

BRIGHAM YOUNG UNIVERSITY - HAWAII

REPORTS ON AUDITS OF THE FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020
AND FEDERAL GRANT COMPLIANCE
For the year ended December 31, 2021
(As required by the Single Audit Act and OMB Uniform
Guidance)

EIN: 99-0083825

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Report of Independent Auditors

To the Board of Trustees of Brigham Young University - Hawaii

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Brigham Young University - Hawaii (the "University"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 University's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 US 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 US 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 University'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 University'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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended December 31, 2021 and schedule of financial responsibility ratios as of and for the year ended December 31, 2021 are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Department of Education, respectively and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of financial responsibility ratios are fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2022, except with respect to the opinion on the schedule of expenditures of federal awards, as to which the date is June 1, 2022, on our consideration of the University'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 for the year ended December 31, 2021. 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 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 University's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

May 4, 2022, except with respect to the opinion on the schedule of expenditures of federal awards, as to which the date is June 1, 2022

BRIGHAM YOUNG UNIVERSITY - HAWAII

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

(in thousands of dollars)

	2021	2020
Assets		
Cash and cash equivalents	\$ 27,466	\$ 36,909
Accounts and notes receivable, net of allowances of \$915 and \$625	7,061	6,768
Inventories, prepaid expenses and other assets	1,527	1,648
Investments	398,850	345,888
Retirement and postretirement benefits asset	1,602	-
Beneficial interest in trusts	5,055	4,632
Land, buildings and equipment, net	390,609	323,676
Total Assets	\$ 832,170	\$ 719,521
Liabilities and Net Assets		
Liabilities		
Accounts payable, accrued liabilities and deposits	\$ 17,838	\$ 10,349
Deferred revenue	480	303
Annuities payable	1,385	1,472
Retirement and postretirement benefits obligation	-	35,186
Loans and notes payable	210,754	182,733
Total Liabilities	230,457	230,043
Net Assets		
Without donor restrictions		
Operations	71,945	55,320
Board-designated for specific purposes	112,263	98,042
Invested in land, buildings and equipment	179,853	140,909
Total without donor restrictions	364,061	294,271
With donor restrictions		
Operations	151,276	122,122
Beneficial interest in trusts	5,055	4,632
Endowments	81,320	68,453
Total with donor restrictions	237,651	195,207
Total Net Assets	601,713	489,478
Total Liabilities and Net Assets	\$ 832,170	\$ 719,521

See notes to financial statements

BRIGHAM YOUNG UNIVERSITY - HAWAII

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

(in thousands of dollars)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Tuition and fees, net of scholarships and grants of \$9,621	\$ 11,995		\$ 11,995
Appropriations from a Church affiliate	93,877		93,877
Donated services from an affiliate	2,110		2,110
Contributions and grants	4,572	\$ 14,425	18,997
Investment income, net	23,906	32,573	56,479
Auxiliary sales, net of student aid of \$3,153	19,717		19,717
Other	218		218
Net assets released from restrictions	4,553	(4,553)	-
Total Revenues and Other Support	<u>160,948</u>	<u>42,445</u>	<u>203,393</u>
Expenses			
Education	57,623		57,623
Administration	36,107		36,107
Auxiliary	34,695		34,695
Total Expenses	<u>128,425</u>		<u>128,425</u>
Increase in Net Assets before Retirement and Postretirement Plans Adjustment	32,523	42,445	74,968
Retirement and Postretirement Plans Adjustment	<u>37,267</u>		<u>37,267</u>
Increase in Net Assets	69,790	42,445	112,235
Net Assets Beginning of Year	<u>294,271</u>	<u>195,207</u>	<u>489,478</u>
Net Assets End of Year	<u>\$ 364,061</u>	<u>\$ 237,652</u>	<u>\$ 601,713</u>

See notes to financial statements

BRIGHAM YOUNG UNIVERSITY - HAWAII

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

(in thousands of dollars)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Tuition and fees, net of scholarships and grants of \$10,099	\$ 11,249		\$ 11,249
Appropriations from a Church affiliate	76,072		76,072
Donated services from an affiliate	2,050		2,050
Contributions and grants	3,369	\$ 17,312	20,681
Investment income, net	18,689	23,849	42,538
Auxiliary sales, net of student aid of \$2,554	15,925		15,925
Other	594		594
Net assets released from restrictions	3,671	(3,671)	-
Total Revenues and Other Support	<u>131,619</u>	<u>37,490</u>	<u>169,109</u>
Expenses			
Education	52,060		52,060
Administration	35,825		35,825
Auxiliary	33,456		33,456
Total Expenses	<u>121,341</u>		<u>121,341</u>
Increase in Net Assets before Retirement and Postretirement Plans Adjustment	10,278	37,490	47,768
Retirement and Postretirement Plans Adjustment	<u>(5,216)</u>		<u>(5,216)</u>
Increase in Net Assets	5,062	37,490	42,552
Net Assets Beginning of Year	<u>289,209</u>	<u>157,717</u>	<u>446,926</u>
Net Assets End of Year	<u>\$ 294,271</u>	<u>\$ 195,207</u>	<u>\$ 489,478</u>

See notes to financial statements

BRIGHAM YOUNG UNIVERSITY - HAWAII

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

(in thousands of dollars)

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 112,235	\$ 42,552
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	16,968	12,820
Gain on investments	(49,535)	(35,819)
(Increase) decrease in beneficial interest in trusts	(423)	288
Gain on disposal of land, buildings and equipment	(29)	(15)
Contributions restricted for investment in donor-restricted net assets	(13,067)	(14,913)
Change in operating assets and liabilities:		
Accounts receivable	(293)	1,644
Inventories, prepaid expenses and other assets	121	528
Accounts payable, accrued liabilities and deposits	7,489	3,825
Deferred revenue	177	(104)
Retirement and postretirement benefits obligation	(36,788)	5,910
Annuities payable	(87)	130
Net cash provided by operating activities	<u>36,768</u>	<u>16,846</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	29,919	105,194
Purchase of investments	(33,346)	(107,147)
Proceeds from disposal of land, buildings and equipment	32	57
Purchase of land, buildings and equipment	(83,904)	(50,658)
Net cash used in investing activities	<u>(87,299)</u>	<u>(52,554)</u>
Cash Flows from Financing Activities		
Contributions restricted for investment in donor-restricted endowments	13,067	14,913
Proceeds from loans and notes payable	30,342	31,015
Payments on loans and notes payable	(2,321)	(2,275)
Net cash provided by financing activities	<u>41,088</u>	<u>43,653</u>
Net (decrease) increase in cash	(9,443)	7,945
Cash and cash equivalents, beginning of year	<u>36,909</u>	<u>28,964</u>
Cash and cash equivalents, end of year	<u><u>\$ 27,466</u></u>	<u><u>\$ 36,909</u></u>
Supplemental Data		
Interest paid	\$ 2,529	\$ 2,575

See notes to financial statements

BRIGHAM YOUNG UNIVERSITY – HAWAII

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brigham Young University – Hawaii (the University), located in Laie, Hawaii, is a non-profit corporation affiliated with The Church of Jesus Christ of Latter-day Saints (the Church).

Basis of Accounting

The financial statements of the University have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

University net assets are classified into two categories: with donor restrictions and without donor restrictions, based on the existence or absence of donor-imposed time or purpose restrictions upon resources provided to the University and without donor restrictions. When donor restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions, and are reported in the Statement of Activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the University reports the contribution as without donor restrictions.

Cash

Cash includes cash on hand, cash in depository institutions and cash in an interest-bearing cash management account maintained with a Church affiliate (Note 7) that is available on demand and is not covered by federal depository insurance.

Inventories

Inventories include retail store inventory stated at the lower of cost (retail inventory method) or market and materials and supplies stated at the lower of cost or net realizable value (first-in, first-out method).

Investments

Investments with readily determinable fair values are recorded at fair value with the change in fair value on the Investment Income line of the Statement of Activities. Investments that have no readily determinable fair value are carried at either original cost or estimated fair value at the date of donation.

Beneficial Interest in Trusts

The University is named as a beneficiary of certain irrevocable trusts. Revenues and assets included in the financial statements are based on the net present value of expected proceeds from those trusts.

Land, Buildings and Equipment

Land, buildings and equipment are stated at acquisition cost or at estimated fair value at the time of donation. Gifts of long-lived assets are treated as support without donor restrictions unless explicit donor restrictions specify otherwise. Depreciation is computed using the straight-line method and the following useful lives:

Buildings	10 to 50 years
Improvements	5 to 25 years
Furniture, fixtures, and equipment	3 to 10 years
Library materials - tangible	10 years

Collections

The University maintains several collections, which are not reported for financial statement purposes. These collections include works of art, natural history (living and artifacts) and other similar objects. Collections are held for public exhibition, education and research in furtherance of the University's goal to provide public service. Proceeds from the sale of collection items are held and used to acquire other collection items that are expensed at the time of purchase. Various University departments have the responsibility to control, preserve and protect these collections.

Annuities Payable

Annuities Payable represent the University's estimated annuity obligation to certain donors and their designees under contractual gift agreements that are maintained by a Church affiliate (Note 7). No significant financial benefit is being or can be realized by the University until the contractual obligations are released. The University uses the actuarial method of recording annuities when received. Under this method, when a gift is received, the present value of the aggregate annuity obligation is recorded as a liability, based upon life expectancy tables. The remainder is recorded as a contribution on the Statement of Activities. Annually, the University makes an adjustment to record the actuarial gain or loss due to re-computation of the liability based upon the revised life expectancy.

Revenue Recognition and Other Support

Tuition and fees revenue is received from students enrolled in degree or continuing education programs. Revenue is recognized within the year in which educational services are provided and is recorded net of scholarships and grants. Payments received in advance of providing services are recorded as deferred revenue.

Appropriations revenue is provided from a Church affiliate (Note 7) to support education, auxiliary and administrative activities. Appropriations revenue is recorded as revenue when received or as costs are reimbursed for Church affiliate-funded projects.

Donated services from an affiliate represent a transfer for services received from personnel and affiliates that directly benefit the University and are recorded at the direct personnel costs incurred by the affiliate providing the services.

Contributions revenue includes monetary gifts to support university operations, student aid and capital projects. Unconditional promises to give to the University are recognized when the promise is formally acknowledged. Conditional promises to give to the University are recognized when the conditions on which they depend are substantially met. Contributions are recorded at fair value at the time gifts are received. Amounts expected to be collected in future years are recorded at the present value of estimated future cash flows. Grants and contracts awarded by governmental and private entities are generally considered nonreciprocal transactions. Resources provided benefit the University, the funding entity's mission, or the public at large. Revenue is recognized according to the conditions of the agreement, usually as qualifying expenditures are incurred and conditions are met. Payment received in advance of conditions being met are recorded as deferred revenue.

Auxiliary sales revenue results from furnishing goods or services to students, faculty, staff, or to the general public. Auxiliary enterprises are managed to operate as self-supporting activities. Auxiliary sales revenue includes dining, housing, student medical services, store sales and other services. Revenues are recognized at the time of sales or over the life of the contract as performance obligations are met. Amounts received in advance are recorded as deferred revenue. Auxiliary enterprises may also be supported by appropriations, contributions, and investment income.

Fair Value Measurements

Certain financial instruments and retirement and postretirement plan assets are carried at fair value, as discussed in Notes 9 and 10, respectively.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on assumptions that market participants would use, including a consideration of non-performance risk.

In determining fair value, the University uses various valuation techniques and prioritizes the use of observable inputs. The availability of observable inputs varies from instrument to instrument and depends on a variety of factors, including the type of instrument, whether the instrument is traded in active markets, and other characteristics particular to the transaction. Equity and fixed income portfolio investments are recorded at fair value, based upon the underlying investments, using the net asset values provided by a Church affiliate (Note 7). Equity securities are valued at the closing price reported on the active market on which the securities are traded. Fixed income securities are generally valued using pricing models maximizing the use of observable inputs. Real estate and limited partnership investments are valued at fair value, based upon the underlying investments, using either

the published net asset value per unit or the net asset values provided by the general partners, updated as necessary using analytical tools to benchmark returns, appraisals, public market data and/or inquiry of the general partners.

The University assesses the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs include quoted prices for identical assets or liabilities in an active market. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, currency exchange rates, commodity rates, and yield curves. Level 3 inputs are not observable in the market and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

Transfers between levels occur when there is a change in the observability of significant inputs. This may occur between Level 1 and Level 2 when the availability of quoted prices change, or when market activity significantly changes to active or inactive. A transfer between Level 2 and Level 3 generally occurs when the underlying inputs become, or can no longer be, corroborated with observable market data. The University's policy is to recognize all transfers at the end of each reporting period.

Accounting for Retirement and Postretirement Plans

The University recognizes the over/under funded status of retirement and postretirement plans in the statements of financial position. For retirement plans, funding status is measured as the difference between the fair value of plan assets and the projected benefit obligation. For postretirement plans, funding status is measured as the difference between the fair value of plan assets and the accumulated postretirement benefit obligation.

The University also recognizes all previously unrecognized actuarial gains and losses, prior service cost, and transition liability in Net Assets Without Donor Restrictions and provides all required additional disclosure.

Income Tax Status

The University is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and the relevant Hawaii statute. Accordingly, no provision for income taxes is made in the financial statements.

Use of Estimates

The preparation of financial statements in conformity 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, the 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.

Other Matters

On March 11, 2020, the World Health Organization declared the global outbreak of the novel corona virus (COVID-19) as a pandemic. The spread of COVID-19 has caused significant volatility in financial markets and the overall global economy. The resolution and impact of these ongoing events was highly uncertain. The University has implemented precautionary measures to continue its operations consistent with the guidance of local and national governmental leaders. Auxiliary operations financial results we negatively affected during the first half of 2021 due to continued restrictions on person to person contact. The complete resolution and ultimate effect of the pandemic and related actions remain uncertain.

(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The University's liquidity needs are met from the following sources: tuition and fees, monthly Church appropriations for operations, funding for Church-funded capital projects as costs are reimbursed, and contributions made to the University through Philanthropies, a Church affiliate (note 7). In order to meet additional liquidity needs, the University may redeem investments from its investment portfolios on a monthly basis with a minimum notice period of 10 business days. Excess cash from daily operational needs is managed in cash accounts held by Church affiliates. Excess cash that is not projected to be needed for 90 days or greater is invested in the University's investment portfolio. The investment portfolios are invested with diversification as designated by Ensign Peak Advisor personnel.

The table below reflects the University's financial assets as of the statements of financial position dates, reduced by amounts not available for general use within one year of the statements of financial position dates because of contractual or donor-imposed restrictions, or internal designations. Amounts not available include amounts set aside for long-term investing in the operating and capital reserves that could be drawn upon if management approves that action. The following table presents the availability of financial assets as of December 31, 2021 and 2020 (in thousands of dollars):

	2021	2020
Cash	\$ 27,466	\$ 36,909
Accounts receivable, net	7,061	6,768
Investments	398,850	345,888
Beneficial interest in trusts	5,055	4,632
Total financial assets	<u>438,432</u>	<u>394,197</u>
Less those unavailable for general expenditure within one year, due to:		
Endowment funds (net of projected payouts)	78,067	65,715
Board-designated for specific purposes	112,263	98,042
Beneficial interest in trusts	5,055	4,216
Real estate, partnership investments, and other assets	<u>13,560</u>	<u>13,560</u>
Financial assets available to meet cash needs for general expenditures within one year.	<u>\$ 229,487</u>	<u>\$ 212,664</u>

(3) INVESTMENTS

Investments primarily consist of unitized interests in investment pools managed by a Church affiliate (Note 7). Investments as of December 31, 2021 and 2020 are as follows (in thousands of dollars):

	2021	2020
Investments at fair value:		
Cash equivalents	\$ 595	\$ 573
Equity portfolios, domestic	207,032	180,388
Equity portfolios, international	49,138	45,379
Fixed income portfolios, domestic	128,525	105,987
Total investments at fair value	<u>385,290</u>	<u>332,327</u>
Other investments carried at cost or estimated fair value at the date of donation:		
Partnership interests	13,390	13,390
Real estate	142	142
Other assets	28	28
Total other investments	<u>13,560</u>	<u>13,560</u>
Total investments	<u>\$ 398,850</u>	<u>\$ 345,888</u>

(4) BENEFICIAL INTEREST IN TRUSTS

The University is named as a beneficiary or remainderman for a number of irrevocable charitable remainder trusts. Most of these trusts are administered by a Church affiliate (Note 7). Expected receipts from these trusts and unconditional promises to give (fair value determined using discount rates ranging from approximately 1.0 to 3.0 percent) as of December 31, 2021 and 2020, are as follows (in thousands of dollars):

	2021	2020
Less than one year	\$ -	\$ 416
One to five years	607	800
More than five years	4,448	3,416
Total beneficial interest in trusts	<u>\$ 5,055</u>	<u>\$ 4,632</u>

(5) LAND, BUILDINGS AND EQUIPMENT

As of December 31, 2021 and 2020, land, buildings and equipment included (in thousands of dollars):

	2021	2020
Land, buildings and improvements	\$ 352,593	\$ 326,671
Furniture, fixtures and equipment	23,105	24,112
Library materials - tangible	9,082	9,618
Construction in progress	151,267	95,257
	<u>536,047</u>	<u>455,658</u>
Less accumulated depreciation	<u>145,438</u>	<u>131,982</u>
Total land, buildings and equipment, net	<u>\$ 390,609</u>	<u>\$ 323,676</u>

(6) LOANS AND NOTES PAYABLE TO A CHURCH AFFILIATE

Loans and notes payable consist of unsecured loans extended by a Church affiliate (Note 7) to the University for the construction of auxiliary-related facilities. These loans bear interest at rates ranging from 2.0 to 3.0 percent. Maturity dates of all current notes are through 2055 to 2059.

The amounts of future principal payments as of December 31, 2021 are (in thousands of dollars):

Years ending December 31,	
2022	\$ 3,794
2023	3,870
2024	3,949
2025	4,029
2026	4,110
2027 and thereafter	<u>191,002</u>
Total loans and notes payable to a Church affiliate	<u><u>\$ 210,754</u></u>

(7) RELATED PARTIES

The University operates under the direction of the Board. The University is provided certain financial and other management services and is also included in the property and liability insurance programs of Church affiliates, all at no cost to the University.

The following table reflects balances due to and from or administered through Church affiliates, and activities with or processed by Church affiliates, included in the financial statements as of and for the years ended December 31, 2021 and 2020 (in thousands of dollars):

	2021	2020
Cash	\$ 7,705	\$ 6,912
Accounts receivable	770	297
Investments	385,290	332,327
Beneficial interest in trusts	5,055	4,632
Accounts payable and accrued liabilities	2,615	1,304
Annuities payable	1,385	1,472
Retirement and postretirement benefits (asset) obligation	(1,602)	35,186
Loans and notes payable	210,754	182,733
Appropriations:		
Operations	57,515	57,094
Other appropriations	3,204	1,752
Capital expenditures	33,158	17,226
Donated services from an affiliate	2,110	2,050
Contributions processed from donors	18,997	20,681
Investment income, net	56,479	42,538
Auxiliary enterprises and other revenue	1,767	2,812
Expenses:		
Benefit plans (credits) and expenses	(22,101)	19,127
Donated services from an affiliate	2,110	2,050
Products and services	84,437	51,819
Interest	2,529	2,575

(8) ENDOWMENTS

The University's endowment fund consists of individual donor-restricted endowment funds. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Board has interpreted the adopted Hawaii "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restriction, (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) the remaining portion of the donor-restricted endowment fund, until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the University and the donor restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of the University
- The investment policies of the University

Where the Board designates funds without donor restrictions to function as endowments, they remain classified as net assets without donor restrictions. Where the Board designates donor-restricted non-endowment funds to function as endowments, they are classified as net assets with donor restrictions. Board designated endowments are used to fund management priorities as approved by the Board.

The following tables present the University's endowment net asset composition, changes, and net asset classifications as of and for the indicated years (in thousands of dollars):

Changes in Endowment Net Assets for the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 68,453	\$ 68,453
Investment income, net	-	-	-
Contributions and other revenue	-	12,867	12,867
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 81,320</u>	<u>\$ 81,320</u>

Changes in Endowment Net Assets for the year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 53,550	\$ 53,550
Investment income, net	-	-	-
Contributions and other revenue	-	14,903	14,903
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 68,453</u>	<u>\$ 68,453</u>

Description of Endowment Net Assets With Donor Restrictions

	2021	2020
The portion of perpetual endowment funds required to be retained permanently either by explicit donor stipulation or UPMIFA	<u>\$ 81,320</u>	<u>\$ 68,453</u>
Total endowment funds classified as net assets with donor restrictions	<u>\$ 81,320</u>	<u>\$ 68,453</u>

Endowment Funds with Deficits (Underwater Endowments)

From time to time, the fair value of assets associated with individual donor endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of net assets without donor restriction. Deficits associated with funds functioning as endowments, when they exist, are likewise classified as a reduction of net assets without donor restriction. As of December 31, 2021 and 2020 there were no endowments with deficits.

Return Objectives and Risk Parameters

The University has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, endowment assets are invested in a manner that is intended to yield a long-term rate of return of approximately 6.0 percent annually, while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Investment Objectives

To achieve its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The University targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Relationship of Spending Policy to Investment Objectives

The Committee determines the method to be used to appropriate endowment funds for expenditure. The annual spendable amount is determined as of the end of the year, one year prior to when it becomes available for expenditure, and is equal to 4.0 percent of the preceding five years' average ending fair value. In establishing this method, the Committee considered the expected long-term rate of return on the investment of the University's endowment funds. Accordingly, over the long-term, the University expects the current spending policy to allow its endowment to grow at an average of 2.0 percent annually, consistent with its intention to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts. Depending upon market conditions and the needs and available resources of the University, expenditures from individual endowments may be temporarily suspended to facilitate preservation of the endowment.

(9) FINANCIAL INSTRUMENTS AT FAIR VALUE

Certain financial instruments of the University are reported at fair value and are either categorized into a three-level hierarchy based on the nature of the inputs to the valuation technique, or presented as investments measured at net asset value per share as discussed in Note 1. The following tables present these financial instruments as of December 31, 2021 and 2020 (in thousands of dollars):

	Fair Value Measurements as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Time deposits and cash equivalents	\$ 595	\$ -	\$ -	\$ 595
Investments measured at net asset value per share	N/A	N/A	N/A	384,695
Total Investments	595	-	-	385,290
Beneficial interest in trusts	-	-	5,055	5,055
Total investment assets carried at fair value	<u>\$ 595</u>	<u>\$ -</u>	<u>\$ 5,055</u>	<u>\$ 390,345</u>

	Fair Value Measurements as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Time deposits and cash equivalents	\$ 573	\$ -	\$ -	\$ 573
Investments measured at net asset value per share	N/A	N/A	N/A	331,754
Total Investments	573	-	-	332,327
Beneficial interest in trusts	-	-	4,632	4,632
Total investment assets carried at fair value	<u>\$ 573</u>	<u>\$ -</u>	<u>\$ 4,632</u>	<u>\$ 336,959</u>

The fair value of the beneficial interests in trusts is based upon the income approach. Significant inputs include the fair value of the trust assets, the discount rate, the annual amounts paid to the donor, and the estimated date of payout (Note 4).

Investments measured at net asset value per share consist of unitized interests in investment pools managed by a Church affiliate (Note 7). The University has no unfunded commitments, and may redeem these investments on a once monthly basis, at the month-end net asset value, with a minimum notice period of 10 business days. The following table presents the fair value of these investments, as of December 31, 2021 and 2020 (in thousands of dollars):

	Fair Value Measurements of Investments Measured at Net Asset Value Per Share	
	2021	2020
Equity portfolios, domestic	\$ 207,032	\$ 180,388
Equity portfolios, international	49,138	45,379
Fixed income portfolios, domestic	128,525	105,987
Total investments measured at net asset value per share	<u>\$ 384,695</u>	<u>\$ 331,754</u>

Domestic and international equity portfolios consist of funds that invest in the common stock of either large, mid, or small-cap companies and are generally designed to either replicate the performance of an index or outperform an index through active security selection. Fixed income portfolios consist of funds that invest in either U.S. government or corporate debt securities, each with a targeted duration.

(10) RETIREMENT AND POSTRETIREMENT PLANS

The University is a participating employer within the Master Retirement Plan administered by a Church affiliate (Note 7). The retirement plan is a noncontributory defined benefit plan that covers substantially all full-time employees of the University hired before January 1, 2021. Effective January 1, 2021, new-hire full-time employees are only eligible to participate in an expanded defined contribution retirement plan.

The University is also a participating employer within the Retiree Medical and Life Plan, administered by a Church affiliate. Through this plan, the University provides a postretirement benefit plan that provides a fixed monthly dollar benefit toward the purchase of medical and life insurance for certain retired employees. Participating retirees pay the difference between the fixed amounts and the total premium rates. The University recognizes the estimated cost of these postretirement benefits during the years employees provide service. At the time the University adopted this method, the election was made to recognize the cumulative effect of the postretirement benefit obligation over a period of twenty years.

Pension and postretirement plan information presented below represents the University's proportionate share of the Master Retirement Plan and the Retiree Medical and Life Plan (the Plans), respectively.

The following table presents the funding status and the related amounts recognized in the Statements of Financial Position as of December 31, 2021 and 2020:

	Pension Plan		Postretirement Plan	
	2021	2020	2021	2020
Fair value of plan assets	195,508,229	168,151,654	15,383,084	13,523,365
Benefit obligation	<u>(192,387,704)</u>	<u>(199,338,531)</u>	<u>(16,901,699)</u>	<u>(17,522,029)</u>
Amount (under)/over funded	3,120,525	(31,186,877)	(1,518,615)	(3,998,664)

The accumulated benefit obligation for the pension plan was \$170,155,976 and \$175,977,669 as of December 31, 2021 and 2020, respectively.

The following table provides information relating to the pension and postretirement plans as of and for the years ended December 31, 2021 and 2020:

	Pension Plan		Postretirement Plan	
	2021	2020	2021	2020
Selected changes in plan assets:				
Employer contributions	6,280,000	5,010,000	338,957	374,117
Plan participants' contributions	N/A	N/A	N/A	N/A
Benefits paid	6,986,708	6,533,901	572,097	472,204

Accumulated amounts reflected in the Statements of Financial Position	Pension Plan		Postretirement Plan	
	2021	2020	2021	2020
Net loss (gain)	4,235,716	38,901,324	(1,494,397)	1,016,103
Prior service cost	<u>158,997</u>	<u>190,796</u>	<u>176,023</u>	<u>234,696</u>
Amount in net assets without donor restrictions	4,394,713	39,092,120	(1,318,374)	1,250,799
(Prepaid) accrued retirement/postretirement cost	<u>(\$7,515,238)</u>	<u>(\$7,905,243)</u>	<u>2,836,989</u>	<u>2,747,865</u>
Pension/postretirement (asset)/liability	(\$3,120,525)	\$31,186,877	1,518,615	3,998,664

Periodic benefit cost and other amounts recognized in net assets without donor restrictions reflected in the Statements of Activities	Pension Plan		Postretirement Plan	
	2021	2020	2021	2020
Service cost	5,916,720	4,775,069	514,562	480,579
Components other than service cost	<u>753,286</u>	<u>801,829</u>	<u>(86,481)</u>	<u>19,949</u>
Total benefit cost	\$6,670,006	\$5,576,898	\$428,081	\$500,528
Net loss (gain)	(34,665,609)	5,765,546	(2,510,500)	(459,113)
Prior service (credit)	<u>(31,799)</u>	<u>(31,799)</u>	<u>(58,673)</u>	<u>(58,673)</u>
Other amounts recognized in net assets without donor restrictions	<u>(34,697,408)</u>	<u>5,733,747</u>	<u>(2,569,173)</u>	<u>(517,786)</u>
Total benefit cost (gain) and other amounts recognized in net assets without donor restrictions	(28,027,402)	11,310,645	(2,141,092)	(17,258)

The Plans experience demographic changes from assumptions used during the prior year and could have benefit obligation transfers between related entity participants in the Plans. For the pension portion, the assumption changes were mortality table projection scale and discount rate. For the postretirement plan, the assumption changes were base cost, base trend, lapse rate, selection rate, termination rate, retirement rate, mortality table projection scale, and discount rate. The table below shows the effect upon plan (gains) and losses for the year ended December 31, 2021 due to demographic and assumption changes:

	Pension Plan Effect on benefit obligation	Postretirement Plan Effect on benefit obligation
Demographic		
Obligation transfer*	N/A	0.0%
Demographic data	0.4%	2.0%
Total demographic change	0.4%	2.0%
Assumption		
Base cost	N/A	(2.5%)
Base trend	N/A	(3.8%)
Lapse rate	N/A	0.3%
Selection rate	N/A	0.6%
Termination rate	N/A	1.9%
Retirement rate	N/A	2.1%
Mortality projection	0.2%	0.0%
Discount change	(6.0%)	(6.1%)
Benefit payments	0.1%	(0.2%)
Total assumption change	(5.7%)	(7.7%)

*This amount may not be directly reflected in the liability loss amount.

For the years ended December 31, 2021 and 2020, the following weighted-average assumptions were used in accounting for the Plans:

	Pension Plan		Postretirement Plan	
	2021	2020	2021	2020
Benefit obligation				
Discount rate	2.7%	2.3%	2.7%	2.3%
Rate of compensation increase	3.99%	4.07%	N/A	N/A
Net periodic benefit cost (for years ended December 31)				
Discount rate – January 1	2.3%	3.1%	2.3%	3.1%
Expected long-term return on plan assets	5.0%	5.0%	5.0%	5.0%
Rate of compensation increase	3.99%	4.07%	N/A	N/A

Postretirement benefits are fixed dollar amounts, primarily for the purchase of health and life insurance, which might be adjusted in the future. For December 31, 2021 valuations, a 7.6% percent (5.7% for Medicare supplement) annual rate of increase in the per capita cost of covered health care benefits was assumed for 2022. The rate was assumed to change to 5.7% (6.0% for Medicare supplement) by 2030 and will continue to decrease until the rate reaches the ultimate level in 2075 of 4.0% (4.0% for Medicare supplement). For December 31, 2020 valuations, a 6.4% percent (5.9% for Medicare supplement) annual rate of increase in the per capita cost of covered health care benefits was assumed for 2021. The rate was assumed to change to 5.7% (6.0% for Medicare supplement) by 2030 and will continue to decrease until the rate reaches the ultimate level in 2075 of 3.9% (3.9% for Medicare supplement).

According to investment policy, the Plans have established long-term strategic asset allocation targets and ranges, as shown below.

As of December 31, 2021, the expected long-term return assumption was based primarily on forecasts by investment professionals of anticipated returns and volatility for the next ten years by asset category. Monte Carlo simulations performed resulted in a median return of approximately 5.0%. The return and volatility forecast used in evaluating the expected return assumption follows:

Asset category:	Asset Allocation		Expected Return	Expected Volatility
	Target	Range		
Domestic equity securities	20%	10-30%	6.6%	19.0%
International equity securities	10%	5-20%	7.4%	21.0%
Fixed income	25%	15-40%	2.4%	3.2%
Real estate	12%	5-20%	6.6%	14.9%
Private equities	15%	5-20%	9.0%	23.6%
Non-investment grade debt	10%	0-15%	4.6%	8.3%
Multi-assets	5%	0-10%	4.4%	15.9%
Real assets	3%	0-10%	6.0%	7.5%

As of December 31, 2020, the expected long-term return assumption on plan assets of 5.0% was based primarily on forecasted returns for the next ten years by asset category, weighted by the asset allocation target, as shown below.

Asset category:	Asset Allocation		Expected Return	
	Target	Range	Weighting	Category Return
Domestic equity securities	20%	10-30%	20%	5.11%
International equity securities	10%	5-20%	10%	5.70%
Fixed income	25%	15-40%	25%	2.50%
Real estate	12%	5-20%	12%	6.00%
Private equities	15%	5-20%	15%	7.50%
Non-investment grade debt	10%	0-15%	10%	4.10%
Multi-assets	5%	0-10%	5%	3.50%
Real assets	3%	0-10%	3%	3.75%
Value from active management				0.25%
Weighted-average return			100%	5.0%

The Plans set long-term strategic asset allocation target ranges and then use tactical asset allocation and active management with the intent of providing additional return. The investment policies have been designed to provide for the potential of reasonable long-term performance, yet control the magnitude of risk by setting policy ranges for asset allocation, domestic equity capitalization weighting, domestic equity active management exposure, derivatives exposure, and fixed-income quality.

The financial instruments of the Plans are reported at fair value and are either categorized into a three-level hierarchy based on the nature of the inputs to the valuation technique, or presented as investments measured at net asset value per share, as described in Note 1.

The tables below present the fair value of the total Master Retirement Plan assets as of December 31, 2021 and 2020 (in thousands of dollars), of which the University's share was 2.20% and 2.19% as of the respective dates.

Fair Value Measurements as of December 31, 2021				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, net of accruals	\$ 93,758	\$ -	\$ -	\$ 93,758
Investments:				
U.S. government securities	-	50,844	-	50,844
Corporate debt securities	-	416,375	30,761	447,136
Mutual funds	1,426,055	86,857	-	1,512,912
Common stocks	1,439,364	-	3,664	1,443,028
Preferred stocks	22,276	-	1,460	23,736
Government agency mortgage-backed securities	-	357,233	310	357,543
Private mortgage-backed securities	-	173,564	10,933	184,497
Derivatives	-	1,669	-	1,669
Investments measured at net asset value per share	N/A	N/A	N/A	4,774,170
Net Master Retirement Plan assets	<u>\$ 2,981,453</u>	<u>\$ 1,086,542</u>	<u>\$ 47,128</u>	<u>\$ 8,889,293</u>

Fair Value Measurements as of December 31, 2020				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, net of accruals	\$ 50,380	\$ -	\$ -	\$ 50,380
Investments:				
U.S. government securities	-	18,953	-	18,953
Corporate debt securities	-	400,641	23,760	424,401
Mutual funds	1,676,136	-	-	1,676,136
Common stocks	1,082,276	-	5,025	1,087,301
Preferred stocks	18,658	1,292	3,652	23,602
Government agency mortgage-backed securities	-	400,900	-	400,900
Private mortgage-backed securities	-	148,387	6,646	155,033
Derivatives	-	13,190	18	13,208
Investments measured at net asset value per share	N/A	N/A	N/A	3,820,126
Net Master Retirement Plan assets	<u>\$ 2,827,450</u>	<u>\$ 983,363</u>	<u>\$ 39,101</u>	<u>\$ 7,670,040</u>

The tables below present additional information about Level 3 financial assets in the Master Retirement Plan for the years ended December 31, 2021 and 2020 (in thousands of dollars). Both observable and unobservable inputs may be used to determine the fair value of positions that the Plan has classified within Level 3.

Assets at fair value	Changes in Level 3 Financial Assets Year Ended December 31, 2021		
	Purchases	Transfers In	Transfers Out
Corporate debt securities	\$ 16,489	\$ 307	\$ -
Government agency mortgage-backed securities	-	407	-
Private mortgage-backed securities	7,700	207	-
Derivatives	-	-	(18)
	<u>\$ 24,189</u>	<u>\$ 921</u>	<u>\$ (18)</u>

Assets at fair value	Changes in Level 3 Financial Assets Year Ended December 31, 2020		
	Purchases	Transfers In	Transfers Out
Corporate debt securities	\$ 17,919	\$ -	\$ -
Common stocks	-	-	(589)
	<u>\$ 17,919</u>	<u>\$ -</u>	<u>\$ (589)</u>

The tables below present the fair value of the Retiree Medical and Life Plan assets as of December 31, 2021 and 2020 (in thousands of dollars), of which the University's postretirement plan's share was 1.95% and 1.93% as of the respective dates:

Fair Value Measurements as of December 31, 2021				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, net of accruals	\$ 7,561	\$ -	\$ -	\$ 7,561
Investments:				
U.S. government securities	-	700	-	700
Corporate debt securities	-	34,074	2,346	36,420
Mutual funds	347,716	-	-	347,716
Common stocks	70,961	-	-	70,961
Preferred stocks	1,468	-	-	1,468
Government agency mortgage-backed securities	-	167	-	167
Derivatives	- -	73	-	73
Investments measured at net asset value per share	N/A	N/A	N/A	325,455
Net Master Retirement Plan assets	<u>\$ 427,706</u>	<u>\$ 35,014</u>	<u>\$ 2,346</u>	<u>\$ 790,521</u>

Fair Value Measurements as of December 31, 2020				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents, net of accruals	\$ 4,013	\$ -	\$ -	\$ 4,013
Investments:				
U.S. government securities	-	-	-	-
Corporate debt securities	-	32,849	1,674	34,523
Mutual funds	360,177	-	-	360,177
Common stocks	37,290	-	-	37,290
Preferred stocks	1,378	133	-	1,511
Government agency mortgage-backed securities	-	249	-	249
Derivatives	- -	120	-	120
Investments measured at net asset value per share	N/A	N/A	N/A	261,766
Net Master Retirement Plan assets	<u>\$ 402,858</u>	<u>\$ 33,351</u>	<u>\$ 1,674</u>	<u>\$ 699,649</u>

The tables below present additional information about Level 3 financial assets in the Retiree Medical and Life Plan for the years ended December 31, 2021 and 2020 (in thousands of dollars). Both observable and unobservable inputs may be used to determine the fair value of positions that the Plan has classified within Level 3.

Assets at fair value	Changes in Level 3 Financial Assets Year Ended December 31, 2021		
	Purchases	Transfers In	Transfers Out
Corporate debt securities	\$ 700	\$ -	\$ -
	<u>\$ 700</u>	<u>\$ -</u>	<u>\$ -</u>

Assets at fair value	Changes in Level 3 Financial Assets Year Ended December 31, 2020		
	Purchases	Transfers In	Transfers Out
Corporate debt securities	\$ 1,326	\$ -	\$ -
	<u>\$ 1,326</u>	<u>\$ -</u>	<u>\$ -</u>

The University expects to contribute \$4,620,000 its pension plan and \$328,000 to its postretirement plan during the year ending December 31, 2022.

As of December 31, 2021, the following benefit payments, which reflect expected future service, are expected to be paid:

	Pension Plan	Postretirement Plan
Years ending December 31,		
2022	\$7,347,657	\$589,384
2023	\$7,719,671	\$640,260
2024	\$8,009,819	\$658,715
2025	\$8,349,076	\$646,814
2026	\$8,700,631	\$709,051
2027-2031	\$47,040,785	\$3,934,224

The University also participates in supplementary defined contribution retirement plans. The plans are qualified retirement savings money purchase 401(a), 401(k), or Tax Sheltered Annuity 403(b) plans. The plans cover substantially all full-time employees. These plans are provided through a Church affiliate and TIAA. Employees can contribute a portion of their salaries, not to exceed Internal Revenue Service limits, in qualified programs offered through these companies. For included classes of employees, the University contributes a percentage of employee salary to the Church affiliate, which during the years ended December 31, 2021 and 2020, totaled \$1,949,403 and \$1,839,788 respectively.

(11) NATURAL CLASSIFICATION OF EXPENSES

The University presents expenses on its Statements of Activities by functional classification. Its primary function is to provide Education services, including instruction and academic support, research and creative work, and student support. Other functions include Auxiliary and Administration, which support the University's primary mission. Each functional classification includes expenses presented below by natural classification. Operation and maintenance costs are allocated to functional categories primarily on the basis of occupied square footage. The following tables present these expenses for the years ended December 31, 2021 and 2020 (in thousands of dollars):

Natural Classification of Expenses for the year ended December 31, 2021

	Education	Administration	Auxiliary	Total
Salaries	\$ 32,080	\$ 13,708	\$ 6,780	\$ 52,568
Benefits	6,440	10,839	4,093	21,372
Total compensation	38,520	24,547	10,873	73,940
General & administrative	3,485	2,430	4,605	10,520
Physical facilities	1,071	8,091	6,323	15,485
Equipment	826	586	211	1,623
Travel	256	40	245	541
Materials & supplies	1,693	315	4,101	6,109
Depreciation	11,772	98	5,098	16,968
Cost of sales	-	-	710	710
Interest	-	-	2,529	2,529
Total expenses	<u>\$ 57,623</u>	<u>\$ 36,107</u>	<u>\$ 34,695</u>	<u>\$ 128,425</u>

Natural Classification of Expenses for the year ended December 31, 2020

	Education	Administration	Auxiliary	Total
Salaries	\$ 30,626	\$ 15,517	\$ 6,173	\$ 52,316
Benefits	5,959	9,154	5,616	20,729
Total compensation	36,585	24,671	11,789	73,045
General & administrative	3,218	1,528	4,488	9,234
Physical facilities	2,326	8,241	4,974	15,541
Equipment	915	604	156	1,675
Travel	174	414	386	974
Materials & supplies	1,401	160	3,415	4,976
Depreciation	7,441	207	5,172	12,820
Cost of sales	-	-	501	501
Interest	-	-	2,575	2,575
Total expenses	<u>\$ 52,060</u>	<u>\$ 35,825</u>	<u>\$ 33,456</u>	<u>\$ 121,341</u>

(12) COMMITMENTS AND CONTINGENCIES

The University has commitments for construction projects of \$56,591,629 at December 31, 2021. Of this amount, \$56,591,629 has been approved to be reimbursed by a Church affiliate (Note 7) and is expected to be received as costs are expended.

The University has been named as a defendant in certain lawsuits. Other potential claims are pending. While the University cannot predict the results of these actions, management believes, based in part on the advice of in-house legal counsel, that any contingent liability resulting from such litigation and claims will not have a material effect on the University operations or financial position. Financial responsibility for liability losses is assumed by a Church affiliate.

(13) DEPARTMENT OF EDUCATION FINANCIAL RESPONSIBILITY RATIOS

The U.S. Department of Education issued regulations, effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Federal Title IV regulations (the Regulations). This information is intended for use by the U.S. Department of Education to ensure compliance with the Regulations.

Financial responsibility ratio information as of and for the year ended December 31, 2021, is as follows (in thousands of dollars):

Land, buildings and equipment detail	
	2021
Land, buildings and equipment, net - pre-implementation	\$ 228,053
Land, buildings and equipment, net - post-implementation (with outstanding debt for original purchase)	-
Land, buildings and equipment, net - post-implementation	63,869
Construction in Progress	98,687
Total land, buildings and equipment, net	<u>\$ 390,609</u>
Loans and notes payable detail	
	2021
Loans and notes payable- pre-implementation	\$ 136,184
Loans and notes payable- post-implementation (for LB&E)	15
Construction in Progress	74,555
Total Loans and notes payable	<u>\$ 210,754</u>

(14) SUBSEQUENT EVENTS

The University has evaluated subsequent events for the period after December 31, 2021 through June 1, 2022, the date the financial statements were available to be issued.

No events have been identified that would have a material effect on the financial statements.

Supplemental Schedule of Financial Responsibility Ratios

Primary Reserve Ratio Data

Source	Expendable Net Assets	Amount 2021
SFP	Net assets without donor restrictions	\$ 364,062
SFP	Net assets with donor restrictions	237,651
FN7	Secured and Unsecured related party receivable	770
FN7	Unsecured related party receivable	(770)
FN 5	Property, plant and equipment, net (includes construction in process)	390,609
FN13	Property, plant and equipment, net (pre-implementation)	228,053
FN13	Property, plant and equipment, net, post-implementation with outstanding debt for original purchase	-
FN13	Property, plant and equipment, net, post-implementation without outstanding debt for original purchase	63,869
FN13	Construction in progress	98,687
N/A	Lease right-of-use asset, net	
N/A	Lease right-of-use asset, pre-implementation	
N/A	Lease right-of-use asset, post-implementation	
N/A	Intangible assets	
SFP	Post-employment pension asset	1,602
FN 6	Long-term debt - for long-term purposes	210,754
FN13	Long-term debt - for long-term purposes - pre-implementation	136,184
FN13	Long-term debt - for long-term purposes - post-implementation	15
FN13	Line of Credit for construction in process	74,555
N/A	Lease right-of-use asset liability	
N/A	Lease right-of-use asset liability - pre-implementation	
N/A	Lease right-of-use asset liability - post-implementation	
SFP	Annuities with donor restrictions	5,055
N/A	Term endowments with donor restrictions	
N/A	Life income funds with donor restrictions	
SFP	Net assets with donor restrictions: restricted in perpetuity	(81,320)

Total Expenses and Losses

SOA	Total expenses without donor restrictions	128,425
N/A	Non-operating and net investment (loss)	
N/A	Net investment losses	
SOA	Pension-related changes other than net periodic costs	37,267

Equity Ratio Data

Source	Modified net assets	Amount 2021
SFP	Net Assets without Donor Restrictions	364,062
SFP	Net Assets with Donor Restrictions	237,651
N/A	Intangible Assets	
FN7	Secured and Unsecured related party receivable	770
FN7	Unsecured related party receivable	(770)

Modified Assets

SFP	Total Assets	830,568
N/A	Lease right-of-use asset - Pre-implementation	
N/A	Lease right-of-use asset liability - pre-implementation	
N/A	Annuities with donor restrictions	
FN7	Secured and Unsecured related party receivable	770
FN7	Unsecured related party receivable	(770)

Net Income Ratio Data

SOA	Change in net assets without donor restriction	69,790
SOA	Total revenues and gains	160,948

See Note to the Supplemental Schedule of Financial Responsibility Ratios

**NOTE TO THE SUPPLEMENTAL SCHEDULE OF FINANCIAL RESPONSIBILITY RATIO
INFORMATION**

1. BASIS OF PRESENTATION

The accompanying Supplemental Schedule of Financial Responsibility Ratio Data (the Schedule) of Brigham Young University – Hawaii (the School) provides financial information required by the U.S. Department of Education to calculate the Primary Reserve Ratio, the Equity Ratio and Net Income Ratio in order to calculate the composite score as defined in Subpart L of 34 CFR 668 for the year ended December 31, 2021.

The financial information in this Schedule has been prepared in accordance with accounting principles generally accepted in the United States of America consistent with the financial statements. The schedule is presented for purposes of additional analysis as required by the U.S. Department of Education and is not a required part of the basic financial statements.

Schedule of Expenditures of Federal Awards

BRIGHAM YOUNG UNIVERSITY – HAWAII

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

for the year ended December 31, 2021

Federal Grantor/Program or Cluster Title	Federal Assistance Listing Number	Federal Expenditures
Student Financial Assistance Cluster:		
U.S. Department of Education: Federal Pell Grant Program	84.063	\$ 2,908,228
Federal Direct Student Loans (includes Stafford Loans and PLUS Loans)	84.268	1,273,377
Teacher Education Assistance for College and Higher Education Grants	84.379	<u>13,206</u>
Total Student Financial Assistance Cluster		<u>4,194,811</u>
Total Federal Financial Assistance		<u>\$ 4,194,811</u>

See Notes to the Schedule of Expenditures of Federal Awards

BRIGHAM YOUNG UNIVERSITY – HAWAII

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION:

The accompanying Schedule of Expenditures of Federal Awards (the “schedule”) for the year ended December 31, 2021 includes the federal financial assistance transactions of Brigham Young University - Hawaii (the School”) recorded on the accrual basis of accounting. Funds derived from federal grants may be used only to meet current expenditures for the purposes specifically identified by the sponsoring agencies. The information in the schedule is presented in accordance with the requirements of OMB Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Indirect costs are not charged to the Student Financial Assistance cluster.

2. LOAN PROGRAMS:

The School issued loans under the Federal Direct Student Loans Program, which includes Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans, which are included in the schedule. The School is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan programs and accordingly, these loans are not included in the School’s financial statements. It is not practical to determine the balance of loans outstanding under these programs at December 31, 2021.



Report of Independent Auditors 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 Trustees of Brigham Young University - Hawaii

We have audited, in accordance with 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, the financial statements of Board of Trustees of Brigham Young University - Hawaii (the "University"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and of cash flows for the year then ended, including the related notes (collectively referred to as the "financial statements"), and have issued our report thereon dated May 4, 2022, except with respect to the opinion on the schedule of expenditures of federal awards, as to which the date is June 1, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University'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 University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University'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 University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

May 4, 2022, except with respect to the opinion on the schedule of expenditures of federal awards, as to which the date is June 1, 2022



Report of Independent Auditors on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance

To the Board of Trustees of Brigham Young University - Hawaii

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Brigham Young University - Hawaii's (the "University") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended December 31, 2021. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the University's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. 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 US GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with US GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

As indicated in Part I to the accompanying Schedule of Findings and Questioned Costs, we have audited the Student Financial Assistance cluster as a major program. Also, as indicated in the first paragraph of this report, we performed our audit of compliance using the compliance requirements contained in the OMB *Compliance Supplement*, including those contained in Part V 5.3, Compliance Requirement N, Special Tests and Provisions, Section 12 "Gramm-Leach-Bliley Act-Student Information Security." This section includes three suggested audit procedures with respect to verification that the institution (1) designated an individual to coordinate the information security program, (2) performed a risk assessment that addresses the three required areas in 16 CFR 314.4(b), and (3) documented a safeguard for each risk identified. Our procedures in relation to these three items were limited to inquiry of and obtaining written representation from management and obtaining and reading management's documentation related to these three items. Our procedures did not include an analysis of the adequacy or completeness of the risk assessment performed or the safeguards for each risk identified by management.

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002. Our opinion on each major federal program is not modified with respect to these matters.



Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the noncompliance findings identified in our audit described in the accompanying management's views and corrective action plan. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002, to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the internal control over compliance findings identified in our audit described in the accompanying management's views and corrective action plan. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PricewaterhouseCoopers LLP

June 1, 2022

BRIGHAM YOUNG UNIVERSITY – HAWAII
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

for the year ended December 31, 2021

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

• Material weakness identified?	<u> </u> yes	<u> X </u> no
• Significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs:

• Material weakness identified?	<u> </u> yes	<u> X </u> no
• Significant deficiencies identified that are not considered to be material weaknesses?	<u> X </u> yes	<u> </u> none reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	<u> X </u> yes	<u> </u> no
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Identification of major programs:

Assistance Listing Number: 84.063, 84.268, 84.379	Name of Federal Program or Cluster: <u>Student Financial Assistance Cluster</u>
Dollar threshold used to distinguish between type A and type B programs:	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	<u> X </u> yes <u> </u> no

Section II – Financial Statement Findings

No findings related to the financial statements were noted which are required to be reported in accordance with Governmental Auditing Standards for the year ended December 31, 2021.

Brigham Young University - Hawaii

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

for the year ended December 31, 2021

Section III – Federal Award Findings and Questioned Costs

Finding 2021-001 - Non-Compliance with Timely and Accurate Student Enrollment Change Submissions to the National Student Loan Data System - Significant Deficiency

Grantor: U.S. Department of Education
Program: Student Financial Assistance Cluster
Assistance Listing #: 84.268, 84.063, 84.379
Title: Federal Direct Student Loan Program, Federal Pell Grant Program, Teacher Education Assistance for College and Higher Education Grant Program
Award Years: 7/2020 – 6/2022

Criteria

34 CFR 685.309(b):

(1) Upon receipt of an enrollment report from the Secretary, a school must update all information included in the report and return the report to the Secretary -

- (i) In the manner and format prescribed by the Secretary; and
- (ii) Within the timeframe prescribed by the Secretary.

(2) Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that -

- (i) A loan under Title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; or
- (ii) A student who is enrolled at the school and who received a loan under title IV of the Act has changed his or her permanent address.

34 CFR 690.83(b)(2): An institution shall submit, in accordance with deadline dates established by the Secretary, through publication in the Federal Register, other reports and information the Secretary requires and shall comply with the procedures the Secretary finds necessary to ensure that the reports are correct.

Condition

Of the population of students who had a status change and received Pell and/or Direct Loans during the fiscal year, 60 students were selected for enrollment reporting testing of the campus-level and program-level records. Of the 60 students selected, 34 instances were noted in which information was incorrectly or untimely reported to the National Student Loan Data System (NSLDS). Of the 34 students, 19 students were incorrectly reported as withdrawn when the students in fact graduated. There were also nine students that were reported with the incorrect status. Furthermore, five students were not reported timely and the effective dates of their status change were inappropriate. Lastly, there was one student whose program enrollment information was not reported accurately to the NSLDS. This is a repeat of finding 2020-002 identified and reported in the prior year audit.

Cause

Brigham Young University - Hawaii (the University) utilizes the National Student Clearinghouse (NSC) to report enrollment rosters, inclusive of student status changes, on a regular basis (i.e., every 60 days) to NSLDS. There were 19 instances related to human error in which management did not appropriately resolve data input errors communicated to them by the NSC. As the errors were never resolved, the student's change in status was automatically updated to withdrawn as part of the next roster submission. Four of the exceptions related to the winter 2020 semester, nine of the exceptions related to the spring 2020 semester, and six exceptions related to the fall 2021 semester.

The next nine instances were due to the University not appropriately adhering to their policy when determining the appropriate status to report based on the number of credits students were enrolled in during

the semester. This resulted in two students being reported as full-time when their enrollment status was three quarter-time, two students being reported as three quarter-time when their enrollment status was half-time, and five students whose status change was not reported. Six of these exceptions related to the winter 2020 semester, one related to the spring 2020 semester, and two related to the fall 2021 semester.

The next five instances were untimely due to the manner in which the registrar's office of the University processed student withdrawals. The registrar's office would wait until the end of the semester to record withdrawals within their student information system, which then allowed the financial aid office to process any returns or post withdrawal disbursements without having to re-open the student's enrollment within the student information system. However, as the withdrawals weren't being recorded within the student information system within a timely manner, they also were not being communicated to the NSLDS in a timely manner. Furthermore, this process caused exceptions with respect to the effective date of the status change as they were being reported as of the end of the semester instead of the student's date of withdrawal. Three of these exceptions related to the winter 2020 semester, one related to the spring 2020 semester, and one related to the fall 2021 semester.

The last instance was related to human error in which management inappropriately coded one student's enrollment to the wrong program. As the student was erroneously coded to a program for which they were not attending, the program enrollment detail that was reported to the NSLDS was not accurate. This exception is related to the winter 2020 semester.

Effect

A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for payment of interest subsidies all of which are impacted by inaccurate and untimely reporting.

Questioned Costs

None

Recommendation

We recommend that the University provide adequate training to the individuals responsible for updating students' records in the student information system to ensure status changes are accurately and timely reported to NSLDS and all errors identified by NSC are resolved in a timely manner.

We also recommend that the University review and approve the enrollment status definitions (i.e., Full-Time, Half-Time, etc.) within their information system each semester to ensure correct reporting to the NSLDS. Furthermore, we recommend the University record withdrawals within their information system immediately upon becoming aware of the withdrawal rather than waiting until the end of the semester. We recommend that management review and approve all changes to a student's program within the information system. Additionally, we recommend that management monitor and review student status changes, on a timely basis, to ensure that the effective date, status, and other campus/program level information is accurately uploaded to NSC and therefore communicated to NSLDS in a timely manner.

Management's View and Corrective Action Plan

Management's response is reported in management's view and corrective action plan included at the end of this report.

Brigham Young University - Hawaii

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

for the year ended December 31, 2021

Section III – Federal Award Findings and Questioned Costs

Finding 2021-002 - Non-Compliance with Return of Title IV Requirements - Significant Deficiency

Grantor: U.S. Department of Education
Program: Student Financial Assistance Cluster
Assistance Listing #: 84.268, 84.063, 84.379
Title: Federal Direct Student Loan Program, Federal Pell Grant Program
Teacher Education Assistance for College and Higher Education
Grant Program
Award Years: 7/2020 – 6/2022

Criteria

34 CFR 668.22(a):

- (1) When a recipient of title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of title IV grant or loan assistance that the student earned as of the student's withdrawal date.

Condition

Of the 15 students who began attendance and withdrew from Brigham Young University – Hawaii (the University) and received Title IV funding, three students were selected for testing and all three instances resulted in inaccurate calculations of unearned funds. As a result, five additional students were selected for testing and all five instances also resulted in inaccurate calculations of unearned funds. Therefore, the University used the wrong semester end dates in its calculation for all eight instances. In addition, there was one instance where the University's date of determination for the student's withdrawal in its calculation did not agree to the date that the student withdrew per the student's withdrawal documentation. Lastly, there were two instances wherein the University used the incorrect disbursement amounts within its calculation when compared to the student's account statement. Four of these exceptions related to the winter 2020 semester, three exceptions related to the spring 2020 semester, and one exception related to the fall 2021 semester. In addition, we identified that the University did not maintain appropriate documentation to evidence the control over the review and approval of the Title IV calculation.

Cause

The employees from the Financial Aid office who performed the return of Title IV fund calculations did not agree the semester end dates in their calculation to the semester end dates published by the Office of the University Registrar which resulted in errors in the calculation of unearned funds. In addition, the employees did not agree disbursement amounts and withdrawal dates in their calculation to information within the student file and underlying documentation. The employees performing return of Title IV fund calculations were not provided appropriate training and adequate and timely review of calculations was not performed or evidenced. These matters were primarily driven from the campus shutdown and remote working environment that occurred for the majority of the year as a result of COVID-19; whereby there was a lack of oversight by University management to ensure timely and accurate processing of Title IV returns.

Effect

An inaccurate amount of funds were returned to the U.S. Department of Education and five students received less aid than was earned while three students received more aid than was earned.

Questioned Costs

\$94, net overpayment to the U.S. Department of Education related to Pell Grants
\$37, net underpayment to the U.S. Department of Education related to Direct Loans

Recommendation

We recommend the Office of the University Registrar and the Financial Aid Office establish communications on a regular basis and jointly review the academic calendar to ensure the semester start and end dates are accurately determined for purposes of calculating the return of Title IV funds. We recommend that the University provide adequate training to the individuals responsible for performing and reviewing return of Title IV fund calculations to ensure that calculations are correct and agree to the information within the student file and underlying documentation. Lastly, we recommend that management maintain appropriate evidence of the operation of key controls related to the processing of Title IV returns.

Management's View and Corrective Action Plan

Management's response is reported in management's view and corrective action plan included at the end of this report.



**Brigham Young University - Hawaii
Summary Schedule of Prior Audit Findings
For the year Ended December 31, 2021**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS AND ON FEDERAL
AWARD PROGRAM IN ACCORDANCE WITH 2 CFR 200. UNIFORM GUIDANCE**

Our prior year audit disclosed audit findings that were reportable under the requirements of the OMB Uniform Guidance for the year ended December 31, 2020 as follows:

2020-001: Non-Compliance with Timely Reporting of Disbursement Records

Grantor: U.S. Department of Education
Program: Student Financial Assistance Cluster
Assistance Listing #: 84.268, 84.063, 84.379
Title: Federal Direct Student Loan Program, Federal Pell Grant Program, Teacher Education Assistance for College and Higher Education Grant Program
Award Year: 7/2019 – 6/2021

During 2020, management agreed with the finding that disbursement records were not reported on a timely basis. Management recognizes that timely reporting of disbursement records to the Common Origination and Disbursements is a critical function.

As of June 1, 2021, management has executed their action plan that consisted of training to financial aid counselors responsible for disbursement reporting along with implementing a monitoring activity to ensure that reporting is completed in a timely manner. As such, management fulfilled all remedial actions.

2020-002: Enrollment Reporting (Significant Deficiency)

Grantor: U.S. Department of Education
Program: Student Financial Assistance Cluster
Assistance Listing #: 84.268, 84.063, 84.379
Title: Federal Direct Student Loan Program, Federal Pell Grant Program, Teacher Education Assistance for College and Higher Education Grant Program
Award Year: 7/2019 – 6/2021

During 2020, management agreed with the finding that certain student status changes were not appropriately reported to the NSLDS and the assessment that accurate reporting of student enrollment statuses is critical to determine eligibility for in-school status, deferment, and grace periods as well as for payment of interest subsidies.

Based on the corrective action plan, management provided training to registrar's employees responsible for reporting enrollment status changes to the NSLDS, however, this training did not adequately prevent inaccurate reporting of student enrollment statuses in 2021. Additionally, management did not appropriately implement the monthly control noted in the corrective action plan as the inaccurate reporting continued into 2021 due to campus closures due to the COVID-19 pandemic. As a result, management's prior year corrective action plan was not remediated during 2021 as anticipated and a repeat finding was reported in the current year (2021-001). Refer to management's current year corrective action plan related to finding 2021-001 for revised procedures that will be taken by management to remediate the finding.

Signed and Acknowledged,

A handwritten signature in blue ink, appearing to read "Eric Marler", is written over a horizontal line.

Eric Marler, Controller



BRIGHAM YOUNG UNIVERSITY-HAWAII
MANAGEMENT'S VIEWS AND CORRECTIVE ACTION PLAN
For Year Ended December 31, 2021

Finding 2021-001 - Non-Compliance with Timely and Accurate Student Enrollment Change Submissions to the National Student Loan Data System - Significant Deficiency:

Grantor: U.S. Department of Education
Program: Student Financial Assistance Cluster
Assistance Listing #: 84.268, 84.063, 84.379
Title: Federal Direct Student Loan Program, Federal Pell Grant Program, Teacher Education Assistance for College and Higher Education Grant Program
Award Years: 7/2020 – 6/2022

Management agrees with the finding and proposes the following Corrective Action Plan:

Corrective Action Plan:

The finding is the result of four separate reporting issues.

The first issue involved inaccurately reporting the status of graduated students. When graduation files were sent to the NSC, many could not be processed due to the "G" status not being applied when students were reported as graduated. Because of this, the NSC was not sending graduation information for some students to NSLDS. Therefore, to appropriately resolve this issue, Daryl Whitford, Registrar, will regularly access the NSC dashboard, prior to submitting of monthly enrollment report, to promptly identify and resolve any reporting issues to ensure NSLDS has the correct information for students.

The second issue was the result of inappropriate configuration of each semester's credit load determinations (i.e., how many credits constitute full time, three quarter time, half time, etc.) into PeopleSoft. As a result of the inappropriate configuration, certain student statuses were reported incorrectly given the number of credit hours the student was attending. To ensure accuracy of each semester's credit load determinations, at the beginning of each semester, Daryl Whitford, Registrar, will review and approve the credit load determinations prior to them being pushed into PeopleSoft. This will ensure that PeopleSoft is configured to communicate the appropriate statuses to the NSLDS.

The third issue involved untimely processing of withdrawals within PeopleSoft. As an operational decision, the Registrar's Office had previously determined to wait until the end of the semester to officially close the student's program within PeopleSoft to allow other departments at the University time to finish off their processes. However, as withdrawn students were not being officially closed until

the end of the semester, these students were incorrectly being communicated as enrolled in roster submissions between date of withdrawal and the end of the semester. Moving forward, the Registrar's Office plans to immediately mark withdrawn students' program as discontinued within PeopleSoft to ensure accurate reporting to the NSLDS.

The fourth and final issue resulted in a student's program level information not being reported to the NSLDS. This issue was the result of a transposition error wherein the student was incorrectly placed in the wrong program within PeopleSoft. Moving forward, the Registrar's Office will review and approve all students who have a program change prior to the change being pushed through to PeopleSoft to ensure that the appropriate information is being put in the student's file and subsequently communicated to the NSLDS.

Daryl Whitford, Registrar, who is responsible for enrollment reporting at Brigham Young University – Hawaii will provide training to staff who participate in enrollment reporting by June 30, 2022 to ensure that they are aware of the campus and program enrollment changes to be reported, the details to be reported for each change, and the importance of submitting changes timely. Also, by June 30, 2022, Daryl Whitford will oversee the implementation of a control wherein the University will sample students from each roster submission and trace the information from the batch file back to the supporting documentation to ensure that the information included in the batch roster file is accurate.

Timing:

Daryl Whitford, Registrar will be responsible to oversee that the items as noted in the Corrective Action Plan section above will be implemented starting in June of 2022.

Signed and Acknowledged

A handwritten signature in black ink that reads "Daryl Whitford". The signature is written in a cursive, flowing style.

Daryl Whitford, Registrar

OFFICE OF THE REGISTRAR

BRIGHAM YOUNG UNIVERSITY-HAWAII #1974 | 55-220 KULANUI STREET BLDG 5 | LAIE, HAWAII 96762-1293

O: (808) 675-3736, (808) 675-3730 | F: (808) 675-3745 | registrar.byuh.edu



MANAGEMENT'S VIEWS AND CORRECTIVE ACTION PLAN

For the Year Ended December 31, 2021

Finding 2021-002 - Non-Compliance with Return of Title IV Requirements – Significant Deficiency

Grantor: U.S. Department of Education
Program: Student Financial Assistance Cluster
Assistance Listing #: 84.268, 84.063, 84.379
Title: Federal Direct Student Loan Program, Federal Pell Grant Program, Teacher Education Assistance for College and Higher Education Grant Program
Award Years: 7/2020 – 6/2022

Management agrees with the finding and proposes the following Corrective Action Plan:

Corrective Action Plan:

The Brigham Young University - Hawaii Financial Aid office will provide training to the financial aid counselors responsible for calculating the return of Title IV funds to ensure that calculations are correct and agree to the information within the student file and underlying documentation. In addition, the Financial Aid office will collaborate with the Registrar's office to ensure that the semester start and end dates are accurately determined for purposes of calculating the return of Title IV funds. Lastly, management will maintain appropriate evidence of the operation of key controls related to the processing of Title IV returns.

Timing:

Mamoe Sanerivi, Financial Aid Senior Manager, will ensure that training is provided to employees and these new processes are implemented by June 30, 2022.

Signed and Acknowledged,



Financial Aid Senior Manager

FINANCIAL AID & SCHOLARSHIP

BRIGHAM YOUNG UNIVERSITY-HAWAII 1980 55 220 KULANUI STREET BLDG 5: LAIE HAWAII 96762 1293

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