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<th>Item No.</th>
<th>Item Description</th>
<th>Revision No. 5, Effective July 1, 2016</th>
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<td>0.1</td>
<td>Educational Institution</td>
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<td></td>
<td>(a) Name</td>
<td>University of Hawaii</td>
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<tr>
<td></td>
<td>(b) Street Address</td>
<td>2444 Dole Street, Bachman Hall</td>
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<td></td>
<td>(c) City, State, and ZIP Code</td>
<td>Honolulu, Hawaii 96822</td>
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<td>(d) Division or Campus of (if applicable)</td>
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<td>Reporting unit is: (Mark one)</td>
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<td>A. ___ Independently Administered Public Institution</td>
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<td>B. ____ Independently Administered Nonprofit Institution</td>
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<td>E. ____ Other (Specify)</td>
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<td>Official to Contact Concerning this Statement:</td>
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<tr>
<td></td>
<td>(a) Name</td>
<td>Yaa-Yin Fong</td>
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<tr>
<td></td>
<td>(b) Phone Number</td>
<td>(808) 956-7800</td>
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<td>0.4</td>
<td>Statement Type and Effective Date:</td>
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<td>A. (Mark type of submission. If a revision, enter number)</td>
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<td>(a) ___ Original Statement</td>
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<td>(b) X Amended Statement; Revision No. 5</td>
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<td>B. Effective Date of this Statement: (Specify)</td>
<td>July 1, 2016</td>
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<td>Statement Submitted To (Provide office name, location and telephone number, include area code and extension):</td>
<td>Department of Health &amp; Human Services</td>
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<td>A. Cognizant Federal Agency:</td>
<td>Department of Education</td>
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<td>B. Cognizant Federal Auditor:</td>
<td>Post Audit Group</td>
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<td>550 12th Street, S.W.</td>
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<td>Washington, D.C. 20202</td>
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<td>Phone: (202) 401-0085</td>
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CERTIFICATION

I certify that to the best of my knowledge and belief this Statement, as amended in the case of a Revision, is the complete and accurate disclosure as of the date of certification shown below by the above-named organization of its cost accounting practices, as required by the Disclosure Regulations (48 CFR 9903.202) of the Cost Accounting Standards Board under 41 U.S.C. §422.

JUN 09 2016

Date of Certification: __________________

(Signature)

Vassilis L. Syromos
Vice President for Research & Innovation

THE PENALTY FOR MAKING A FALSE STATEMENT IN THIS DISCLOSURE IS PRESCRIBED IN
18 U.S.C. §1001
2.6.0 Description of Fringe Benefits

University of Hawaii (UH)
UH charges the employer portion of the following fringe benefits that are associated with employees directly charged to a project:

1. FICA/Medicare taxes
2. Pension Accumulation
3. Pension Administration
4. Retiree Health
5. Other Post-Employment Benefits
6. Health Insurance
7. Group Life Insurance
8. Unemployment
9. Workers’ Compensation
10. Vacation Reserve

Other fringe benefits:

1. Temporary Disability Benefits (HRS Chapter 392) – UH is self-insured for temporary disability benefit, which provides benefit to employees who become disabled due to non-work related injuries or illnesses. Under the plan, an employee’s sick leave must be exhausted before receiving benefit. The benefit are paid by the last payroll account of record for the employee. Because it is a pay as you go plan, there is no fringe benefit assessment.
2. Deferred Compensation Plan – The plan is entirely funded through employee contributions. The State does not make contributions to the plan. Thus, sponsored agreements are not charged.
3. Other Retirement Plan Options – UH employees may participate in the Teachers Insurance and Annuity Association (TIAA)/College Retirement Equities Fund (CREF) and other independent retirement planning organizations which are funded by employee contributions. The State does not contribute to these plans. Thus, costs of these plans are not charged to sponsor agreements.
4. Other Benefits – UH employees are entitled to other benefits that are not covered in the fringe benefits assessed to projects:
   a. Training and continuing education – Employees have the opportunity to attend in-service training, professional conferences, or seminars related to their work. These costs cannot be specifically identified with a particular project or activity and are recorded as indirect costs. UH will charge conferences and seminars that directly benefit a project as direct costs.
b. Tuition waivers – Faculty and staff, except for employees with less than 50% FTE and temporary/emergency hires, are eligible to receive tuition waivers. Additional teaching costs, if any, are absorbed by the institutionally funded instruction programs. Thus, sponsored agreements are not charged directly for this fringe benefit.

For financial statement purposes, UH records the value of the fringe benefit as required by college and university GAAP. For F&A cost study purposes, UH includes the amounts in the benefitting F&A cost pools and allocation bases.

Research Corporation of the University of Hawaii (RCUH)

RCUH charges the following employer portion of fringe benefits that are associated with employees directly to a project:

1. FICA/Medicare taxes
2. Health Insurance (Medical/Dental)
3. Flexible Spending Account (FSA)
4. Retirement
5. Group Life Insurance
6. Long Term Disability
7. Long Term Care
8. Workers’ Compensation
9. Unemployment
10. Unused Sick Leave
11. Vacation Reserve

Other fringe benefits:

1. Sick Leave or Temporary Disability Benefits - RCUH is self-insured for temporary disability benefits. RCUH has a State qualified sick leave plan that meets the requirements for the State TDI law. The plan provides for up to 3 weeks (15 working days) of full pay benefits in conjunction with sick leave benefits. TDI benefits are provided only after the employee’s sick leave has been exhausted for the 3-week period. TDI benefits are charged to projects when paid. There is no reserve or fringe benefit assessment for TDI benefits.

2. Post-Retirement Health Insurance Benefits – All RCUH employees who retire in good standing with 10 years or more of continuous service, 10 years of participation in the Company’s retirement and life insurance program, and attain age 55 are entitled to certain health care and life
insurance benefits. The cost of post-retirement health insurance benefits is calculated based on the annual required contribution (ARC), an amount that is actuarially determined in accordance with generally accepted accounting principles. Sponsored agreements are not charged for this benefit because the ARC is charged to RCUH administrative expense.

3. Other Benefits – RCUH reimburses tuition expense for eligible employees who seek educational training directly applicable to his/her job. Reimbursement is made upon successful completion of a course with a grade “C” or better and is limited to the cost of three credits per academic semester or nine credits per calendar year.

2.6.1 Method of Charging Direct Fringe Benefits

UH

As discussed in the continuation sheet for Item 2.5.2, the PNF is the basis for distributing an employee’s payroll to his or her direct and indirect activities. If the level of effort changes, as identified through the University’s FTE certification system, the principal investigator makes the necessary adjustments to the financial records, including a reallocation of fringe benefits.

The following fringe benefits are directly charged via fringe benefit rates applied to eligible salaries and wages through use of an annually determined, fixed fringe benefit rate negotiated each fiscal year between the State and US DHHS.

1. FICA/Medicare taxes
   • FICA/Medicare contributions are charged to sponsored agreements and institutional activities funded with revolving or special funds.
   • Students are excluded from the taxable salaries and wage base.
   • UH’s payroll tax contributions for employees in its general funded activities are included in the nonimposed fringe data submitted by the State to UH. Included are fringe benefits for the federal college work study program and extension programs under the Hatch and Smith-Lever accounts that do not have imposed fringe benefits.

2. Pension Accumulation
   • Refer to State Employees’ Retirement System (ERS) for noncontributory and contributory options, both of which provides death and disability benefits in addition to the retirement benefits established by State statute.
• UH excludes supplementary salaries to faculty from the salaries and wage base.
• Assessments are credited to the State ERS.
• UH's contributions to ERS for institutionally funded employees are included in the nonimposed fringe data.

3. Pension Administration
   • Refer to ERS.

4. Retiree Health Insurance
   • Assessments are credited to the State employees' health fund.
   • UH's contribution for institutionally funded employees are included in the nonimposed fringe data.

5. Other Post-Employment Benefits
   • Added as DHHS/State approved fringe rate in FY 16.

The following fringe benefits are specifically identified to each employee and are charged individually as direct cost via State of Hawaii Employers Union Trust Fund premiums. Contributions for institutionally funded employees are included in the nonimposed fringe data.

1. Health Insurance
2. Group Life Insurance

The following fringe benefits are directly charged via fringe benefit rates applied to eligible salaries and wages through use of a negotiated fringe rate (effective July 1, 2015 for Unemployment and Workers' Compensation and July 1, 2016 for Vacation Reserve) between UH and US DHHS.

1. Unemployment
   • Effective July 1, 2001, UH established a single pool to pay unemployment benefits.

2. Workers' Compensation
   • Effective February 1, 2001, UH established a single pool to cover employee’s medical expenses and wage replacement benefits when they are unable to work due to compensable work-related injuries or illnesses. The pool also covers other costs of the program including vocational rehabilitation, case management and investigation, and legal expenses.
   • Under HRS Section 78-25(b), an employee may use his or her accumulate sick leave and vacation credits to supplement workers' compensation wage replacement benefits. Sick and vacation leave to supplement the wage
replacement benefit is charged to the account of record at the time of injury as regular payroll. This practice was not separately disclosed because it followed the same treatment as wage replacement benefits disclosed in the prior version of the Disclosure Statement dated November 1998.

- Volunteers, non-compensated personnel, post-doctoral fellows and school to work program participants are covered for medical expenses only. Sponsored agreements will not be directly charged for these costs. The costs will be treated as an indirect cost and allocated among all University activities.

3. Vacation Payout Reserve
   - Effective July 1, 2016, UH administers and maintains a single vacation reserve pool funded by an approved fringe rate to pay terminal vacation payouts for all eligible employees of UH. Refer to Section 5.1.0.

RCUH

The following fringe benefits, which are specifically identified to each employee, are charged individually as direct costs if their efforts are directly related to the project. Sponsored agreements are charged for such fringe benefits of eligible employees if their efforts are directly related to the project.

1. FICA/Medicare
   - Based on rates established by Federal government.

2. Health Insurance (Medical and Dental)
   - Sponsored agreements are charged for the employer’s share of the health plan insurance premiums.

3. Flexible Spending Account (FSA)
   - Sponsored agreements are charged the flexible spending administrative fee.

4. Retirement
   - Eligible RCUH employees participate in noncontributory retirement plan through TIAA/CREF.
   - RCUH contributes 10% of compensation beginning the first day of the pay period following the date on which the employee becomes a participant in the plan.

5. Group Life Insurance
• Sponsored agreements are charged group life insurance premiums for eligible employees if their efforts are directly related to the project. The amounts charged are based on the current premium cost.

6. Long Term Disability
• Sponsored agreements are charged group long term disability insurance premiums for eligible employees if their efforts are directly related to the project. The amounts charged are based on the current premium cost.

7. Long Term Care
• Sponsored agreements are charged group long term care insurance premiums for eligible employees if their efforts are directly related to the project. The amounts charged are based on the current premium cost.

8. Workers Compensation
• For workers’ compensation losses incurred after June 30, 1997, including employer’s liability losses, the Corporation has guaranteed-cost insurance.
• RCUH is self-insured for workers’ compensation losses incurred prior to July 1, 1997 and unpaid as of June 30, 1997.

The following fringe benefits are directly charged via fringe benefit rates applied to eligible salaries and wages through use of a negotiated fringe rate (effective July 1, 2015) between UH/RCUH and US DHHS.

1. Vacation Payout Reserve
• Effective July 1, 2015, RCUH has established a single pool to pay terminal vacation payouts. Refer to Section 5.1.0.

2. Unused Sick Leave partial Payout Reserve
• Effective July 1, 2015, RCUH has established a single pool to pay terminal unused sick leave partial payouts. Refer to Section 5.1.0.

3. Unemployment
• RCUH established a single pool to pay unemployment benefits.
5.1.0 Method of Charging Leave Costs

UH

UH has three categories of employees that accrue vacation and sick leave credits under collective bargaining agreements: civil service, faculty on 11-month appointments (Researchers, Specialists and Agents) and administrative, professional and technical (APT). Upon 1) transfer to a position that does not accrue vacation leave; 2) termination; 3) resignation; or 4) transfer of an employee to another State or County of Hawaii agency, UH is responsible for paying the employee’s unused accrued vacation credits. UH does not pay for any unused accrued sick leave credits.

UH uses the cash basis of accounting for leave taken. When an employee takes vacation or sick leave while employed on a sponsored agreement, the sponsored project continues to be charged for the employee’s salary on the cash basis and the employee’s leave credits are reduced.

Terminal vacation leave

Effective July 1, 2016 and pursuant to UH Administrative Procedure AP 8.686, Terminal Vacation Payout, UH administers and maintains a vacation payout reserve for terminal vacation leave for all employees eligible for vacation. The vacation reserve is funded through a fringe benefit rate approved by its cognizant agency and applied to eligible salaries and wages of all eligible faculty and staff employees of the UH.

Employees working on sponsored projects will have accrued vacation and sick leave taken charged to the applicable sponsored agreement. The sponsored projects are charged for the employee’s vacation or sick leave at the prevailing salary and fringe charge on the cash basis and the employee’s vacation or sick leave credits are correspondingly reduced. Projects are charged fringe benefit rate where the employee’s salary and fringe charges are incurred (e.g., applicable sponsored projects). The vacation payout reserve are funded by fringe benefit charges on wages for all eligible faculty and staff.

Prior to July 1, 2015, UH had maintained a terminal vacation reserve only for employees working on sponsored agreements. This vacation reserve was terminated as of June 30, 2015 and for fiscal year June 30, 2016, the employee’s accrued terminal vacation payout was paid via institutional funds. Sponsored agreements were not assessed for any of these amounts.