

BRIGHAM YOUNG UNIVERSITY-HAWAII

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REPORTS ON AUDITS OF THE FINANCIAL STATEMENTS  
for the years ended December 31, 2024 and 2023  
AND FEDERAL GRANT COMPLIANCE  
for the year ended December 31, 2024  
(As required by the Single Audit Act and OMB Uniform Guidance)

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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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 is 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 is 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 is 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 1, 2025 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, 2024. 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*

Salt Lake City, Utah  
May 1, 2025

# BRIGHAM YOUNG UNIVERSITY - HAWAII

## STATEMENTS OF FINANCIAL POSITION

December 31, 2024 and 2023

(in thousands of dollars)

	2024	2023
<b>Assets</b>		
Cash and cash equivalents	\$ 26,204	\$ 40,010
Accounts receivable, net of allowances of \$1,615 and \$1,362	8,495	9,427
Inventories, prepaid expenses and other assets	2,939	1,774
Investments	461,874	398,100
Retirement benefits asset	11,997	15,212
Beneficial interest in trusts	3,908	4,611
Land, buildings and equipment, net	583,162	504,850
<b>Total Assets</b>	<b>\$ 1,098,579</b>	<b>\$ 973,984</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable, accrued liabilities and deposits	\$ 21,326	\$ 31,655
Deferred revenue	140	145
Annuities payable	932	1,026
Postretirement benefits obligation	12,026	10,928
Loans and notes payable	374,262	293,664
<b>Total Liabilities</b>	<b>408,686</b>	<b>337,418</b>
<b>Net Assets</b>		
Without donor restrictions		
Operations	77,782	64,835
Board-designated for specific purposes	112,957	104,656
Invested in land, buildings and equipment	208,701	211,187
Total without donor restrictions	399,440	380,678
With donor restrictions		
Operations	166,441	144,002
Beneficial interest in trusts	3,908	4,611
Endowments	120,104	107,275
Total with donor restrictions	290,453	255,888
<b>Total Net Assets</b>	<b>689,893</b>	<b>636,566</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,098,579</b>	<b>\$ 973,984</b>

See notes to financial statements

# BRIGHAM YOUNG UNIVERSITY - HAWAII

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2024

(in thousands of dollars)

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and Other Support</b>			
Tuition and fees, net of scholarships and grants of \$14,420	\$ 9,376	\$ -	\$ 9,376
Appropriations from a Church affiliate	106,599	-	106,599
Contributions and grants	3,543	13,574	17,117
Investment income, net	19,547	30,214	49,761
Auxiliary sales, net of student aid of \$8,423	31,834	-	31,834
Other	1,006	-	1,006
Net assets released from restrictions	9,223	(9,223)	-
<b>Total Revenues and Other Support</b>	<b>181,128</b>	<b>34,565</b>	<b>215,693</b>
<b>Expenses</b>			
Education	68,003	-	68,003
Administration	44,502	-	44,502
Auxiliary	45,792	-	45,792
<b>Total Expenses</b>	<b>158,297</b>		<b>158,297</b>
<b>Increase in Net Assets before Retirement and Postretirement Plans Adjustment</b>	<b>22,831</b>	<b>34,565</b>	<b>57,396</b>
<b>Retirement and Postretirement Plans Adjustment</b>	<b>(4,069)</b>	<b>-</b>	<b>(4,069)</b>
<b>Increase in Net Assets</b>	<b>18,762</b>	<b>34,565</b>	<b>53,327</b>
<b>Net Assets Beginning of Year</b>	<b>380,678</b>	<b>255,888</b>	<b>636,566</b>
<b>Net Assets End of Year</b>	<b>\$ 399,440</b>	<b>\$ 290,453</b>	<b>\$ 689,893</b>

See notes to financial statements

# BRIGHAM YOUNG UNIVERSITY - HAWAII

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

(in thousands of dollars)

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and Other Support</b>			
Tuition and fees, net of scholarships and grants of \$12,279	\$ 10,480	\$ -	\$ 10,480
Appropriations from a Church affiliate	91,298	-	91,298
Contributions and grants	9,168	18,921	28,089
Investment income, net	19,965	32,305	52,270
Auxiliary sales, net of student aid of \$5,154	31,770	-	31,770
Other	218	-	218
Net assets released from restrictions	6,159	(6,159)	-
<b>Total Revenues and Other Support</b>	<b>169,058</b>	<b>45,067</b>	<b>214,125</b>
<b>Expenses</b>			
Education	66,894	-	66,894
Administration	40,225	-	40,225
Auxiliary	41,091	-	41,091
<b>Total Expenses</b>	<b>148,210</b>		<b>148,210</b>
<b>Increase in Net Assets before Retirement and Postretirement Plans Adjustment</b>	<b>20,848</b>	<b>45,067</b>	<b>65,915</b>
<b>Retirement and Postretirement Plans Adjustment</b>	<b>(5,630)</b>	<b>-</b>	<b>(5,630)</b>
<b>Increase in Net Assets</b>	<b>15,218</b>	<b>45,067</b>	<b>60,285</b>
<b>Net Assets Beginning of Year</b>	<b>365,460</b>	<b>210,821</b>	<b>576,281</b>
<b>Net Assets End of Year</b>	<b>\$ 380,678</b>	<b>\$ 255,888</b>	<b>\$ 636,566</b>

See notes to financial statements



# BRIGHAM YOUNG UNIVERSITY - HAWAII

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2024 and 2023

(in thousands of dollars)

	2024	2023
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 53,327	\$ 60,285
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	20,312	19,796
Gain on investments	(39,271)	(42,988)
Increase (decrease) in beneficial interest in trusts	703	(2,073)
Loss on disposal of land, buildings and equipment	475	794
Contributions restricted for investment in donor-restricted net assets	(12,829)	(11,412)
Changes in operating assets and liabilities:		
Accounts receivable	932	(2,356)
Inventories, prepaid expenses and other assets	(1,166)	(271)
Retirement benefits asset	4,313	20,662
Accounts payable, accrued liabilities and deposits	(10,090)	9,493
Deferred revenue	(5)	(258)
Annuities payable	(94)	(13)
Net cash provided by operating activities	16,607	51,659
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	13,899	9,344
Purchase of investments	(38,402)	(26,746)
Proceeds from disposal of land, buildings and equipment	188	68
Purchase of land, buildings and equipment	(99,525)	(99,462)
Net cash used in investing activities	(123,840)	(116,796)
<b>Cash Flows from Financing Activities</b>		
Contributions restricted for investment in donor-restricted endowments	12,829	11,412
Proceeds from loans and notes payable	84,219	71,169
Payments on loans and notes payable	(3,621)	(3,104)
Net cash provided by financing activities	93,427	79,477
Net (decrease) increase in cash	(13,806)	14,340
Cash and cash equivalents, beginning of year	40,010	25,670
Cash and cash equivalents, end of year	\$ 26,204	\$ 40,010
<b>Supplemental Data</b>		
Interest paid	\$ 3,742	\$ 3,257
Purchases of land, buildings, and equipment in accounts payable	\$ 239	13,936

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 (U.S. GAAP).

University net assets are classified into two categories: without donor restrictions and with donor restrictions, based on the absence or existence of donor-imposed time or purpose restrictions upon resources provided to the University. When donor restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the Statements 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 (first-in, first-out method) or net realizable value.

#### 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 Statements 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 over 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 Statements 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, administration and auxiliary 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 and grants revenue includes monetary gifts or gifts-in-kind 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. Payments 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, event ticket 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 benefits 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 valued 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 changes, 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 recognizes all transfers at the end of each reporting period.

#### Accounting for Retirement and Postretirement Plans

The University recognizes the over/under funded status of pension and postretirement plans in the Statements of Financial Position. For pension 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. During 2023, the grantor trust which held postretirement assets was terminated, and the plan assets were distributed to the University (see Note 10). 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 U.S. GAAP 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.

## (2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The University's liquidity needs are met from the following sources: tuition and fees, monthly Church affiliate appropriations for operations, funding for Church affiliate-supported capital projects as costs are reimbursed, and contributions received by the University through Philanthropies, also 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 5 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 portfolio is invested with diversification as designated by Ensight Peak Advisors, also a Church affiliate.

The table below reflects the University's financial assets as of the Statements of Financial Position dates, reduced by amounts unavailable for general use within one year of the Statements of Financial Position dates because of contractual or donor-imposed restrictions, or internal designations. Amounts unavailable 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, 2024 and 2023 (in thousands of dollars):

	2024	2023
Cash and cash equivalents	\$ 26,204	\$ 40,010
Accounts receivable, net	8,495	9,427
Investments	461,874	398,100
Beneficial interest in trusts	3,908	4,611
Total financial assets	<u>500,481</u>	<u>452,148</u>
Less those unavailable for general expenditure within one year, due to:		
Endowment funds (net of projected payouts)	115,300	102,984
Board-designated for specific purposes	112,957	104,656
Beneficial interest in trusts	3,908	4,611
Partnership interests, real estate, 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>\$ 254,756</u>	<u>\$ 226,337</u>

### (3) INVESTMENTS

Investments primarily consist of unitized interests in investment pools managed by a Church affiliate (Note 7). Investments as of December 31, 2024 and 2023 are as follows (in thousands of dollars):

	2024	2023
Investments at fair value:		
Cash equivalents	\$ 906	\$ 819
Equity portfolios, domestic	237,720	200,304
Equity portfolios, international	55,503	48,654
Fixed income portfolios, domestic	154,185	134,763
Total investments measured at fair value or net asset value	<u>448,314</u>	<u>384,540</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>\$ 461,874</u>	<u>\$ 398,100</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%) as of December 31, 2024 and 2023, are as follows (in thousands of dollars):

	2024	2023
Less than one year	\$ 31	\$ -
One to five years	607	363
More than five years	<u>3,270</u>	<u>4,248</u>
Total beneficial interest in trusts	<u>\$ 3,908</u>	<u>\$ 4,611</u>

### (5) LAND, BUILDINGS AND EQUIPMENT

As of December 31, 2024 and 2023, land, buildings and equipment included (in thousands of dollars):

	2024	2023
Land, buildings and improvements	\$ 572,286	\$ 499,459
Furniture, fixtures, and equipment	30,448	23,896
Library materials - tangible	5,732	8,675
Construction in progress	<u>163,983</u>	<u>147,669</u>
	<u>772,449</u>	<u>679,699</u>
Less accumulated depreciation	<u>189,287</u>	<u>174,849</u>
Total land, buildings and equipment, net	<u>\$ 583,162</u>	<u>\$ 504,850</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%. Maturity dates of all current notes are through 2055 to 2064.

The amounts of future principal payments as of December 31, 2024 are (in thousands of dollars):

Years ending December 31,	
2025	\$ 6,830
2026	6,968
2027	7,109
2028	7,253
2029	7,399
2030 and thereafter	<u>338,703</u>
Total loans and notes payable to a Church affiliate	<u><u>\$ 374,262</u></u>

## (7) RELATED PARTIES

The University operates under the direction of the Board of Trustees (the Board) composed of General Authorities and other officers of the Church. 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, 2024 and 2023 (in thousands of dollars):

	2024	2023
Cash	\$ 6,017	\$ 18,443
Accounts receivable	1,805	1,034
Investments	448,314	384,540
Retirement benefits asset	11,997	15,212
Beneficial interest in trusts	3,908	4,611
Accounts payable and accrued liabilities	2,866	15,992
Annuities payable	932	1,026
Postretirement benefits obligation	12,026	10,928
Loans and notes payable	374,262	293,664
Appropriations:		
Operations	63,666	60,318
Other appropriations	12,444	10,855
Capital expenditures	30,489	20,125
Contributions processed from donors	17,117	28,089
Investment income, net	49,761	52,270
Auxiliary enterprises and other revenue	2,696	1,910
Expenses:		
Benefit plans	15,166	16,088
Products and services	122,043	103,377
Interest	3,742	3,257
Transfer of postretirement plan assets	-	14,200



## (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

When the Board designates funds without donor restrictions to function as endowments, they remain classified as net assets without donor restrictions. When 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. Also, 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 creating a deficit (underwater endowment funds).

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

### Changes in Endowment Net Assets for the year ended December 31, 2024

	Board Designated Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 107,275	\$ 107,275
Investment income, net	-	-	-
Contributions and other revenue	-	12,829	12,829
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 120,104</u>	<u>\$ 120,104</u>

### Changes in Endowment Net Assets for the year ended December 31, 2023

	Board Designated Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 95,863	\$ 95,863
Investment income, net	-	-	-
Contributions and other revenue	-	11,412	11,412
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 107,275</u>	<u>\$ 107,275</u>

### Description of Endowment Net Assets With Donor Restrictions

	2024	2023
The portion of perpetual endowment funds required to be retained permanently either by explicit donor stipulation or UPMIFA	<u>\$ 120,104</u>	<u>\$ 107,275</u>
Total endowment funds classified as net assets with donor restrictions	<u>\$ 120,104</u>	<u>\$ 107,275</u>

### Endowment Funds with Deficits (Underwater Endowments)

The following table presents total endowments with deficits, as reported in net assets with donor restrictions, as of December 31, 2024 and 2023, respectively (in thousands of dollars).

	2024	2023
Total original gift amount	\$ 353	\$ 385
Less total fair value	<u>352</u>	<u>375</u>
Total underwater amount	<u>\$ (1)</u>	<u>\$ (10)</u>

### 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% 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, 2024, and 2023 (in thousands of dollars):

	Fair Value Measurements as of December 31, 2024			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 906	\$ -	\$ -	\$ 906
Investments measured at net asset value per share	N/A	N/A	N/A	447,408
Total Investments	906	-	-	448,314
Beneficial interest in trusts	-	-	3,908	3,908
Total investment assets carried at fair value	<u>\$ 906</u>	<u>\$ -</u>	<u>\$ 3,908</u>	<u>\$ 452,222</u>

	Fair Value Measurements as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 819	\$ -	\$ -	\$ 819
Investments measured at net asset value per share	N/A	N/A	N/A	383,721
Total Investments	819	-	-	384,540
Beneficial interest in trusts	-	-	4,611	4,611
Total investment assets carried at fair value	<u>\$ 819</u>	<u>\$ -</u>	<u>\$ 4,611</u>	<u>\$ 389,151</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 five business days. The following table presents the fair value of these investments, as of December 31, 2024, and 2023 (in thousands of dollars):

	Fair Value Measurements of Investments Measured at Net Asset Value Per Share	
	2024	2023
Equity portfolios, domestic	\$ 237,720	\$ 200,304
Equity portfolios, international	55,503	48,654
Fixed income portfolios, domestic	154,185	134,763
Total investments measured at net asset value per share	<u>\$ 447,408</u>	<u>\$ 383,721</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

As a participating employer, the University's pension plan is provided through the Master Retirement Plan administered by a Church affiliate (Note 7). The pension plan is a noncontributory defined benefit plan that is available to substantially all full-time employees of the University hired before January 1, 2021.

The University is also a participating employer within the Retiree Medical and Life Plan, administered by a Church affiliate (Note 7). 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 insurance premiums. 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.

The 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.

Before 2023, the Retiree Medical and Life Plan assets were held in a revocable grantor trust. At the end of 2023, the grantor trust was terminated, and the plan assets totaling \$14.2 million were distributed to the University. The assets are separately accounted for by the University and are included in cash and cash equivalents as of December 31, 2023. After year end the cash will be transferred and comingled with the University's other professionally managed investments. As a result, those assets no longer meet the definition of plan assets.

The following table presents the funded status, and the related amounts recognized in the Statements of Financial Position as of December 31, 2024 and 2023:

	Pension Plan		Postretirement Plan	
	2024	2023	2024	2023
Fair value of plan assets	\$ 150,631,045	\$ 163,870,988	\$ -	\$ -
Benefit obligation	<u>(138,633,629)</u>	<u>(148,658,941)</u>	<u>(12,025,562)</u>	<u>(10,927,627)</u>
Amount over (under) funded	<u>\$ 11,997,416</u>	<u>\$ 15,212,047</u>	<u>\$ (12,025,562)</u>	<u>\$ (10,927,627)</u>

The accumulated benefit obligation for the pension plan was \$127,304,067 and \$135,985,556 as of December 31, 2024 and 2023, respectively.

The following table presents information relating to the pension and postretirement plans as of and for the years ended December 31, 2024 and 2023:

	Pension Plan		Postretirement Plan	
	2024	2023	2024	2023
<b>Selected changes in plan assets:</b>				
Employer contributions	\$ -	\$ -	\$ 597,188	\$ 132,324
Plan participants' contributions	N/A	N/A	N/A	N/A
Benefits paid	8,376,613	7,133,473	597,188	571,579
<b>Amounts reflected in the Statements of Financial Position:</b>				
Noncurrent assets	\$ 11,997,416	\$ 15,212,047	\$ -	\$ -
Current liabilities	N/A	N/A	(591,549)	(571,613)
Noncurrent liabilities	N/A	N/A	(11,434,013)	(10,356,014)
Total	<u>\$ 11,997,416</u>	<u>\$ 15,212,047</u>	<u>\$ (12,025,562)</u>	<u>\$ (10,927,627)</u>
<b>Accumulated amounts reflected in net assets without donor restrictions in the Statements of Financial Position:</b>				
Net (gain)	\$ (9,457,424)	\$ (12,402,649)	\$ (4,554,026)	\$ (5,768,250)
Prior service credit	63,599	95,398	-	58,677
Total	<u>\$ (9,393,825)</u>	<u>\$ (12,307,251)</u>	<u>\$ (4,554,026)</u>	<u>\$ (5,709,573)</u>
<b>Periodic benefit cost (benefit) recognized in the Statements of Activity:</b>				
Service cost	3,069,419	3,080,564	290,483	276,361
Components other than service cost	(2,768,214)	(1,874,624)	249,093	(518,653)
Total	<u>\$ 301,205</u>	<u>\$ 1,205,940</u>	<u>\$ 539,576</u>	<u>\$ (242,292)</u>
<b>Benefit adjustments in net assets without donor restrictions:</b>				
Net (gain)	2,945,225	5,270,505	1,214,224	449,998
Prior service credit	(31,799)	(31,799)	(58,677)	(58,673)
Total	<u>\$ 2,913,426</u>	<u>\$ 5,238,706</u>	<u>\$ 1,155,547</u>	<u>\$ 391,325</u>
Total periodic benefit (gain) cost recognized in net assets without donor restrictions in the Statement of Activities	<u>\$ 3,214,631</u>	<u>\$ 6,444,646</u>	<u>\$ 1,695,123</u>	<u>\$ 149,033</u>

The Plans experience demographic changes from assumptions used during the prior year. The significant assumption changes with the effect on plan (gains) and losses for the year ended December 31, 2024 are as follows:

	Pension Plan Sources of Gain and (Loss)	Postretirement Plan Sources of Gain and (Loss)
Updated Census	\$ (1,080,945)	\$ (305,656)
Asset Return different from expected	(14,100,035)	N/A
Discount Rate	12,308,417	1,099,112
Payment Form Update	426,907	N/A
Other Assumptions	(66,449)	(1,673,890)
Total assumption change	<u>\$ (2,512,105)</u>	<u>\$ (880,434)</u>

For the years ended December 31, 2024 and 2023, the following weighted-average assumptions were used in accounting for the Plans:

	Pension Plan		Postretirement Plan	
	2024	2023	2024	2023
Benefit Obligation:				
Discount rate	5.50%	4.80%	5.50%	4.80%
Rate of compensation increase	3.93%	3.93%	N/A	N/A
Net Periodic Benefit Cost:				
Discount rate	4.80%	5.00%	4.80%	5.00%
Expected long-term rate of return on plan assets	5.50%	5.00%	N/A	5.00%
Rate of compensation increase	3.93%	3.89%	N/A	N/A

	Postretirement Plan			
	2024		2023	
Annual rate of increase assumed in the per capita cost of covered health benefits	Pre-Medicare Supplement Claims	Medicare Supplement Claims	Pre-Medicare Supplement Claims	Medicare Supplement Claims
Upcoming year	8.4%	-8.0%	7.0%	6.0%
Ten years out	4.9%	5.0%	5.5%	5.8%
Ultimate (2075)	3.9%	3.9%	4.1%	4.1%

Rates in interim years decrease gradually.

The pension plan's expected long-term rate of return on plan assets assumption (LTROR) is based on the investment policy that establishes long-term strategic asset allocation targets and ranges. These strategic asset allocation targets, along with other inputs from risk systems, published research reports, meetings with asset management firms, and consultants, guide the determination of the LTROR, with no single input considered more predictive than another.

The LTROR assumption was based primarily on forecasted returns and volatility for the next ten years by asset category, weighted by benchmark ranges that expect to be adjusted over time based on the plan funded status. The LTROR assumption was 5.5% for 2024 and is 5.5% for 2025.

The pension plan asset allocations decisions also consider the risks inherent in the plan liabilities. Management anticipates increasing the allocation to fixed income assets over time. The allocation change may use derivatives combined with other asset classes to reach the desired allocation and risk profile. This approach is expected to reduce the funded status volatility. The target asset allocation and benchmark weights will use the expected benefit obligation funded ratio. Actual asset allocations may vary from the target due to short-term market conditions.

The pension target asset allocation and the allocation range based on the plan funded status follows:

Asset Class	Asset Allocation	
	Target Range	December 2024 Target Allocation
Domestic Equities	6.5-28.5%	9.1%
International Equities	3.0-18.0%	4.2%
Fixed Income	20.5-86.5%	45.1%
Real Estate	3.5-18.5%	11.2%
Private Equity	4.5-19.5%	20.6%
Non-Investment Grade Debt	3.0-14.0%	6.3%
Multi-Assets	2.0-9.5%	2.4%
Real Assets	1.0-9.5%	1.1%

The tables below present the fair value of the Master Retirement Plan assets as of December 31, 2024 and 2023, of which the University's share was 2.164% and 2.176% as of the respective dates.

Fair Value Measurements as of December 31, 2024				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 238,740	\$ 6,740	\$ -	\$ 245,480
Investments:				
U.S. government securities	-	1,036,149	-	1,036,149
Foreign government securities	-	62,498	-	62,498
Corporate debt securities	-	822,475	167,230	989,705
Mutual funds	242,189	-	-	242,189
Common stocks	413,510	-	30	413,540
Preferred stocks	1,307	-	1,735	3,042
Government agency mortgage-backed securities	-	138,296	150	138,446
Private mortgage-backed securities	-	122,332	72,042	194,374
Derivatives	46	182	-	228
Investments measured at net asset value per share	N/A	N/A	N/A	3,722,292
Other assets (liabilities)				(87,116)
Net Master Retirement Plan assets	<u>\$ 895,792</u>	<u>\$ 2,188,672</u>	<u>\$ 241,187</u>	<u>\$ 6,960,827</u>

  

Fair Value Measurements as of December 31, 2023				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 288,853	\$ 10,392	\$ -	\$ 299,245
Investments:				
U.S. government securities	-	1,131,353	-	1,131,353
Foreign government securities	-	60,600	-	60,600
Corporate debt securities	-	937,543	92,466	1,030,009
Mutual funds	571,324	-	-	571,324
Common stocks	369,592	-	-	369,592
Preferred stocks	2,277	-	1,805	4,082
Government agency mortgage-backed securities	-	162,578	124	162,702
Private mortgage-backed securities	-	98,066	61,355	159,421
Derivatives	111	39,444	-	39,555
Investments measured at net asset value per share	N/A	N/A	N/A	3,858,434
Other assets (liabilities)				(158,046)
Net Master Retirement Plan assets	<u>\$ 1,232,157</u>	<u>\$ 2,439,976</u>	<u>\$ 155,750</u>	<u>\$ 7,528,271</u>



The University does not plan to contribute to the pension as it is fully funded.

The Plans' asset fair values are determined as follows:

**Asset Valuation Techniques** — Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2024 and 2023.

*U.S. government securities* — These investments are valued through reputable third-party pricing vendors using pricing models maximizing the use of observable inputs for similar securities and are included in Level 2.

*Corporate debt securities* — These investments are valued through reputable third-party pricing vendors using pricing models maximizing the use of observable inputs for similar securities and are primarily included in Level 2. Level 3 investments are priced through various modeling techniques internally or through non-binding broker quotes.

*Mutual funds* — These investments are valued at the daily closing price as reported by the mutual fund. Certain mutual funds held by the Trust are open-ended mutual funds that are registered with the Securities and Exchange Commission. All mutual funds held by the Trust with observable trading volume are deemed to be actively traded and are included in Level 1. Closed-ended mutual funds are valued at net asset value (NAV).

*Common and preferred stocks* — These investments are valued through reputable third-party pricing vendors at the closing price reported on the active market on which the individual securities are traded and are included in Level 1. Preferred stocks classified as level 2 are valued using bid/ask quotes from an active dealer. Common and preferred stocks with limited trading activity and lack of observable inputs to pricing are deemed to be level 3. Level 3 investments are priced through non-binding broker quotes.

*Government agency mortgage-backed securities* — These investments are valued through reputable third-party pricing vendors using pricing models maximizing the use of observable inputs and are included in Level 2. Level 3 investments are priced through various modeling techniques internally or through non-binding broker quotes.

*Derivatives* — These investments are valued through reputable third-party pricing vendors using pricing models maximizing the use of observable inputs and are generally included in Level 2.

As of December 31, 2024, the following benefit payments, which reflect expected future service, are expected to be paid:

	Pension Plan	Postretirement Plan
Year ending December 31,		
2025	\$ 8,227,430	\$ 591,549
2026	8,497,440	684,537
2027	8,697,069	711,015
2028	8,894,055	702,137
2029	9,124,137	734,736
2030-2034	47,370,617	4,147,060

The University also participates in supplementary defined contribution retirement plans. These retirement plans are qualified retirement savings money purchase 401(a), 401(k), or Tax-Sheltered Annuity 403(b) plans and cover substantially all full-time employees. These retirement plans are provided through a Church affiliate and Teachers Insurance and Annuity Association of America (TIAA). Employees can contribute a portion of their

salaries, not to exceed Internal Revenue Code limits, in qualified plans offered through these organizations. For included classes of employees, the University contributes a percentage of employee salary to a Church affiliate, which during the years ended December 31, 2024 and 2023, totaled \$2,572,183 and \$2,319,908, respectively. The University does not contribute to retirement plans of TIAA.

#### (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, 2024 and 2023 (in thousands of dollars):

Natural Classification of Expenses for the year ended December 31, 2024

	Education	Administration	Auxiliary	Total
Salaries	\$ 38,886	\$ 22,916	\$ 9,292	\$ 71,094
Benefits	7,603	7,344	1,873	16,820
Total compensation	46,489	30,260	11,165	87,914
General & administrative	3,276	1,583	7,399	12,258
Physical facilities	1,078	12,144	8,291	21,513
Equipment	946	69	351	1,366
Travel	1,386	197	296	1,879
Materials & supplies	1,650	238	6,627	8,515
Depreciation	13,178	11	7,123	20,312
Cost of sales	-	-	798	798
Interest	-	-	3,742	3,742
Total expenses	<u>\$ 68,003</u>	<u>\$ 44,502</u>	<u>\$ 45,792</u>	<u>\$ 158,297</u>

Natural Classification of Expenses for the year ended December 31, 2023

	Education	Administration	Auxiliary	Total
Salaries	\$ 35,799	\$ 20,135	\$ 8,481	\$ 64,415
Benefits	7,153	7,823	1,910	16,886
Total compensation	42,952	27,958	10,391	81,301
General & administrative	5,477	1,270	5,592	12,339
Physical facilities	682	10,485	8,322	19,489
Equipment	962	38	328	1,328
Travel	1,370	192	315	1,877
Materials & supplies	1,664	239	6,098	8,001
Depreciation	13,787	43	5,966	19,796
Cost of sales	-	-	822	822
Interest	-	-	3,257	3,257
Total expenses	<u>\$ 66,894</u>	<u>\$ 40,225</u>	<u>\$ 41,091</u>	<u>\$ 148,210</u>

## **(12) COMMITMENTS AND CONTINGENCIES**

The University has commitments for construction projects of \$109,911,783 as of December 31, 2024. Of this amount, \$108,842,476 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 financial position, results of operations or cash flows. Financial responsibility for liability losses is assumed by a Church affiliate.

## **(13) SUBSEQUENT EVENTS**

The University has evaluated subsequent events for the period after December 31, 2024 through May 1, 2025, 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.

## **Schedule of Expenditures of Federal Awards**

**BRIGHAM YOUNG UNIVERSITY – HAWAII**  
**SCHEDULE OF EXPENDITURES OF FEDERAL**  
**AWARDS** for the year ended December 31, 2024

<b><u>Federal Grantor/Program or Cluster Title</u></b>	<b><u>Federal Assistance Listing Number</u></b>	<b><u>Federal Expenditures</u></b>
Student Financial Assistance Cluster:		
U.S. Department of Education:		
Federal Pell Grant Program	84.063	\$ 3,197,601
Federal Direct Student Loans (includes Stafford Loans and PLUS Loans)	84.268	\$ 1,125,339
Teacher Education Assistance for College and Higher Education Grants	84.379	<u>\$ 16,974</u>
Total Student Financial Assistance Cluster		<u>\$ 4,339,914</u>
Total Federal Financial Assistance		<u><u>\$ 4,339,914</u></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, 2024 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. The University applies its predetermined approved facilities and administrative rate when charging indirect costs to federal awards rather than the 10% or 15% de minimis indirect cost rates as described in Section 200.414 of the Uniform Guidance.

#### **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, 2024.



## **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 Brigham Young University-Hawaii (the "University"), which comprise the statement of financial position as of December 31, 2024, 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 1, 2025.

### **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 or significant deficiencies may exist that were not 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*

Salt Lake City, Utah  
May 1, 2025





## **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, 2024. 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, 2024.

#### ***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 11 "Gramm-Leach-Bliley Act-Student Information Security." This section includes two suggested audit procedures with respect to verification that the institution (1) designated a Qualified Individual responsible for implementing and monitoring the institution's information security program, and (2) has a written information security program that addresses the remaining six required minimum elements that are detailed in the OMB Compliance Supplement, Part Five, Student Financial Assistance Cluster, Special Tests and Provisions, item 11, Gramm-Leach-Bliley Act – Student Information Security. Our procedures in relation to these two items were limited to inquiry of and obtaining written representation from management and obtaining and reading management's documentation related to these two items. Our procedures did not include an analysis of the adequacy or completeness of the minimum required elements of the institution's information security program.

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-001. Our opinion on each major federal program is not modified with respect to this matter.



*Government Auditing Standards* requires the auditor to perform limited procedures on the University's response to the noncompliance finding 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001, to be a significant deficiency.

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*

Salt Lake City, Utah  
May 1, 2025

**BRIGHAM YOUNG UNIVERSITY – HAWAII**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
for the year ended December 31, 2024

**Section I – Summary of Auditor’s Results**

*Financial Statements:*

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

*Federal Awards:*

Internal control over major programs:

Material weakness identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiencies identified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> 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)?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
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Identification of major programs:

Assistance Listing Numbers: 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?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> 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, 2024.

## **Brigham Young University - Hawaii**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

for the year ended December 31, 2024

#### **Section III – Federal Award Findings and Questioned Costs**

##### **Finding 2024-001 - Non-Compliance with 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  
Award Titles: Federal Direct Student Loan Program, Federal Pell Grant Program  
Award Years: 7/2023 – 6/2025

##### **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.

##### **Condition**

Of the population of students who had a status change and received Pell Grants and/or Direct Loans during the period January 1, 2024 through December 31, 2024, 60 students were selected for enrollment reporting testing of the campus level and program level records. Of the 60 students selected, there were exceptions noted for 42, some of which include multiple exceptions:

- There were 31 instances noted in which students' program enrollment status was reported incorrectly to the National Student Loan Data System (NSLDS) due to a systemic withdrawal of students as of 12/7/23 (26 instances in Spring 2024, four in Winter 2024, and one in Fall 2024). The campus-level status however, was reported correctly to (NSLDS) for 28 of these selections. The University's registrar's office was unaware of this systemic withdrawal of students until it was noted in our testing.
- There were six instances noted in which the program begin date was reported incorrectly to NSLDS. One instance in Winter 2024, four in Spring 2024, and one in Fall 2024. This is a repeat of finding 2023-001.
- There were seven instances noted in which the program enrollment status was reported incorrectly to NSLDS (two in Winter 2024 and five in Spring 2024), and one instance noted in which the program enrollment effective date was incorrectly reported to NSLDS (Fall 2024).
- There were three instances noted in which the campus enrollment status was reported incorrectly to NSLDS (one in Winter 2024, two in Spring 2024), and three instances where the campus enrollment effective date was incorrectly reported (one in Winter 2024 and two in Spring 2024).
- There was one instance noted in Fall 2024 in which the student's status change was not reported to NSLDS within the required 60-day timeframe and there was one instance noted in Fall 2024 in which the student enrollment was not reported to NSLDS.

**Cause**

Management reviewed their process for identifying and submitting enrollment status changes to the National Student Clearinghouse (NSC), which the University utilizes to report enrollment rosters, inclusive of student status changes, on a regular basis. Management discovered that PeopleSoft, the University's student information system, was not receiving the proper configuration updates to keep in line with current reporting standards. Additionally, the individual responsible for the enrollment reporting process was not using best practices in submitting their reports properly, nor were they properly reviewing the error reports from NSC to address the errors arising from submissions. As a result, the university experienced a high volume of enrollment statuses, particularly at the program level, that were reported incorrectly to NSLDS.

The six instances of program begin dates being incorrectly reported relate to a system error within PeopleSoft in which the system inappropriately codes certain students' enrollment with the wrong program begin date. Specifically, when a student returns from a leave of absence, PeopleSoft creates a new version of the program. The new version of the program resets the program begin date to when the student returned instead of when the student originally began the program.

**Effect**

A student's campus 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. As we only noted four instances where campus enrollment status and three instances where the campus enrollment effective dates were incorrectly reported, we note minimal impact to the federal government's assistance programs.

**Questioned Costs**

None

**Recommendation**

We recommend that the University perform a detailed review of its enrollment reporting process and identify where errors are occurring. We recommend the University provide adequate training to the individuals responsible for updating students' electronic files and obtain outside assistance in the form of consulting to ensure status changes are reported accurately to NSLDS.

**Management's Views and Corrective Action Plan**

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

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended December 31, 2024

The prior year audit disclosed audit findings that were reportable under the requirements of OMB Uniform Guidance for the year ended December 31, 2023, as follows:

Item	Description
2023-001	Non-Compliance with Accurate Student Enrollment Change Submissions to the National Student Loan Data System (Significant Deficiency)
<b>Grantor:</b>	U.S. Department of Education
<b>Program:</b>	Student Financial Assistance Cluster
<b>Assistance Listing #:</b>	84.268, 84.063
<b>Award Titles:</b>	Federal Direct Student Loan Program, Federal Pell Grant Program
<b>Award Years:</b>	7/2022 – 6/2024

**Status:**

Management notes that the issues in the enrollment reporting process were not addressed in 2024 as there are continued findings in the process. To address these issues, management has drafted a corrective action addressing finding 2024-001. Please refer to the corrective action plan included hereafter.

Item	Description
2023-002	Non-Compliance with Financial Need Requirements for Subsidized Direct Loans in Non-Standard Semesters
<b>Grantor:</b>	U.S. Department of Education
<b>Program:</b>	Student Financial Assistance Cluster
<b>Assistance Listing #:</b>	84.268
<b>Award Title:</b>	Federal Direct Student Loan Program
<b>Award Years:</b>	7/2022 – 6/2024
<b>Status:</b>	<p>When a student attends a standard semester (Fall and Winter), PeopleSoft uses the Prorated EFC Methodology to determine the subsidized loan eligibility based on their EFC. When a student attends a non-standard term (Spring), PeopleSoft uses the Automatic Zero EFC Methodology and offers subsidized loans to all students rather than the subsidized loan eligibility based on their EFC.</p> <p>Tammie Fonoimoana, Financial Aid &amp; Scholarships Senior Manager, has updated the PeopleSoft System to use the Prorated EFC Methodology for calculating subsidized loan eligibility for both standard and non-standard terms.</p> <p>This item has been corrected and is no longer considered an open item from the previous year’s audit report.</p>



## MANAGEMENT'S VIEWS AND CORRECTIVE ACTION PLAN

For the year ended December 31, 2024

### **Finding 2024-001 - Non-Compliance with 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  
Award Titles: Federal Direct Student Loan Program, Federal Pell Grant Program  
Award Years: 7/2023 – 6/2025

Management agrees with the finding and proposes the following corrective action plan:

#### **Corrective Action Plan:**

Due to non-compliance with timely and accurate student enrollment change submissions to the National Student Loan Data System (NSLDS), Brigham Young University – Hawaii (BYUH) Management proposes the following corrective action plan to mitigate reporting errors.

The Registrar's Office, in coordination with BYUH's Enterprise Information Systems team, will review and enhance the processes used to extract student data from PeopleSoft and transmit it to the National Student Clearinghouse (NSC) and NSLDS. This includes:

- Reviewing all relevant PeopleSoft updates and ensuring that corresponding changes are reflected in the data transmitted to NSLDS.
- Testing and validating the reporting processes within PeopleSoft to confirm data accuracy and completeness.
- Verifying that the correct data is being transmitted to NSLDS.
- Testing the student data within NSLDS to ensure its integrity.
- Documenting the entire process for future reference and ongoing quality assurance.

In addition, the Registrar's office has already added additional resources to run all reporting processes. The Registrar's office has also reached out to Ensign College to learn about their reporting process. The University is considering contacting the PeopleSoft reporting specialist that Ensign used, although that decision will be made at a later date, and if necessary. These actions will enable the Registrar's Office to more effectively review credit load determinations and accurately establish program begin dates for students.

Daryl Whitford, Registrar, will remain responsible for enrollment reporting at BYUH. She will oversee the implementation of the revised process, provide training to all relevant staff members, and lead the development and implementation of a control mechanism to ensure future compliance with NSLDS reporting requirements within PeopleSoft.

**Timing:**

Daryl Whitford, Registrar, will be responsible for overseeing that all items noted in the corrective action plan will be implemented by September 1, 2025.

**Signed and Acknowledged**

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

Daryl Whitford, BYUH Registrar