	As Restated 2024	As Previously Reported 2023
Current assets	\$ 74,367,551	\$ 64,029,795	\$ 50,412,810
Capital assets	<u>4,438,532</u>	<u>3,842,885</u>	<u>3,431,018</u>
Total assets	78,806,083	67,872,680	53,843,828
Deferred outflows of resources	<u>79,199</u>	<u>34,712</u>	<u>81,799</u>
Total assets and deferred outflows of resources	\$ <u>78,885,282</u>	\$ <u>67,907,392</u>	\$ <u>53,925,627</u>
Current liabilities	\$ 53,209,292	\$ 44,088,179	\$ 37,954,343
Noncurrent liabilities	<u>10,885,324</u>	<u>10,522,193</u>	<u>4,219,642</u>
Total liabilities	64,094,616	54,610,372	42,173,985
Deferred inflows of resources	<u>734,690</u>	<u>929,478</u>	<u>782,871</u>
Total liabilities and deferred inflows of resources	64,829,306	55,539,850	42,956,856
Net position			
Net investment in capital assets	4,234,317	3,726,351	3,144,620
Unrestricted	<u>9,821,659</u>	<u>8,641,191</u>	<u>7,824,151</u>
Total net position	<u>14,055,976</u>	<u>12,367,542</u>	<u>10,968,771</u>
Total liabilities, deferred inflows of resources and net position	\$ <u>78,885,282</u>	\$ <u>67,907,392</u>	\$ <u>53,925,627</u>

Overall, the Corporation's financial condition at June 30, 2025 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 16% from 2024 to 2025 mainly due to an increase in receivables from the University. The increase in receivables from the University is primarily due to the timing of receipts from the University for project cost reimbursements and relates to the increase in accounts payable for vendor payments. Current assets increased by 27% from 2023 to 2024 primarily due to an increase in receivables from the University related to the transfer of revolving accounts and related cash balances of \$11,601,671 from the Corporation to the University in 2024.

RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAI'I
STATE OF HAWAI'I
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Fiscal Years Ended June 30, 2025 and 2024

Capital asset acquisitions for 2025 and 2024 totaled \$1,244,096 and \$1,231,920, respectively. Significant acquisitions were made in 2025 and 2024 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 2025 and 2024 was \$648,449 and \$737,381, respectively.

Liabilities

Current liabilities consist primarily of accounts payable, accrued salaries, and the current portion of compensated absences. Current liabilities increased by 21% from 2024 to 2025. A portion of the increase in current liabilities was the result of an increase in accounts payable for vendor payments which relates to the increase in the Corporation's volume of business. The other portion of the increase in current liabilities was the result of an increase in advances from other sponsoring agencies. Current liabilities increased by 16% from 2023 to 2024 as a result of an increase in accounts payable to vendors and an increase in the liability for compensated absences related to the implementation of GASB 101.

Noncurrent liabilities increased from 2024 to 2025 and from 2023 to 2024. Long-term liabilities additions for 2025 and 2024 totaled \$1,453,836 and \$869,349, respectively. Changes in noncurrent liabilities were primarily due to changes in the liability for compensated absences related to the implementation of GASB 101.

Net Position

Net investment in capital assets at June 30, 2025 and 2024 totaled \$4,234,317 and \$3,726,351, respectively.

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

**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAI'I
STATE OF HAWAI'I
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Fiscal Years Ended June 30, 2025 and 2024**

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, 2025, 2024 and 2023 are summarized as follows:

	<u>2025</u>	<u>As Restated 2024</u>	<u>As Previously Reported 2023</u>
Operating revenues			
University of Hawai'i	\$ 7,803,810	\$ 7,482,045	\$ 7,338,439
Other sponsoring agencies	<u>567,033</u>	<u>574,892</u>	<u>555,513</u>
Total operating revenues	8,370,843	8,056,937	7,893,952
Operating expenses			
Personnel costs	4,608,589	4,206,023	4,048,929
Data processing services	1,355,155	1,532,546	1,477,290
Insurance	672,229	632,582	586,066
Depreciation and amortization	648,449	737,381	840,329
Office and equipment rental	138,363	2,122	113,925
Professional and technical support	125,154	176,827	215,117
Other expenses	<u>446,727</u>	<u>649,211</u>	<u>403,076</u>
Total operating expenses	<u>7,994,666</u>	<u>7,936,692</u>	<u>7,684,732</u>
Operating income	376,177	120,245	209,220
Nonoperating revenues			
Intergovernmental (Federal awards)			
Revenue	--	74,971	102,251
Expense	--	(74,971)	(102,251)
Interest income	1,246,435	1,628,977	1,186,970
Unrealized gain	<u>65,822</u>	<u>85,097</u>	<u>314</u>
Increase in net position	1,688,434	1,834,319	1,396,504
Net position			
Beginning of year, as previously reported	12,367,542	10,968,771	9,572,267
Restatement due to change in accounting principle	<u>--</u>	<u>(435,548)</u>	<u>--</u>
Beginning of year, as restated	--	10,533,223	--
End of year	\$ <u>14,055,976</u>	\$ <u>12,367,542</u>	\$ <u>10,968,771</u>

In fiscal year 2025, management fees earned from the University increased by 4% in comparison to fiscal year 2024. Under the terms of the Internal Agreement, the management fee for University extramurally sponsored accounts is based on a percentage of administrative operating expenses. A portion of the increase in management fees from the University was related to an increase in administrative operating expenses. The other portion of the increase in management fees was related to an increase in indirect cost revenues for University internally funded and research recharge accounts as a result of the increase in volume of business for these project types. The effective rate charged to the University by the Corporation was 2.7% of modified total direct costs for fiscal year 2025. Operating revenues earned from other sponsoring agencies in 2025 was comparable to 2024. The blended indirect cost rate for other sponsored agencies was 3.1% for fiscal year 2025.

RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAI'I
STATE OF HAWAI'I
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Fiscal Years Ended June 30, 2025 and 2024

In fiscal year 2024, management fees earned from the University slightly increased by 2% in comparison to fiscal year 2023. 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.

Operating expenses in fiscal year 2025 slightly increased by 1% in comparison to fiscal year 2024. The increase in administrative operating expenses was primarily due to an increase in personnel costs.

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.

For fiscal year 2025, the Corporation's net position (excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources) increased by \$1,688,434 as a result of the fiscal year's activities, which was mainly driven by non-operating revenue from interest income of \$1,246,435. For fiscal year 2024, the Corporation's net position increased by \$1,834,319 as a result of the fiscal year's activities, which was mainly driven by non-operating revenue from interest income of \$1,628,977.

Condensed Statements of Cash Flows

The Corporation's statements of cash flows for the fiscal years ended June 30, 2025, 2024 and 2023 are summarized as follows:

	2025	As Restated 2024	As Previously Reported 2023
Operating activities			
Cash received from operations	\$ 8,434,786	\$ 8,175,419	\$ 7,763,869
Cash payments for operations	(7,396,098)	(7,821,305)	(6,946,897)
Project expenditures and reimbursements, net	<u>852,070</u>	<u>(10,193,220)</u>	<u>3,057,987</u>
Net cash provided by (used in) operating activities	1,890,758	(9,839,106)	3,874,959
Capital and related financing activities	(1,156,415)	(1,330,298)	(993,220)
Investing activities	<u>3,960,419</u>	<u>3,263,601</u>	<u>11,858,920</u>
Increase (decrease) in cash	4,694,762	(7,905,803)	14,740,659
Cash, cash equivalents, and restricted cash			
Beginning of year	<u>28,063,995</u>	<u>35,969,798</u>	<u>21,229,139</u>
End of year	\$ <u><u>32,758,757</u></u>	\$ <u><u>28,063,995</u></u>	\$ <u><u>35,969,798</u></u>

**RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAI'I
STATE OF HAWAI'I
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
Fiscal Years Ended June 30, 2025 and 2024**

Changes in net project expenditures and reimbursements in 2025 and 2023 stem from the timing of receipts from the University for cost reimbursable and advance funded projects. 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. The change in capital and related financing activities in 2025, 2024, and 2023, was due to fixed asset acquisitions which included the development and enhancement of software applications for human resources and financial services. The change in investing activities in 2025 and 2024 was due to the redemption of time certificates of deposit and interest income received on cash deposits and investments. The change in investing activities in 2023 was mainly due to the redemption and purchase of time certificates of deposit.

Looking Forward

In January 2025, the Office of Management and Budget of the of the United States of America Federal Government instituted a freeze on the disbursement of federal grants. The extent to which the funding freeze impacts the Corporation's operations will depend on future developments which are highly uncertain and cannot be predicted with any measure of certainty or probability. As a result, the Corporation is unable to estimate what impact, if any, the funding freeze may have on future operations.

The University received approximately \$734,000,000 in extramural research and training awards during fiscal year 2025, which was a new record high and an increase of 19% over fiscal year 2024. In 2024, the University received approximately \$615,700,000 in extramural research and training awards during fiscal year 2024, an increase of 19% over fiscal year 2023 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 remain steady during fiscal year 2026 despite the uncertainty of any Federal funding freeze.

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 2026 was approved with a 2% decrease below the fiscal year 2025 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, 2025 and 2024

	2025	(Restated) 2024
Assets and Deferred Outflows of Resources		
Current assets		
Cash and cash equivalents	\$ 31,767,260	\$ 27,337,783
Time certificates of deposit	1,000,000	3,000,000
Investments	1,008,212	1,656,374
Receivables		
University of Hawai'i	39,359,045	31,091,925
Allowance for doubtful accounts	(5,000)	(5,000)
Total receivables	<u>39,354,045</u>	<u>31,086,925</u>
Prepaid expenses	246,537	222,501
Restricted cash	<u>991,497</u>	<u>726,212</u>
Total current assets	74,367,551	64,029,795
Noncurrent assets		
Capital assets, net	<u>4,438,532</u>	<u>3,842,885</u>
Total noncurrent assets	<u>4,438,532</u>	<u>3,842,885</u>
Total assets	<u>78,806,083</u>	<u>67,872,680</u>
Deferred outflows of resources		
Deferred outflows for postemployment health care and life insurance benefits	<u>79,199</u>	<u>34,712</u>
Total deferred outflows of resources	<u>79,199</u>	<u>34,712</u>
Total assets and deferred outflows of resources	\$ <u><u>78,885,282</u></u>	\$ <u><u>67,907,392</u></u>

The accompanying notes are an integral part of these statements.

Research Corporation of the University of Hawai'i
State of Hawai'i
STATEMENTS OF NET POSITION (Continued)
June 30, 2025 and 2024

	2025	(Restated) 2024
Liabilities and Deferred Inflows of Resources		
Current liabilities		
Accounts payable	\$ 23,438,088	\$ 18,599,411
Accrued salaries and other	11,004,934	10,743,158
Advances from other sponsoring agencies	6,170,095	3,289,385
Workers' compensation and unemployment claims reserve	1,091,984	660,075
Current portion of lease liability	10,277	9,868
Current portion of subscription liability	155,874	43,981
Current portion of compensated absences	11,338,040	10,742,301
Total current liabilities	<u>53,209,292</u>	<u>44,088,179</u>
Noncurrent liabilities		
Lease liability	5,523	15,801
Subscription liability	32,541	46,884
Compensated absences	9,463,648	8,997,990
Postemployment health care and life insurance benefits	1,383,612	1,461,518
Total noncurrent liabilities	<u>10,885,324</u>	<u>10,522,193</u>
Total liabilities	<u>64,094,616</u>	<u>54,610,372</u>
Deferred inflows of resources		
Deferred inflows for postemployment health care and life insurance benefits	734,690	929,478
Total deferred inflows of resources	<u>734,690</u>	<u>929,478</u>
Total liabilities and deferred inflows of resources	<u>64,829,306</u>	<u>55,539,850</u>
Commitments and contingencies	--	--
Net Position		
Net investment in capital assets	4,234,317	3,726,351
Unrestricted	9,821,659	8,641,191
Total net position	<u>14,055,976</u>	<u>12,367,542</u>
Total liabilities, deferred inflows of resources, and net position	\$ <u>78,885,282</u>	\$ <u>67,907,392</u>

The accompanying notes are an integral part of these statements.

Research Corporation of the University of Hawai'i
State of Hawai'i
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Fiscal Years Ended June 30, 2025 and 2024

	2025	(Restated) 2024
Operating Revenues		
University of Hawai'i	\$ 7,803,810	\$ 7,482,045
Other sponsoring agencies	<u>567,033</u>	<u>574,892</u>
Total operating revenues	8,370,843	8,056,937
Operating Expenses		
Personnel costs	4,608,589	4,206,023
Data processing services	1,355,155	1,532,546
Insurance	672,229	632,582
Depreciation and amortization	648,449	737,381
Other expenses	282,226	432,695
Office and equipment rental	138,363	2,122
Professional and technical support	125,154	176,827
Professional services	54,451	51,832
Office supplies and services	52,385	94,228
Tuition support	36,599	50,904
Training material development	<u>21,066</u>	<u>19,552</u>
Total operating expenses	<u>7,994,666</u>	<u>7,936,692</u>
Operating income	<u>376,177</u>	<u>120,245</u>
Nonoperating Revenues (Expenses)		
Intergovernmental (Federal awards)		
Revenue	--	74,791
Expense	--	(74,791)
Interest income		
Cash, cash equivalents, money market mutual fund		
time certificates of deposit, and investments	1,246,435	1,628,977
Net increase in fair value of investments	<u>65,822</u>	<u>85,097</u>
Total nonoperating revenues	<u>1,312,257</u>	<u>1,714,074</u>
Increase in net position	1,688,434	1,834,319
Net Position		
Beginning of year, as previously reported	12,367,542	10,968,771
Restatement due to change in accounting principle	<u>--</u>	<u>(435,548)</u>
Beginning of year, as restated	--	10,533,223
End of year	\$ <u><u>14,055,976</u></u>	\$ <u><u>12,367,542</u></u>

The accompanying notes are an integral part of these statements.

Research Corporation of the University of Hawai'i
State of Hawai'i
STATEMENTS OF CASH FLOWS
Fiscal Years Ended June 30, 2025 and 2024

	2025	(Restated) 2024
Cash Flows from Operating Activities		
Receipts for		
University of Hawai'i management fee	\$ 7,835,666	\$ 7,600,527
Other sponsoring agencies indirect cost recoveries	567,033	574,892
Refund for workers' compensation insurance policy premium	32,087	--
Payments to vendors	(2,799,987)	(3,625,590)
Payments for employee compensation	(4,596,111)	(4,195,715)
Project expenditures	(379,206,438)	(325,195,029)
Project cost reimbursements	380,058,508	326,603,480
Payments to University of Hawai'i for revolving account balances	--	(11,601,671)
Net cash provided by (used in) operating activities	<u>1,890,758</u>	<u>(9,839,106)</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(1,039,199)	(1,147,671)
Principal payments on lease liabilities	(9,869)	(132,648)
Principal payments on subscription liabilities	(107,347)	(49,979)
Net cash used in capital and related financing activities	<u>(1,156,415)</u>	<u>(1,330,298)</u>
Cash Flows from Investing Activities		
Purchase of time certificates of deposits	(2,000,000)	(1,000,000)
Redemption of time certificate of deposits	4,000,000	2,000,000
Redemption of investments	840,542	740,658
Interest income received on cash deposits and investments	1,119,877	1,522,943
Net cash provided by investing activities	<u>3,960,419</u>	<u>3,263,601</u>
Increase (decrease) in cash and cash equivalents	4,694,762	(7,905,803)
Cash and Cash Equivalents		
Beginning of fiscal year	28,063,995	35,969,798
End of fiscal year	\$ <u>32,758,757</u>	\$ <u>28,063,995</u>
Cash and cash equivalents presented in the accompanying statements of net position		
Cash and cash equivalents	\$ 31,767,260	\$ 27,337,783
Restricted cash	<u>991,497</u>	<u>726,212</u>
	\$ <u>32,758,757</u>	\$ <u>28,063,995</u>

The accompanying notes are an integral part of these statements.

Research Corporation of the University of Hawai'i
State of Hawai'i
STATEMENTS OF CASH FLOWS (Continued)
Fiscal Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>(Restated) 2024</u>
Reconciliation of Operating Income to Net Cash		
Provided by (Used in) Operating Activities		
Operating income	\$ 376,177	\$ 120,245
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Depreciation and amortization	648,449	737,381
Loss on disposal of capital assets	--	82,672
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
Receivables	(8,267,120)	(14,718,159)
Prepaid expenses	(24,036)	(11,551)
Deferred outflows for postemployment health care and life insurance benefits	(44,487)	47,087
Accounts payable, accrued salaries and other	5,100,453	3,645,358
Advances from other sponsoring agencies	2,880,710	(116,804)
Workers' compensation and unemployment claims reserve	431,909	(50,162)
Compensated absences	1,061,397	685,436
Postemployment health care and life insurance benefits	(77,906)	(407,216)
Deferred inflows for postemployment health care and life insurance benefits	(194,788)	146,607
Net cash provided by (used in) operating activities	\$ <u>1,890,758</u>	\$ <u>(9,839,106)</u>
Noncash Investing, Capital, and Financing Activities		
Acquisition of capital assets financed with accounts payable	\$ --	\$ 71,486
Acquisition of capital assets financed with lease liabilities	\$ --	\$ 12,763
Acquisition of capital assets financed with subscription liabilities	\$ 204,897	\$ --
Change in fair value of investments	\$ 65,822	\$ 85,097

The accompanying notes are an integral part of these statements.

Research Corporation of the University of Hawai'i
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NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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 2025, the Corporation adopted GASB Statement No. 101, *Compensated Absences* ("GASB 101"). This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. As a result of adopting this standard, comparability with reports issued in prior years is affected. Due to the adoption of GASB 101 in fiscal year 2024, beginning net position as of July 1, 2023 was restated by \$435,548 from \$10,968,771 to \$10,533,223. The Corporation recognized total compensated absences liability of \$20,801,688 and \$19,740,291 at June 30, 2025 and 2024, respectively. Additional

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NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

financial statement line items on the statements of net position and related changes on the statements of cash flows, affected by the implementation of GASB Statement No. 101 were as follows:

	2024		2024
	As Previously Reported	Adjustment	As Restated
Receivables			
University of Hawai'i	\$ 21,611,391	\$ 9,480,534	\$ 31,091,925
Accrued salaries and other	\$ 17,329,459	\$ (6,586,301)	\$ 10,743,158
Advances from other sponsoring agencies	\$ 3,973,835	\$ (684,450)	\$ 3,289,385
Accrued supplemental retirement benefits	\$ 2,553,458	\$ (2,553,458)	\$ --

The GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements for this Statement are effective for reporting periods beginning after June 15, 2025. The Corporation has not yet determined the effect this Statement will have on its financial statements.

The GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The primary objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements for this Statement are effective for reporting periods beginning after June 15, 2025. The Corporation has determined that this Statement will not have an effect 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.

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.

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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 statement 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.
- **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.

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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 5.00 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 compensated absences liability in the accompanying statements of net position. Accumulated vacation leave at June 30, 2025 and 2024 totaled \$7,973,040 and \$6,586,301, 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 cumulative collections, net of payments to terminated employees as of June 30, 2025 and 2024, totaled \$343,713 and \$963,315, 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.

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June 30, 2025 and 2024

Sick Leave

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 for a partial payment of unused sick leave. Accumulated sick leave for administrative and project personnel has been accrued and reflected in compensated absences liability in the accompanying statements of net position. Accumulated sick leave at June 30, 2025 and 2024 totaled \$12,828,648 and \$13,153,990, respectively.

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, 2025 or 2024.

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.

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.

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Investments in the BlackRock FedFund 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 FedFund has fluctuated since June 30, 2025.

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

	2025	2024
Fair Value	\$ 35,580,308	\$ 31,927,602
Unfunded Commitments	None	None
Redemption Frequency	Daily	Daily
Required Redemption Notice	Same as trade date	Same as trade date

3. Investments

The following schedule summarizes the fair value and cost of the Corporation’s investments at June 30, 2025 and 2024:

	2025		2024	
	Fair Value	Cost	Fair Value	Cost
U.S. Treasury	\$ 800,048	\$ 818,738	\$ 1,367,946	\$ 1,440,559
U.S. Government agencies	208,164	207,604	288,428	299,767
	<u>\$ 1,008,212</u>	<u>\$ 1,026,342</u>	<u>\$ 1,656,374</u>	<u>\$ 1,740,326</u>

Investments consist primarily of United States Treasury and Government agency securities. The fair value of these investments are primarily based on quoted prices for similar securities and classified as Level 2 in the fair value hierarchy. The increase in fair value of investments (unrealized gain) for the fiscal years ended June 30, 2025 and 2024 was \$65,822 and \$85,097, 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.

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Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The prices 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, 2025 was as follows:

	2025	Investment Maturities (in Years)		
	Fair Value	Less than 1	1 to 5	More than 5
U.S. Treasury	\$ 800,048	\$ 375,997	\$ 424,051	\$ --
U.S. Government agencies	208,164	208,164	--	--
	<u>\$ 1,008,212</u>	<u>\$ 584,161</u>	<u>\$ 424,051</u>	<u>\$ --</u>

4. Receivables and Advances

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

The net receivable balance from the University was comprised of the following at June 30, 2025 and 2024:

	2025	Restated 2024
Extramurally sponsored accounts	\$ 45,714,294	\$ 36,197,960
Internally funded accounts	(4,285,705)	(5,651,345)
Research recharge accounts	2,687,830	1,469,449
Revolving accounts	(171,830)	913,554
Ship operations revolving accounts	(10,282,222)	(6,730,368)
Miscellaneous agency accounts	4,991,895	4,156,035
Management fee	1,289,783	1,321,640
Advance	(585,000)	(585,000)
	<u>\$ 39,359,045</u>	<u>\$ 31,091,925</u>

At July 1, 2023, a majority of the University's revolving accounts held by the Corporation were transferred to the University. Cash balances in the amount of \$11,601,671 were transferred from the Corporation to the University during the year ended June 30, 2024.

Advances under direct agreements with other sponsoring agencies in excess of project expenditures totaled \$6,170,095 and \$3,289,385 at June 30, 2025 and 2024, respectively. Cash relating to a portion of the advances of \$991,497 and \$726,212 at June 30, 2025 and 2024, respectively, is restricted by the other sponsoring agencies.

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NOTES TO FINANCIAL STATEMENTS
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5. Capital Assets

Capital assets activity for the fiscal years ended June 30, 2025 and 2024 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions/ Transfers</u>	<u>Ending Balance</u>
2025				
Capital assets not being depreciated				
Computer software development in progress	\$ 2,703,398	\$ 1,005,482	\$ (1,277,537)	\$ 2,431,343
Capital assets being depreciated				
Office furniture and equipment	728,071	33,717	--	761,788
Computer software	6,628,256	1,277,537	--	7,905,793
Total capital assets being depreciated	7,356,327	1,311,254	--	8,667,581
Less: Accumulated depreciation				
Office equipment	488,648	66,977	--	555,625
Computer software	5,847,294	447,697	--	6,294,991
Total accumulated depreciation	6,335,942	514,674	--	6,850,616
Capital assets being depreciated, net	1,020,385	796,580	--	1,816,965
Lease assets				
Office furniture and equipment	41,446	--	--	41,446
Total lease assets	41,446	--	--	41,446
Less: Accumulated amortization				
Office equipment	16,240	9,991	--	26,231
Total accumulated amortization	16,240	9,991	--	26,231
Total lease assets	25,206	(9,991)	--	15,215
Subscription assets				
Software subscription	183,475	204,897	--	388,372
Total subscription assets	183,475	204,897	--	388,372
Less: Accumulated amortization				
Software subscription	89,579	123,784	--	213,363
Total accumulated amortization	89,579	123,784	--	213,363
Subscription assets, net	93,896	81,113	--	175,009
Total capital assets, net	\$ 3,842,885	\$ 1,873,184	\$ (1,277,537)	\$ 4,438,532

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	Beginning Balance	Additions	Deductions/ Transfers	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

6. Long-term Liabilities

Long-term liability activities for the fiscal years ended June 30, 2025 and 2024 were summarized as follows:

	Beginning Balance	Additions	Dispositions	Ending Balance	Current Portion
2025					
Lease liability	\$ 25,669	\$ --	\$ (9,869)	\$ 15,800	\$ 10,277
Subscription liability	90,865	204,897	(107,347)	188,415	155,874
Compensated absences	19,740,291	1,061,397	--	20,801,688	11,338,040
Postemployment health care and life insurance benefits	1,461,518	187,542	(265,448)	1,383,612	--
Total long-term liabilities	\$ 21,318,343	\$ 1,453,836	\$ (382,664)	\$ 22,389,515	\$ 11,504,191

Research Corporation of the University of Hawai'i
State of Hawai'i
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

	Restated Beginning Balance	Additions	Reductions	Restated 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
Compensated absences	19,054,855	685,436	--	19,740,291	10,742,301
Postemployment health care and life insurance benefits	<u>1,868,734</u>	<u>171,149</u>	<u>(578,365)</u>	<u>1,461,518</u>	<u>--</u>
Total long-term liabilities	\$ <u>21,209,987</u>	\$ <u>869,348</u>	\$ <u>(760,992)</u>	\$ <u>21,318,343</u>	\$ <u>10,796,150</u>

At June 30, 2025, future minimum lease payments required under the lease agreements are as follows:

	Principal	Interest	Future Minimum Payments
Fiscal years ending June 30,			
2026	\$ 10,277	\$ 492	\$ 10,769
2027	<u>5,523</u>	<u>114</u>	<u>5,637</u>
	\$ <u>15,800</u>	\$ <u>606</u>	\$ <u>16,406</u>

At June 30, 2025, the Corporation had a contract commitment related to a lease agreement for office space through June 30, 2026 of \$138,465. Total office rental expense for the fiscal year ended June 30, 2025 was \$135,489.

At June 30, 2025, future minimum lease payments required under the subscription agreements are as follows:

	Principal	Interest	Future Minimum Payments
Fiscal years ending June 30,			
2026	\$ 155,874	\$ 34,031	\$ 189,905
2027	<u>32,541</u>	<u>2,440</u>	<u>34,981</u>
	\$ <u>188,415</u>	\$ <u>36,471</u>	\$ <u>224,886</u>

At June 30, 2025, the Corporation had contract commitments related to software subscriptions through July 30, 2026 of \$378,185.

Research Corporation of the University of Hawai'i
State of Hawai'i
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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, 2025 and 2024, the amount of the designation increased by \$51,256 and \$56,112, respectively. A separate interest-bearing account is maintained for this reserve.

Unrestricted accumulated surplus at June 30, 2025 and 2024 was comprised of the following:

	<u>2025</u>	<u>Restated 2024</u>
Designated		
Working capital	\$ 8,602,093	\$ 7,472,881
Project contingent liabilities	<u>1,219,566</u>	<u>1,168,310</u>
	<u>\$ 9,821,659</u>	<u>\$ 8,641,191</u>

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, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Extramurally sponsored accounts	\$ 6,243,834	\$ 6,143,000
Internally funded accounts	528,013	495,860
Research recharge accounts	817,854	293,195
Revolving accounts	<u>214,109</u>	<u>549,990</u>
	<u>\$ 7,803,810</u>	<u>\$ 7,482,045</u>

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

Research Corporation of the University of Hawai'i
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NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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, 2025 and 2024 were \$324,516 and \$282,005, 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 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. The Corporation's best estimate of future supplemental retirement benefits are reflected in compensated absences liability in the accompanying statements of net position. Supplemental retirement benefits paid during the fiscal years ended June 30, 2025 and 2024 were \$314,898 and \$302,269, respectively.

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.

Research Corporation of the University of Hawai'i
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NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

Employees Covered by Benefit Terms

At June 30, 2025 and 2024, the following employees were covered by the benefit terms:

	<u>2025</u>	<u>2024</u>
Retirees and surviving spouses currently receiving benefits	81	83
Active employees	<u>2,376</u>	<u>2,373</u>
Total	<u>2,457</u>	<u>2,456</u>

Total Postemployment Health Care and Life Insurance Benefits Liability

The Corporation's total postemployment health care and life insurance benefit liability at June 30, 2025 and 2024 of \$1,383,612 and \$1,461,518, respectively, was measured as of June 30, 2025 and 2024, 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:	2025 - 3.75%, including inflation
	2024 - 3.00%, including inflation
Discount Rate:	2025 - 5.20%, based on the Bond Buyer GO 20-Bond Municipal Bond Index as of June 30, 2025.
	2024 - 4.21%, based on the S&P Municipal Bond 20 Year High Grade Index as of June 30, 2024.
Healthcare Cost Trend Rate:	2025 - 4.50%
	2024 - 7.50%
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:	2039
Mortality:	2025 - PUBT-2016 Amount-weighted Mortality Tables, projected on a fully generational basis using mortality scale MP-2021.
	2024 - PUBT-2010 Amount-weighted Teachers Mortality Tables, scaled back to 2010, and projected on a fully generational basis using mortality scale MP-2021.

Research Corporation of the University of Hawai'i
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June 30, 2025 and 2024

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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Beginning balance	\$ 1,461,518	\$ 1,868,734
Increase (decrease) in postemployment health care and life insurance benefits attributed to		
Service cost	53,343	90,646
Interest cost	63,365	80,503
Differences between expected and actual experience	70,834	(222,502)
Changes in actuarial assumptions	(245,732)	(335,317)
Benefits paid to participants	(19,716)	(20,546)
Ending balance	<u>\$ 1,383,612</u>	<u>\$ 1,461,518</u>

The changes in actuarial assumptions for the fiscal year ended June 30, 2025 were primarily due to updates to the election rates, updates to the wage growth assumptions, updates to the active and retiree mortality assumptions, and an increase in the discount rate from 4.21% to 5.20%. The changes in actuarial assumptions for the fiscal year ended June 30, 2024 were primarily due to a change in the election assumption for life insurance coverage based on actual census data.

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, 2025 and 2024:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
2025	4.20%	Discount Rate	6.20%
Total postemployment health care and life insurance benefits liability	\$ 1,532,968	\$ 1,383,612	\$ 1,256,346
	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
2024	3.21%	Discount Rate	5.21%
Total postemployment health care and life insurance benefits liability	\$ 1,627,250	\$ 1,461,518	\$ 1,321,232

Research Corporation of the University of Hawai'i
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NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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, 2025 and 2024:

	1% Decrease	Current	1% Increase
	3.50%	Trend Rate	5.50%
		4.50%	
2025			
Total postemployment health care and life insurance benefits liability	\$ 1,292,171	\$ 1,383,612	\$ 1,490,028
		Current	
	1% Decrease	Trend Rate	1% Increase
	6.50%	7.50%	8.50%
2024			
Total postemployment health care and life insurance benefits liability	\$ 1,368,343	\$ 1,461,518	\$ 1,569,483

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, 2025 and 2024, 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, 2025 and 2024, 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	Deferred
	Outflows of	Inflows of
	Resources	Resources
2025		
Changes in assumptions	\$ 22,532	\$ 482,214
Experience gains or losses	56,667	252,476
Total deferred outflows and inflows of resources	\$ 79,199	\$ 734,690
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

Research Corporation of the University of Hawai'i
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NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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:

<u>Fiscal Years ending June 30,</u>	<u>Amount</u>
2026	\$ (315,786)
2027	(182,655)
2028	(122,066)
2029	(34,984)
	<u>\$ (655,491)</u>

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, 2025 and 2024 were as follows:

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June 30, 2025 and 2024

	University Projects	Direct Projects	Total
2025			
Salaries and wages	\$ 139,670,617	\$ 9,200,351	\$ 148,870,968
Equipment	15,765,288	64,606	15,829,894
Other	<u>209,781,619</u>	<u>4,761,529</u>	<u>214,543,148</u>
	<u>\$ 365,217,524</u>	<u>\$ 14,026,486</u>	<u>\$ 379,244,010</u>
2024			
Salaries and wages	\$ 130,249,495	\$ 9,403,412	\$ 139,652,907
Equipment	15,918,367	38,780	15,957,147
Other	<u>194,196,707</u>	<u>4,706,293</u>	<u>198,903,000</u>
	<u>\$ 340,364,569</u>	<u>\$ 14,148,485</u>	<u>\$ 354,513,054</u>

Project commitments for outstanding project purchase orders that are not reflected in the accompanying statements of net position were approximately \$155,820,000 and \$132,014,000 at June 30, 2025 and 2024, 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 and cyber insurance.

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

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

Workers' Compensation

The Corporation is self-insured for workers' compensation losses incurred prior to July 1, 1997 and unpaid as of June 30, 1997, and is liable for all workers' compensation claims filed by its employees for that period. Liabilities for workers' compensation claims are established if information indicates that it is probable that liabilities have been incurred and the amount of those claims can be reasonably estimated. These liabilities include an estimate for claims that have been incurred but not reported. At June 30, 2025 and 2024, the workers' compensation reserve amounted to \$320,473 and \$352,795, respectively, and is reported as a current liability in the accompanying statements of net position. This reserve represents the

Research Corporation of the University of Hawai'i
State of Hawai'i
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

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, 2025 and 2024.

	2025	2024
Beginning balance	\$ 352,795	\$ 472,245
Payments on claims	(72,819)	(131,880)
Claim adjustment	(36,717)	12,430
Other (interest credits, etc.)	77,214	--
Ending balance	<u>\$ 320,473</u>	<u>\$ 352,795</u>

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

Unemployment Claims Reserve

The Corporation is self-insured for unemployment claims. Liabilities for unemployment claims are established if information indicates that it is probable that liabilities have been incurred and the amount for those claims can be reasonably estimated. At June 30, 2025 and 2024, the unemployment reserve was \$771,511 and \$307,280, respectively, and is reported as a current liability in the accompanying statements of net position.

The following is a summary of changes in the unemployment claims reserve for the fiscal years ended June 30, 2025 and 2024.

	2025	2024
Beginning balance	\$ 307,280	\$ 237,992
Additions	957,351	556,202
Payments on claims	(493,120)	(486,914)
Ending balance	<u>\$ 771,511</u>	<u>\$ 307,280</u>

13. Commitments

At June 30, 2025, the Corporation had outstanding contract commitments related to software development and maintenance through June 30, 2026 of \$1,180,366.

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

Research Corporation of the University of Hawai'i
State of Hawai'i
SCHEDULE OF CHANGES IN POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE
BENEFITS LIABILITY AND RELATED RATIOS (UNAUDITED)
Fiscal Years Ended June 30, 2025, 2024, 2023, 2022, 2021, 2020, 2019, and 2018

	2025	2024	2023	2022	2021	2020	2019	2018
Total postemployment health care and life insurance benefits liability								
Service cost	\$ 53,343	\$ 90,646	\$ 78,824	\$ 118,593	\$ 124,671	\$ 110,852	\$ 89,027	\$ 86,413
Interest	63,365	80,503	80,605	55,988	74,773	71,285	89,798	87,228
Differences between expected and actual experience	70,834	(222,502)	(230,209)	(199,883)	(174,773)	(99,009)	(574,496)	—
Changes of assumptions or other inputs	(245,732)	(335,317)	59,071	(509,047)	(236,598)	186,375	(53,351)	81,744
Benefit payments	(19,716)	(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	(77,906)	(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	<u>1,461,518</u>	<u>1,868,734</u>	<u>1,903,219</u>	<u>2,461,664</u>	<u>2,698,904</u>	<u>2,458,694</u>	<u>2,940,687</u>	<u>2,715,296</u>
End of year	<u>\$ 1,383,612</u>	<u>\$ 1,461,518</u>	<u>\$ 1,868,734</u>	<u>\$ 1,903,219</u>	<u>\$ 2,461,664</u>	<u>\$ 2,698,904</u>	<u>\$ 2,458,694</u>	<u>\$ 2,940,687</u>
Covered-employee payroll	\$ 159,079,000	\$ 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	0.87%	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:

2025	5.20%
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**

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

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

We have audited, in accordance with 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 Hawai'i (Corporation), as of and for the fiscal year ended June 30, 2025, 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, 2025.

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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

N&K CPAs, Inc.

Honolulu, Hawai'i
October 30, 2025



December 3, 2025

MEMORANDUM

TO: Ken Kawahara
Chair, RCUH Board of Directors

FROM: Kaylee Hull
Executive Administrator *Kaylee Hull*

SUBJECT: Request for Board Determination on Time Restrictions for Oral Testimony

On Oct. 1, 2025, the State of Hawai'i Office of Information Practices sent a reminder to state boards about the Sunshine Law's requirements for setting time limits on oral testimony. Per their message:

"Boards may set reasonable time limits on oral testimony under section 92-3, Hawaii Revised Statutes (HRS), which states that "boards may provide for reasonable administration of oral testimony by rule." HRS § 92-3; [OIP Op. Ltr. No. 02-02](#) at 11 (concluding that a board could adopt a rule placing restrictions on the length of oral testimony by members of the public so long as those restrictions were "reasonable"). Although the Sunshine Law uses the phrase "by rule," OIP does not interpret this to require administrative rulemaking under chapter 91, HRS, for setting testimony time limits.

However, OIP generally interprets "by rule" to mean that if a board wishes to impose time limits on oral testimony, then the board should adopt such a rule as a policy reflected in writing. To enforce a time limit on oral testimony, the board must have a written rule or a documented decision adopting the rule such as meeting minutes. If a board does not have a rule regarding testimony time limits, then the board may still request that testifiers keep testimony within a specified length of time, but cannot enforce such a time limit."

Although RCUH rarely receives oral testimony, I respectfully request that the RCUH Board of Directors consider establishing clear time guidelines on the duration of oral testimony. For reference, the University of Hawai'i currently uses a three (3) minute limit for testifiers.



RCUH BOARD OF DIRECTORS MEETING – DECEMBER 3, 2025 EXECUTIVE DIRECTOR'S REPORT

This report presents programmatic updates and summarizes RCUH's major initiatives since the Board's September 3, 2025 meeting. It begins with updates, followed by a status report of the actions taken toward RCUH's 2022-2026 Strategic Plan.

UPDATES

Federal Funding Update

On Nov. 12, 2025, President Trump signed a bill to end the longest government shutdown in U.S. history. In response to the opening of the federal government, the University of Hawai'i lifted restrictions on its extramural expenditures, which was subsequently communicated to RCUH employees, Fiscal Administrators, and Principal Investigators. RCUH has provided the latest statistics on its Volume of Business in Attachment A and Employment Metrics in Attachment B.

Broadband Project Update

RCUH continues to support UH's Broadband Project under Principal Investigator and UH Vice President Garret Yoshimi, who continues to work hard on all aspects of this effort. Although there are no significant matters to report since our last board meeting, it should be noted that PI Yoshimi is still actively engaged with ONI to find investors who are interested in investing and supporting this important project for the State of Hawai'i.

IT Transformation Program Updates

- **SAP 4/Hana:** The DataHouse executive sponsors for the project have changed since the last board meeting. The new executive sponsors are Hong Phan, CEO, and Rick Kusumoto, Account Executive. As of November 14th, 2025, the SAP WRICEF (Workflow, Report, Interface, Conversion, Enhancement and Forms) Dashboard shows overall completion at 54%, versus 45% the previous month. The goal is to complete an additional 10% - 15% each month. Full system go-live is currently planned for March 27, 2026.
- **Data Warehouse and Reporting:** The kick-off meeting is scheduled for the week of November 24, 2025 and the go-live date is currently planned for December 31, 2025.

Update on Ship Operations transfer of Revolving Accounts

All remaining Ship Operations revolving accounts are in the process of being closed. Once finalized, the remaining balance of approximately \$7.3 million will be refunded to the University.

HR Benefits and Employment Updates

- **H-1B Proclamation – Restriction on Entry of Certain Nonimmigrant Workers:** In September 2025, President Trump issued a proclamation titled "Restriction on Entry of Certain Nonimmigrant Workers," which significantly alters the H-1B program. The proclamation took effect on Sept. 21, 2025, and is scheduled to remain in place for 12 months unless extended. Among its most impactful provisions is a newly mandated \$100,000 statutory fee for all new H-1B petitions (required for new petitions of individuals who are aboard and not currently in U.S. soil). This major cost increase has substantial implications for hiring and workforce planning. RCUH has not filed

any H-1B petitions requiring this new fee. Human Resources continues to closely monitor resources and guidance to evaluate compliance obligations, future hiring limitations, and potential impacts on project operations.

- **Hawai'i State Minimum Wage Increases on January 1, 2026:** The Hawai'i State Minimum Wage will increase from \$14.00 per hour to \$16.00 per hour on Jan. 1, 2026. In response, and to maintain competitiveness, RCUH is setting the new minimum rate at \$16.50 per hour, continuing the practice of remaining above the statutory minimum. As a result, the Regular-status Non-Exempt Pay Schedule will be adjusted accordingly. Current RCUH Student Assistants will receive a pay adjustment in accordance with the scheduled mandated pay rates as per the Student Assistant Pay Schedule.

The current UH President's memo suspending special salary adjustments for merit, equity, and/or market remains in effect. Leadership confirmed that RCUH may proceed only with the increases required to comply with the new minimum wage. Equity or compression adjustments resulting from the minimum wage increase will not be implemented at this time. Human Resources will work directly with Principal Investigators regarding impacted employees who will require pay adjustments to conform to the new minimum wage.

- **SECURE 2.0 Act & Retirement Plan Restatement:** In response to the SECURE 2.0 Act that was signed into law on Dec. 29, 2022, RCUH completed a comprehensive review of its retirement plan documents to ensure ongoing compliance with upcoming federal requirements. After consultation with RCUH's Benefits Attorney and coordination with TIAA, we are moving forward with restating our retirement plan onto TIAA's Volume Submitter Plan Document. This transition ensures regulatory updates will be automatically incorporated by TIAA rather than requiring manual amendments by RCUH. Beginning in 2026, SECURE 2.0 requires that employees aged 50 or older who earned more than \$150,000 (indexed for 2025) in the prior calendar year make all catch-up contributions to the 403(b) plan as Roth (after-tax) contributions. Other key changes to the plan restatement will include involuntary cashout distributions and updated distribution rules for terminated participants, including the distinction between employees separating above or below the age of 59½. HR will finalize adoption agreement elections, prepare employee communications, and implement required payroll and system updates ahead of the effective dates.
- **Long-Term Care (LTC) Benefit – Market Changes & Program Termination:** In October 2025, Unum notified RCUH of significant market changes that will end the availability of all Group Long-Term Care (LTC) products for new enrollees effective Feb. 1, 2026. RCUH was also informed that our LTC provider made the determination to pursue new rate increase strategies across all policy series for current plans, seeking a rate increase of over 50%. After evaluating market shifts, utilization data, and administrative burden, RCUH has decided to terminate the Long-Term Care (LTC) insurance benefit March 31, 2026. Current participants may continue coverage by porting their policies directly through UNUM at their own cost. Upon termination, employees will receive a 60-day window to port coverage directly with Unum with no lapse in benefits. HR will coordinate communication with employees during Open Enrollment and will update onboarding processes, EHS load configurations, and ePAF workflows to reflect the removal of LTC as an offered benefit.
- **HR Employment Update:** RCUH's position request volume has declined from 887 in 2023 to 938 in 2024, and to 661 requests as of Oct. 31, 2025, reflecting UH's increased designation of covered-type positions and a corresponding shift toward more limited-term approvals. Despite fewer regular recruitment requests, overall workforce levels remain relatively stable, with 2,603 total employees (recruited and non-recruited) as of Oct. 31, 2025, compared to 2,799 in 2024 and 2,697 in 2023. RCUH continues to closely monitor workforce separations, with 498 total

terminations through October 2025 compared to 404 in 2024 and 352 in 2023, as these trends directly affect vacation reserve liabilities and unemployment costs.

ACTIONS TAKEN TOWARD GOAL ACHIEVEMENT RCUH 2022 – 2026 STRATEGIC PLAN

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

- **Collaborate with UH in an effort to minimize IT costs.**
 - **Determine and evaluate areas for possible integration between UH and RCUH systems.** RCUH has engaged in consistent meetings with UH ITS staff and D2L to discuss a potential transition to UH's Learning Management System Lamakū. RCUH Corporate Services and HR staff will continue to meet with UH's team to evaluate this collaboration. If this LMS meets RCUH's needs, it has the potential to save more than \$50,000 per year.

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

- **Clearly define RCUH's role and relationship with UH, State of Hawai'i.**
 - **Engage with stakeholders to establish guidelines, expectations for RCUH's scope of work.** Throughout the federal shutdown, ED Gouveia has attended UH's monthly Leadership Team meetings to discuss how the federal administration's actions are impacting researchers in Hawai'i. ED Gouveia provided metrics to the UH President Wendy Hensel and Vice President for Research & Innovation Chad Walton on RCUH's volume of business, intramural service orders, number of employees, and number of terminations. He's also had discussions with VPRI Walton on UH's expectations of RCUH during the shutdown when reimbursements for federal funding weren't necessarily guaranteed.
- **Ensure stakeholders understand RCUH's role and limitations.**
 - **Educate government agencies, private companies, not-for-profits about RCUH's services and capabilities.** RCUH's directors met with East-West Center (EWC) staff numerous times in the fall to discuss a potential Direct project opportunity. The discussions prompted a better understanding of RCUH's services by EWC's team. Ultimately, it was determined that the potential Direct project did not meet RCUH's mission.

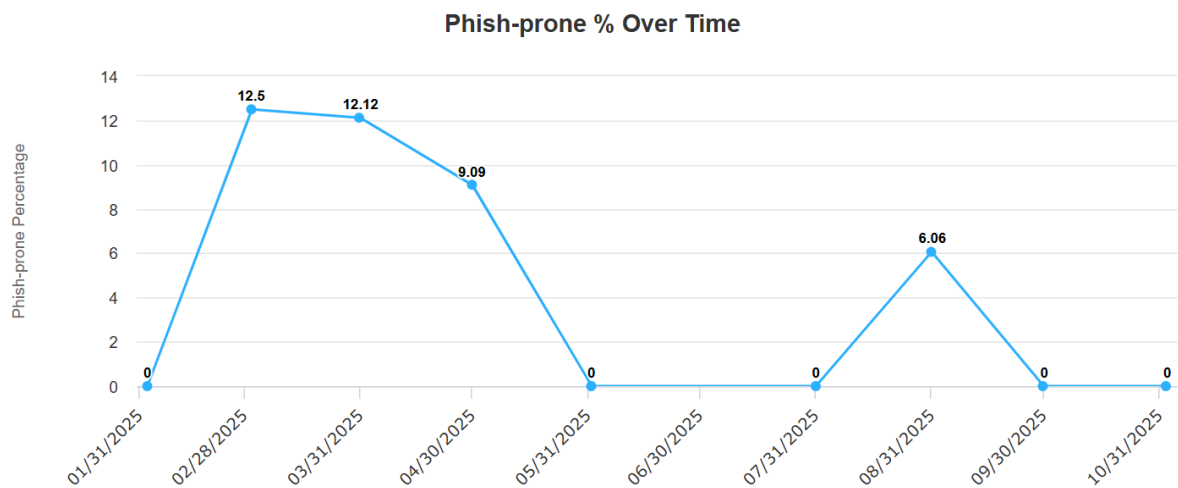
GOAL 3. REFORM RCUH'S INTERNAL OPERATIONS.

- **Invest in development of RCUH core staff.** ED Gouveia and two other staff members attended the 4th Annual Hawaii AI and Cloud Innovation Summit on Sept. 10, at the Hawaii Convention Center to explore how government agencies are adopting artificial intelligence and cloud technologies to improve their operations.
 - **Commit to one project site visit each year.** Dr. Michael Melzer spoke at the RCUH Core Staff meeting on Sept. 19 to present on the UH Agrosecurity Laboratory with a focus on the Coconut Rhinoceros Beetle project. As a result of staff interest following that presentation, RCUH coordinated three staff visits to the UH CTAHR Coconut Rhinoceros

Beetle Colony Room at Gilmore Hall in October. Core staff were able to touch and hold live CRBs and learned about their life cycle.

- **Ensure systems are secure and in compliance with applicable policies, regulations.** RCUH's IT Systems/Security Administrator conducted a Cybersecurity Awareness Month campaign in October, which featured trainings on the following topics:
 - Social Engineering
 - AI Threats
 - Ransomware
 - Incident Reporting

RCUH averaged a 94% completion rate for these training modules and the frequent reminders and ongoing phishing tests seem to have a positive effect for core staff based on the chart below. Additionally, RCUH also upgraded its servers with new hardware and security benchmarks.



- **Reduce the administrative burden for researchers.**
 - **Re-evaluate RCUH's policies and procedures; modify as appropriate.** RCUH completed a series of policy updates to strengthen compliance, improve clarity, and align with regulatory and administrative requirements.
 - **Policy 3.270 Mandatory Training for Employees** now establishes a uniform 30-day completion window for Title IX, EEO/Sexual Harassment Prevention, and Workplace Violence Prevention trainings, with annual recertification required. The policy clarifies training obligations for employees on UH-funded versus non-UH projects and reinforces that completion of mandatory trainings is tied to good standing, eligibility for performance-based compensation, and continued employment. Job descriptions will be updated prospectively to reflect these standards.
 - **Policy 3.110 Equal Employment Opportunity** and **Policy 3.120 Sexual Harassment** were revised to align with the new training requirements under Policy 3.270 and to reflect the updated federal landscape. Consistent with the Administration's Executive Order, language previously required under former Executive Order 11246 has been removed. Both policies now include updated definitions, clearer delineation of responsibilities, and streamlined complaint procedures. Supporting

documents, including the EEO Withdrawal Form and EEO Statement, were also updated for consistency.

- **Policy 3.212 Non-Immigrant Visas** were refreshed using new standardized templates. Notably, Policy 3.212 clarifies that RCUH will not sponsor green cards for UH-affiliated positions because these roles are temporary and tied to fluctuating funding, making them ineligible to be represented as “permanent” positions under sponsorship rules.

Additionally, VPRI Chad Walton and ED Gouveia are currently evaluating numerous UH and RCUH policies to ensure that appropriate updates are made at both UH and RCUH affecting research administration matters. Any significant changes, other than normal administrative ones, may be brought to the attention of the appropriate boards (UH BoR and/or RCUH Board) if and when it is deemed necessary and appropriate. However, it is most important to note that we are actively engaged in evaluating UH and RCUH policies to ensure accuracy and consistency between the two entities.

GOAL 4. INCREASE ENGAGEMENT AND OUTREACH TO CLIENTS.

- **Strengthen relationships with PIs, FAs, and Project Staff.** In lieu of a formal awards luncheon, RCUH recognized 19 outstanding employees through a combination of emails, virtual “Zoom bombs,” and hosted lunches for two of the three 1st place awardees. RCUH’s managers and directors evaluated each nomination form and submitted their scores to determine the first and second place awardees.
 - **Coordinate professional development opportunities for project staff.** Nearly 40 supervisors attended the Leading Generations in the Workforce training offered by the Hawaii Employers Council on Nov. 4 and 13.
- **Improve external communications to projects.**
 - **Update RCUH Website.** RCUH launched its refreshed website on Sept. 8 after months of meetings, feedback, and discussion. Upon launch, RCUH did encounter a few reports of broken links throughout the website, but most instances have been remedied at this time. RCUH has already compiled a list of enhancements it would like to implement in the next few months and will hopefully have these done by the next board meeting.

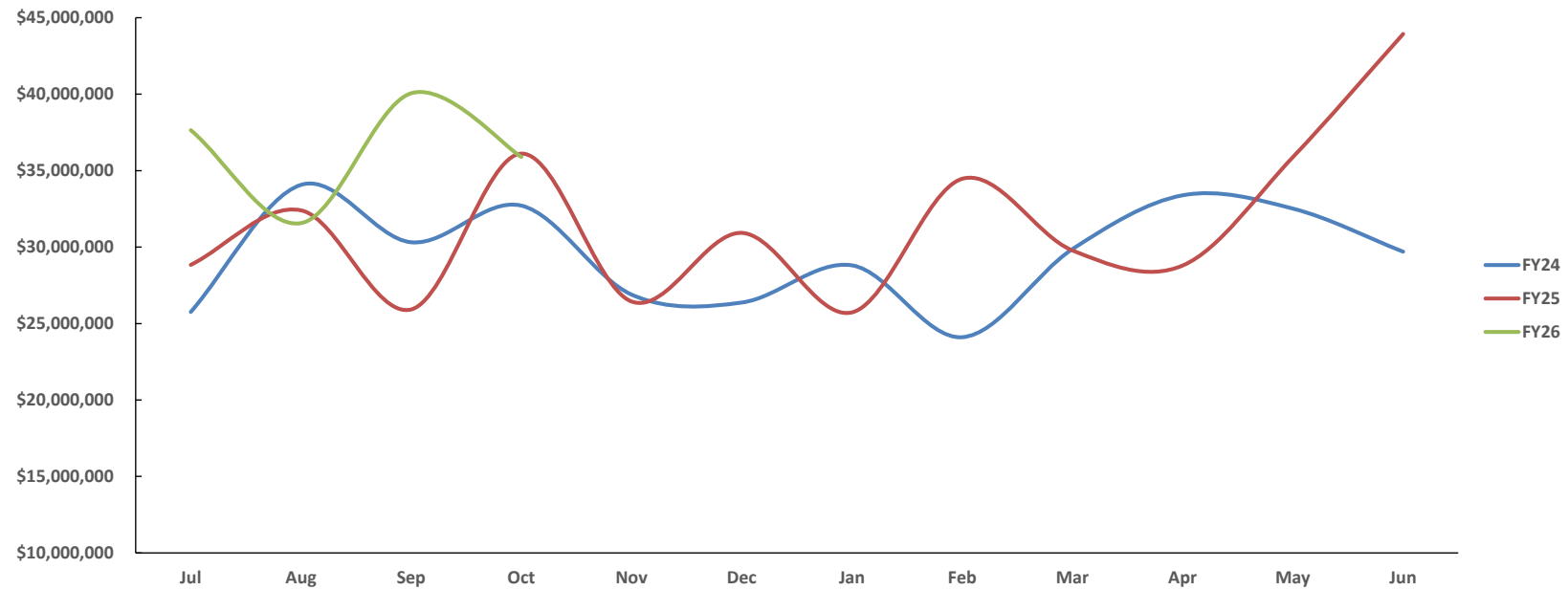
DIRECT PROJECT UPDATE:

NEW: *Department of Land and Natural Resources – Division of Aquatics Resources*

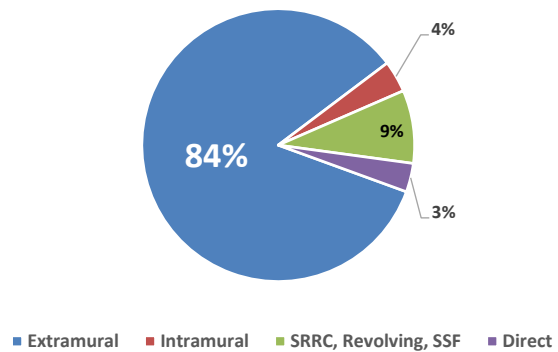
- **Limu Aquaculture and Bio-Banking (\$135k). October 1, 2025 – September 30, 2026.** To improve and enhance stocks of indigenous limu species as an environmental and culturally important resources by investigations primarily involving husbandry and support of community traditional and cultural practices. This resource management study will focus on technical aspects of macrophytic primary production.

VOLUME OF BUSINESS, ALL PROJECTS

(Includes Compensation)



FY26 Distribution



Month	FY24	FY25	FY26
Jul	\$ 25,758,957	\$ 28,837,767	\$ 37,648,102
Aug	\$ 34,069,950	\$ 32,404,706	\$ 31,567,344
Sep	\$ 30,315,276	\$ 25,923,064	\$ 40,059,952
Oct	\$ 32,711,441	\$ 36,110,914	\$ 35,894,940
Nov	\$ 26,891,069	\$ 26,440,610	
Dec	\$ 26,375,426	\$ 30,928,432	
Jan	\$ 28,806,093	\$ 25,732,269	
Feb	\$ 24,107,474	\$ 34,467,990	
Mar	\$ 29,872,068	\$ 29,779,380	
Apr	\$ 33,387,810	\$ 28,796,569	
May	\$ 32,517,268	\$ 35,886,617	
Jun	\$ 29,700,221	\$ 43,935,692	
Grand Total	\$ 354,513,053	\$ 379,244,010	\$ 145,170,338

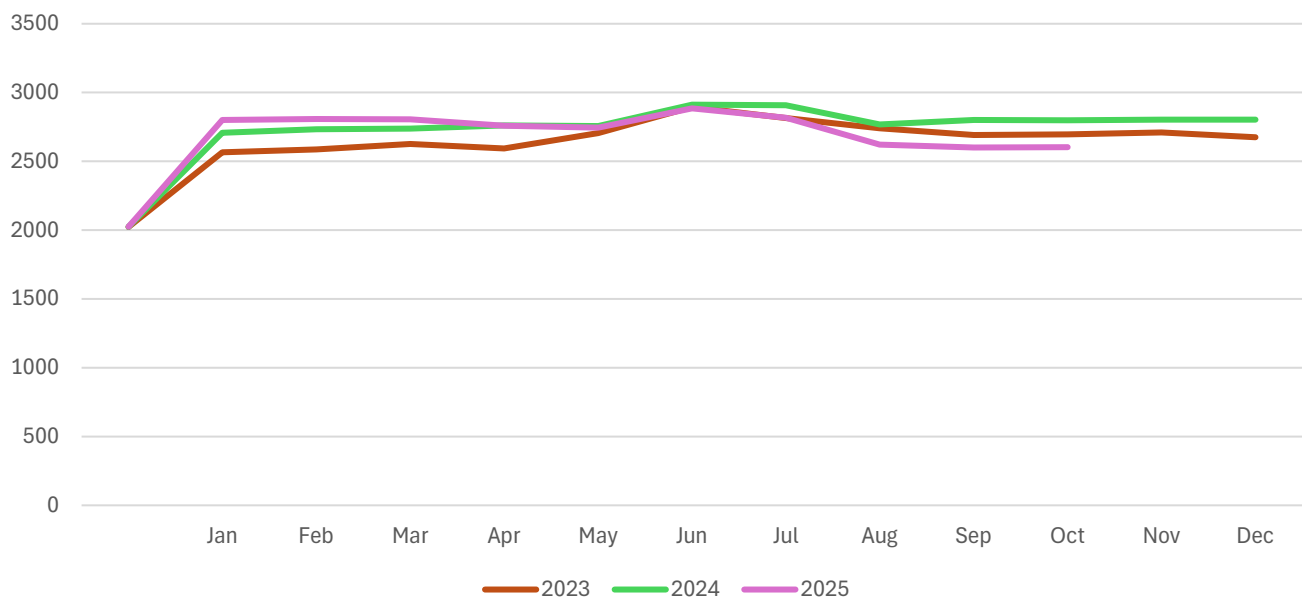
RCUH Total Employee Count: Regular and Non-Recruited

Attachment B

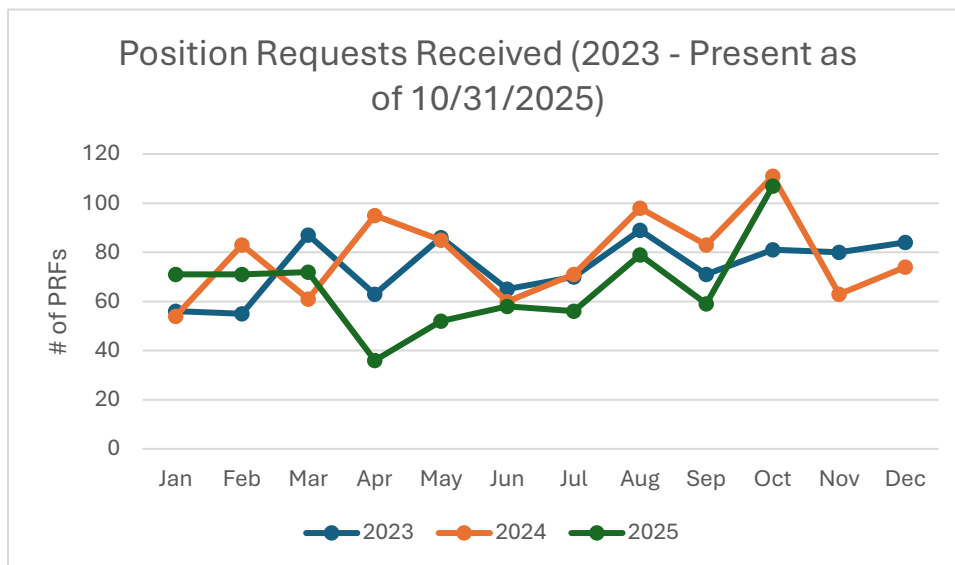
(As of 10/31/25)

	2023	2024	2025
Jan	2566	2707	2801
Feb	2586	2734	2808
Mar	2626	2739	2806
Apr	2593	2762	2758
May	2705	2757	2745
Jun	2895	2912	2885
Jul	2815	2908	2818
Aug	2740	2768	2621
Sep	2692	2800	2601
Oct	2697	2799	2603
Nov	2710	2802	
Dec	2674	2802	

Total # of Employees: 2023 - 10/31/2025



2025		2024		2023	
Month	TOTAL Position Requests Received	Month	TOTAL Position Requests Received	Month	TOTAL Position Requests Received
2025-01	71	2024-01	54	2023-01	56
2025-02	71	2024-02	83	2023-02	55
2025-03	72	2024-03	61	2023-03	87
2025-04	36	2024-04	95	2023-04	63
2025-05	52	2024-05	85	2023-05	86
2025-06	58	2024-06	60	2023-06	65
2025-07	56	2024-07	71	2023-07	70
2025-08	79	2024-08	98	2023-08	89
2025-09	59	2024-09	83	2023-09	71
2025-10	107	2024-10	111	2023-10	81
2025-11		2024-11	63	2023-11	80
2025-12		2024-12	74	2023-12	84
EOY Total	661	EOY Total	938	EOY Total	887



Note: Data is as of 10/31/2025, and only accounts for position requests submitted by the project (and approved by UH OHR/VPRI) to go through the formal recruitment process. This does not include non-recruited (temporary, intermittent, or student) requests.

RCUH Terminations: Regular and Non-Recruited

2025

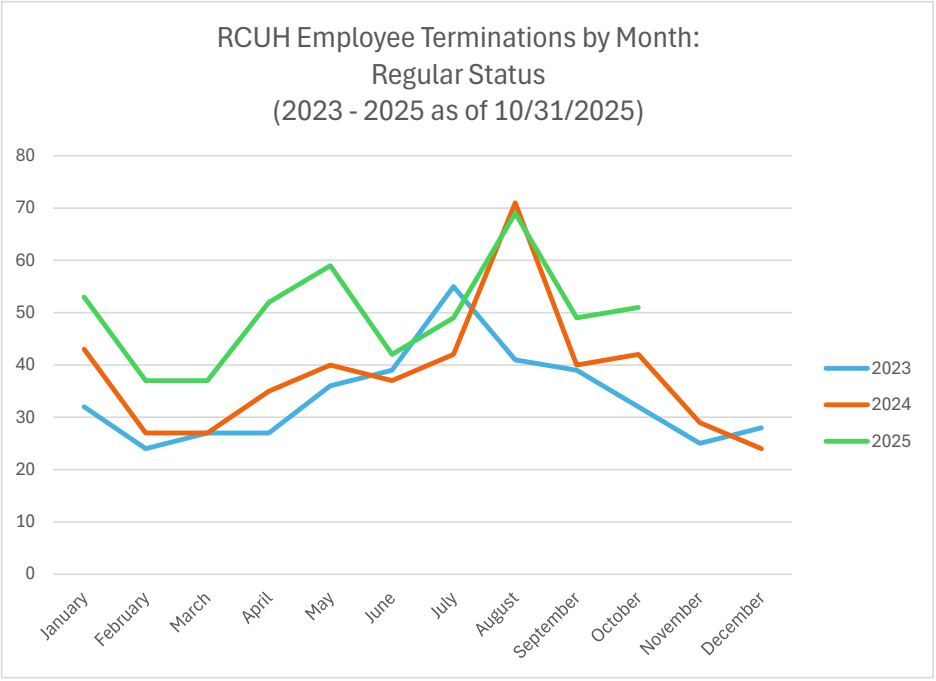
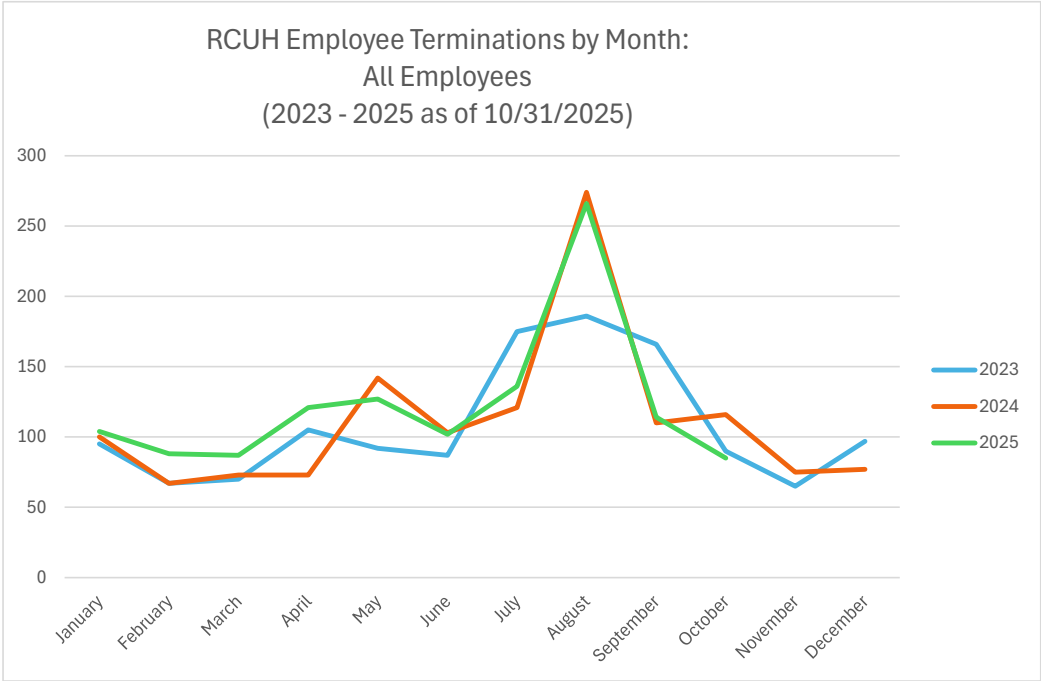
TOTAL				
Month	Terminations	Non-Recruited	Regular	Running total Regulars
2025-01	104	51	53	53
2025-02	88	67	37	90
2025-03	87	67	37	127
2025-04	121	52	52	179
2025-05	127	45	59	238
2025-06	102	60	42	280
2025-07	136	87	49	329
2025-08	266	197	69	398
2025-09	114	65	49	447
2025-10	85	34	51	498
2025-11				
2025-12				

2024

TOTAL				
Month	Terminations	Non-Recruited	Regular	Running total Regulars
2024-01	100	57	43	43
2024-02	67	40	27	70
2024-03	73	46	27	97
2024-04	73	38	35	132
2024-05	142	102	40	172
2024-06	103	66	37	209
2024-07	121	79	42	251
2024-08	274	203	71	322
2024-09	110	70	40	362
2024-10	116	74	42	404
2024-11	75	46	29	433
2024-12	77	53	24	457

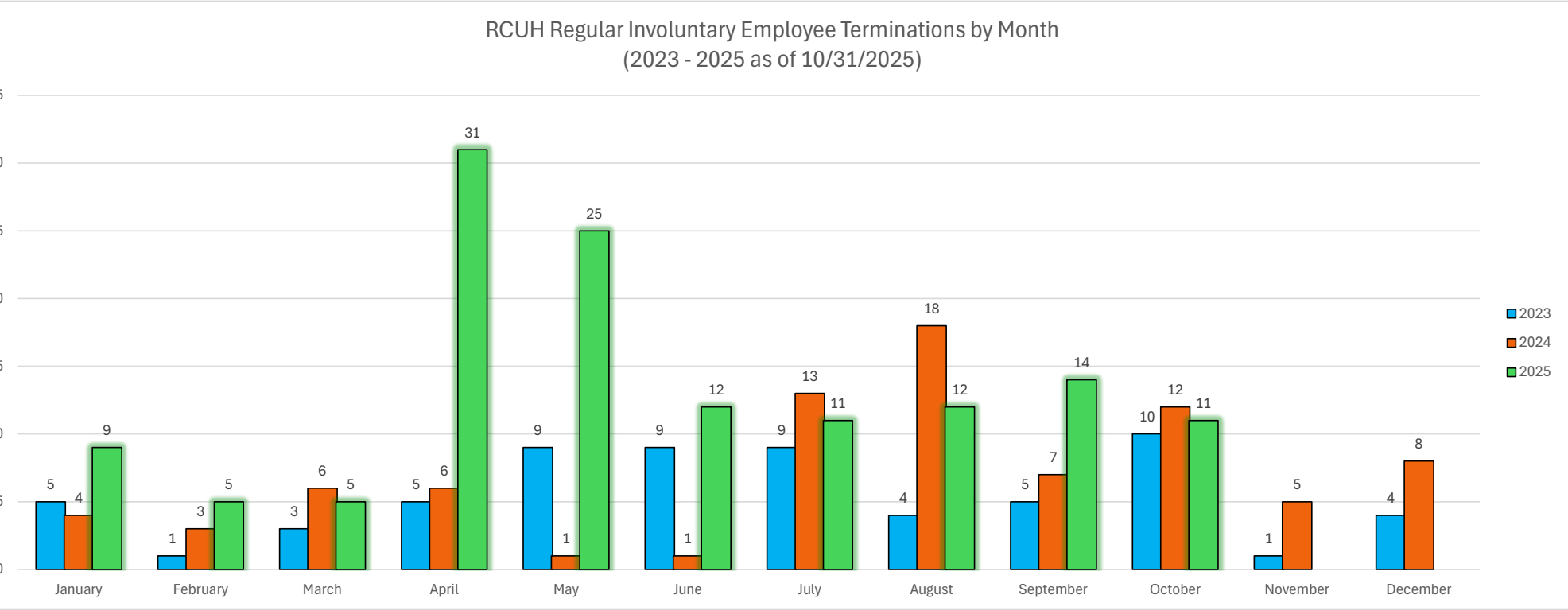
2023

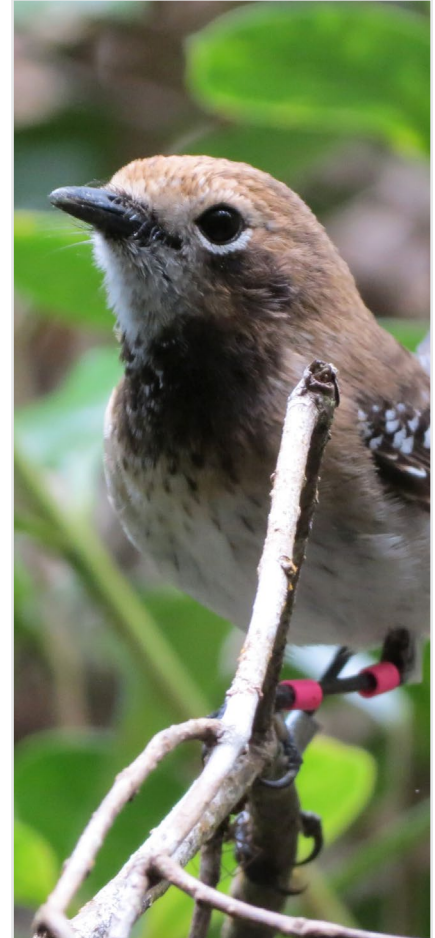
TOTAL				
Month	Terminations	Non-Recruited	Regular	Running total Regulars
2023-01	95	63	32	32
2023-02	67	43	24	56
2023-03	70	43	27	83
2023-04	105	78	27	110
2023-05	92	56	36	146
2023-06	87	48	39	185
2023-07	175	120	55	240
2023-08	186	145	41	281
2023-09	166	127	39	320
2023-10	90	58	32	352
2023-11	65	40	25	377
2023-12	97	69	28	405



RCUH Regular Status Terminations: Involuntary (Project-Initiated) Terminations

2025					2024					2023				
Month	TOTAL Terminations	Voluntary	Involuntary	Running Total Invol	Month	TOTAL Terminations	Voluntary	Involuntary	Running Total Invol	Month	TOTAL Terminations	Voluntary	Involuntary	Running Total Invol
2025-01	53	44	9	9	2024-01	43	39	4	4	2023-01	32	27	5	5
2025-02	37	32	5	14	2024-02	27	24	3	7	2023-02	24	23	1	6
2025-03	37	32	5	19	2024-03	27	21	6	13	2023-03	27	24	3	9
2025-04	52	21	31	50	2024-04	35	29	6	19	2023-04	27	22	5	14
2025-05	59	34	25	75	2024-05	40	39	1	20	2023-05	36	27	9	23
2025-06	51	39	12	87	2024-06	37	36	1	21	2023-06	39	30	9	32
2025-07	57	46	11	98	2024-07	43	30	13	34	2023-07	55	46	9	41
2025-08	68	56	12	110	2024-08	71	53	18	52	2023-08	41	37	4	45
2025-09	49	35	14	124	2024-09	40	33	7	59	2023-09	39	34	5	50
2025-10	40	29	11	135	2024-10	42	30	12	71	2023-10	32	22	10	60
2025-11					2024-11	29	24	5	76	2023-11	25	24	1	61
2025-12					2024-12	24	16	8	84	2023-12	28	24	4	65





2022-2026 STRATEGIC PLAN

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

KEY: ☐ No action taken ☒ Completed ☐ In Progress/Ongoing

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

GOAL 3: REFORM RCUH'S INTERNAL OPERATIONS.		2022	2023	2024	2025	2026
OBJECTIVE	BENCHMARKS					
A. Identify and implement efficiencies in RCUH's operations	18. Evaluate internal procedures and streamline for efficiencies	☒	☒	☒	☒	
	19. Perform operational audit/SWOT analysis and consider recommendations for improvements	☐	☒	☐	☐	
	20. Identify and prioritize RCUH services to accommodate budget reduction, if necessary					
	21. Evaluate current roles/positions to consider modification of RCUH's organizational chart	☒	☒	☒	☒	
	22. Develop a formal remote work policy	☒				
	23. Establish a single physical location for core staff	☒	☒			
	24. Develop procedure for annual cleanup of directories in Finance and Training Portals			☒	☒	
	25. Complete journey mapping of the RCUH workflow			☐	☐	
B. Invest in development of RCUH core staff	26. Professional development plan for core staff developed and implemented as necessary and appropriate for each position	☒	☒	☐	☐	
	27. Develop SOPs for each core staff position	☐	☐	☒	☒	
	28. Utilize and implement feedback from core staff	☒	☒	☒	☒	
	29. Increase retention of core staff	☒	☐	☒	☒	
	30. Hold an annual RCUH retreat		☒	☒	☒	
	31. Address staffing shortage			☒		
	32. Commit to one project site visit each year			☒	☒	
	33. Provide customer service training for core staff		☒			
	34. Provide training on how to address performance			☒	☒	
C. Ensure systems are secure and in compliance with applicable policies, regulations	35. Perform security audit of RCUH practices and consider recommendations for improvements	☒	☒	☒	☒	
	36. Implement MFA for all RCUH systems no later than calendar year 2023	☒	☒	☒		
	37. Develop and implement an action plan for data and systems security	☒	☒	☒		
	38. Conduct random inspections to ensure internal policies are being followed	☐	☐	☒	☒	
	39. Create new IT policies and procedures		☒	☒	☒	

GOAL 3: REFORM RCUH'S INTERNAL OPERATIONS. (CONTINUED)		2022	2023	2024	2025	2026
OBJECTIVE	BENCHMARKS					
D. Reduce the administrative burden for researchers	40. Re-evaluate RCUH's policies and procedures by the end of 2023 ; modify as appropriate	☒	☒	☒	☒	
	41. Develop digital user guides, manuals for RCUH transactions	☐	☒	☒	☒	
E. Enhance IT systems to reduce manual processes and eliminate paper documents*	42. Re-evaluate and prioritize IT initiatives based on available budget, priority, and ease of implementation	☐	☐	☒	☒	
	43. Replace AS 400 system	☒	☒	☒	☒	
	44. Develop electronic service order processing for intramural/ revolving accounts	☐	☐	☒	☒	
	45. Create more user-friendly online travel forms			☐	☐	
	46. Develop automatic email notifications for Financial Portal transaction approvals			☐	☐	
	47. Implement an Enterprise Integration and Application Development Platform		☒	☒		
	48. Evaluate single sign-on platform			☐	☐	
	49. Overhaul Electronic Hiring System Enhance and modernize the Electronic Hiring System			☐	☒	
	50. Update Human Resources Portal			☒		
	51. Implement eTimesheet updates, ePAF enhancement			☐	☒	

MAJOR ACHIEVEMENTS IN 2025

- Building and deploying a data warehouse
- Refreshed the RCUH website
- Executed 360 Performance Reviews for all core staff
- Launched a new HR Portal Access feature in the RCUH HR Portal
- Provided supervisor training to __ RCUH employees courtesy of the Hawaii Employers Council

GOAL 4: INCREASE ENGAGEMENT AND OUTREACH TO CLIENTS.		2022	2023	2024	2025	2026
OBJECTIVE	BENCHMARKS					
A. Strengthen relationships with Pls, FAs, and Project Staff	52. Consider focus groups with Pls, FAs, and Project Staff to generate ideas on efficiencies and create consistencies	☒	☒	☒	☒	
	53. Schedule annual meetings on all islands for RCUH Leadership Team and Pls	☐	☐	☐		
	54. Conduct virtual Q&A sessions each quarter on various RCUH-related topics	☐	☒	☒	☒	
	55. Coordinate professional development opportunities for project staff	☐	☒	☒	☒	
	56. Host an RCUH Open House			☐	☐	
B. Improve external communications to projects	57. Develop communication strategy based on use of current platforms	☐	☐	☐	☐	
	58. Respond to inquiries in a timely manner	☒	☒	☒	☒	
	59. Conduct annual forum on research-related topics	☒	☒	☒	☐	
	60. Collaborate with UH on transparency and use of targeted communications (consider adoption or modification for RCUH needs)					
	61. Develop style guidelines, procedure for external communications			☒	☒	
	62. Update RCUH Website			☒	☒	
	63. Provide training on RCUH's policies & procedures by department/section to ensure consistent communications with projects			☐	☒	

WHAT'S TO COME IN 2026

- Complete the replacement of the AS400
- Evaluate and possibly revise RCUH's mission and vision statement
- Revisit the RCUH/State of Hawai'i's Master Agreement and determine if an update or clarification is necessary
- Perform operational audit/SWOT analysis and consider recommendations for improvements
- Complete journey mapping of the RCUH workflow



2026 MEETING CALENDAR

RCUH BOARD OF DIRECTORS

Date	Time	Location
March 11, 2026	9:00 – 11:00 a.m.	Burns Hall, 4005/4009
June 3, 2026	9:00 – 11:00 a.m.	Burns Hall, 4005/4009
September 2, 2026	9:00 – 11:00 a.m.	Burns Hall, 4005/4009
December 2, 2026	9:00 – 11:00 a.m.	Burns Hall, 4005/4009

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