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LAND USE COMMISSION  
STATE OF HAWAII

2019 DEC 24 A 10: 53

ORIGINAL

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OUR REFERENCE NO.:  
069428-00001

December 24, 2019

## VIA HAND DELIVERY

Daniel E. Orodenker  
Executive Officer  
State of Hawai'i, Land Use Commission  
235 South Beretania Street, Room 406  
Honolulu, Hawai'i 96813

Re: Docket No. A02-737 - January 8, 2019, Status Report Pursuant to *Order to [sic] Granting United Nation of Kona's [sic] Motion to Continue Hearing on Order to Show Cause*, Filed October 7, 2019 Supplement Information - Financials

Dear Mr. Orodenker:

The University of the Nations, Kona, Inc., a Hawai'i nonprofit corporation ("UNK"), submits the following supplemental information with respect to the Status Report scheduled in accordance with the *Order to [sic] Granting United Nation of Kona's [sic] Motion to Continue Hearing on Order to Show Cause*, filed on October 7, 2019 ("Order"), entered pursuant to our last appearance before the State of Hawai'i Land Use Commission (the "Commission") on May 22, 2019:

- University of the Nations, Kona, Inc. *Consolidated Audited Financial Statements with Independent Auditor's Report* for the years ended June 30, 2018 and 2017;
- University of the Nations, Kona, Inc. *Consolidated Audited Financial Statements with Independent Auditor's Report* for the years ended June 30, 2019 and 2018;
- Form 990 Return of Organization Exempt from Income Tax 2017.

Daniel E. Orodenker  
December 24, 2019  
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The Form 990 for 2018 should be completed shortly and will be provided to the Commission at the hearing on January 8, 2019, if available by that time. UNK will be available on January 8, 2019 to respond to questions regarding the enclosed documents.

Sincerely,

A handwritten signature in black ink, appearing to read 'Derek B. Simon', with a stylized flourish at the end.

Derek B. Simon

DBS/ljah  
Enclosures

cc: Julie Anjo, Esq.  
Mary Alice Evans, Office of Planning, State of Hawai'i  
Dawn T. Apuna, Esq., Deputy Attorney General  
Michael Yee, Planning Department, County of Hawai'i  
Ron Kim, Esq., Deputy Corporation Counsel, County of Hawai'i

4834-7604-4719.2.069428-00001

LAND USE COMMISSION  
STATE OF HAWAII

2019 DEC 24 A 10:54

**UNIVERSITY OF THE NATIONS, KONA, INC.**  
(A Hawai'i Nonprofit Corporation)

CONSOLIDATED AUDITED FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2018 and 2017

UNIVERSITY OF THE NATIONS, KONA, INC.

*Contents*

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees and Management of  
University of the Nations, Kona, Inc.  
Kailua-Kona, Hawaii 96740

We have audited the accompanying consolidated financial statements of University of the Nations, Kona, Inc. (a nonprofit corporation), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of University of the Nations, Kona, Inc. as of June 30, 2018 and 2017, 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.

**Emphasis-of-Matter Regarding a Prior Period Adjustment**

As discussed in Note 14 to the financial statements, the University discovered that it had incorrectly recorded an adjustment to accrue mission income for the year ending June 30, 2015, and beginning net assets as of July 1, 2016 were restated to reflect the correction of this error. Our opinion is not modified with respect to that matter.

***Carbonaro CPAs & Management Group***

Hilo, Hawaii  
December 5, 2018

UNIVERSITY OF THE NATIONS, KONA, INC.

**Consolidated Statements of Financial Position**

As of June 30, 2018 and 2017

**ASSETS**

	2018	2017
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents (Notes 2, 8, and 14)	\$ 4,473,236	\$ 2,944,595
Cash Advances (Note 2)	688,313	458,383
Accounts Receivable, Net (Note 2)	92,334	18,710
Inventory (Note 2)	15,359	4,676
Prepaid Expenses	86,251	70,952
Current Portion of Notes Receivable (Note 3)	100,000	-
Total Current Assets	5,455,493	3,497,316
<b>FIXED ASSETS (Note 2)</b>		
Land	9,291,209	6,798,064
Buildings	28,652,492	25,565,979
Assets in Progress	4,043,202	5,710,653
Furniture and Equipment	407,836	332,213
Vehicles	346,013	270,403
Less Accumulated Depreciation	(8,208,608)	(7,379,035)
Net Fixed Assets	34,532,144	31,298,277
<b>NON-CURRENT ASSETS</b>		
Cash Restricted for Endowment	-	220,851
Investments in Hualalai Condominiums (Notes 5 and 10)	2,330,000	2,095,000
Notes Receivable (Note 3)	400,000	3,032,221
Total Non-Current Assets	2,730,000	5,348,072
Total Non-Current Assets and Fixed Assets	37,262,144	36,646,349
<b>TOTAL ASSETS</b>	<b>\$ 42,717,637</b>	<b>\$ 40,143,665</b>

The accompanying notes are an integral part of these consolidated financial statements.

UNIVERSITY OF THE NATIONS, KONA, INC.

**Consolidated Statements of Financial Position**

As of June 30, 2018 and 2017

**LIABILITIES AND NET ASSETS**

	2018	2017
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 1,269,807	\$ 1,212,255
Mortgages and Notes Payable - Current (Note 6)	217,294	205,920
Deferred Tuition and Fees Revenue (Note 2)	1,010,963	773,989
Total Current Liabilities	2,498,064	2,192,164
<b>LONG-TERM LIABILITIES</b>		
Mortgages and Notes Payable (Note 6)	5,573,786	5,848,727
Total Long-Term Liabilities	5,573,786	5,848,727
Total Liabilities	8,071,850	8,040,891
<b>NET ASSETS (Note 4)</b>		
Unrestricted Net Assets (Note 14)	31,823,994	29,344,411
Unrestricted Board Designated Endowment (Note 7)	150,000	-
Temporarily Restricted Net Assets	901,793	1,002,512
Permanently Restricted Net Assets	1,770,000	1,755,851
Total Net Assets	34,645,787	32,102,774
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 42,717,637</b>	<b>\$ 40,143,665</b>

The accompanying notes are an integral part of these consolidated financial statements.



UNIVERSITY OF THE NATIONS, KONA, INC.

**Consolidated Statements of Activities and Changes in Net Assets**  
For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017
<b>REVENUES AND OTHER SUPPORT</b>								
Student and Staff Fees, Net	\$ 13,787,410	\$ 6,607	\$ -	\$ 13,794,017	\$ 11,570,204	\$ 131,942	\$ -	\$ 11,702,146
Contributions and Support	1,178,547	9,954,832	-	11,133,379	1,788,295	9,311,250	-	11,099,545
Sales and Other Revenue	603,006	336,632	-	939,638	495,144	109,980	-	605,124
Rental Income on Investments in Hualalai Condominiums, Net (Notes 5 and 7)	2,043	47,424	14,149	63,616	29,500	68,420	-	97,920
Donations In-Kind (Note 11)	610,444	-	-	610,444				
Net Assets Released from Restrictions	10,446,214	(10,446,214)	-	-	9,382,467	(9,382,467)	-	-
Total Public Support and Revenue	26,627,664	(100,719)	14,149	26,541,094	23,265,610	239,125	-	23,504,735
<b>EXPENSES</b>								
Program Expense	21,875,375	-	-	21,875,375	19,262,696	-	-	19,262,696
Management and General Expenses	1,884,925	-	-	1,884,925	1,527,905	-	-	1,527,905
Fundraising Expense	237,781	-	-	237,781	196,953	-	-	196,953
	23,998,081	-	-	23,998,081	20,987,554	-	-	20,987,554
Fraud Loss (Note 9)	-	-	-	-	1,153,115	-	-	1,153,115
Total Expenses	23,998,081	-	-	23,998,081	22,140,669	-	-	22,140,669
<b>CHANGE IN NET ASSETS</b>	<b>2,629,583</b>	<b>(100,719)</b>	<b>14,149</b>	<b>2,543,013</b>	<b>1,124,941</b>	<b>239,125</b>	<b>-</b>	<b>1,364,066</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>29,344,411</b>	<b>1,002,512</b>	<b>1,755,851</b>	<b>32,102,774</b>	<b>28,530,670</b>	<b>763,387</b>	<b>1,755,851</b>	<b>31,049,908</b>
Prior Period Adjustment (Note 14)	-	-	-	-	(311,200)	-	-	(311,200)
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 31,973,994</b>	<b>\$ 901,793</b>	<b>\$1,770,000</b>	<b>\$ 34,645,787</b>	<b>\$ 29,344,411</b>	<b>\$ 1,002,512</b>	<b>\$ 1,755,851</b>	<b>\$ 32,102,774</b>

The accompanying notes are an integral part of these consolidated financial statements.

UNIVERSITY OF THE NATIONS, KONA, INC.

**Consolidated Statements of Functional Expenses**  
For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Program Services	Management and General	Fundraising	Total 2018	Program Services	Management and General	Fundraising	Total 2017
Missionary Payments	\$ 9,189,899	\$ -	\$ -	\$ 9,189,899	\$ 8,639,654	\$ -	\$ -	\$ 8,639,654
Outreach Services	5,295,464	-	-	5,295,464	4,719,521	-	-	4,719,521
Household	1,729,189	432,298	-	2,161,487	1,587,643	396,911	-	1,984,554
Occupancy	1,354,879	241,703	16,113	1,612,695	1,215,275	216,799	14,453	1,446,527
Contracted Services	506,909	405,837	101,460	1,014,206	448,906	359,398	89,850	898,154
Depreciation Expense	700,920	175,231	-	876,151	468,874	117,219	-	586,093
Schools and Programs	709,336	53,418	-	762,754	649,890	48,941	-	698,831
Supplies	463,831	123,577	30,894	618,302	167,400	44,600	11,150	223,150
Travel	425,147	106,287	-	531,434	248,039	62,010	-	310,049
Donations	497,739	-	-	497,739	209,901	-	-	209,901
Information Technology	291,533	89,902	67,426	448,861	293,105	90,387	67,790	451,282
Interest (Note 6)	204,933	51,233	-	256,166	213,916	53,479	-	267,395
Cost of Sales and Services	198,050	10,468	-	208,518	136,753	7,228	-	143,981
Merchant Fees	120,382	51,593	-	171,975	103,051	44,165	-	147,216
Equipment Rental and Maintenance	99,761	25,357	1,267	126,385	57,225	14,545	727	72,497
Accounting	-	91,479	-	91,479	-	56,840	-	56,840
Telephone	36,692	9,288	465	46,445	21,458	5,432	272	27,162
Postage and Shipping	10,899	6,226	14,010	31,135	5,998	3,427	7,711	17,136
Printing and Publications	23,515	3,054	3,971	30,540	19,739	2,563	3,333	25,635
Promotional	15,358	-	1,706	17,064	12,912	-	1,434	14,346
Legal and Professional	939	7,974	469	9,382	466	3,961	233	4,660
Bad Debt Expense	-	-	-	-	42,970	-	-	42,970
Total Operating Expenses	<u>\$ 21,875,375</u>	<u>\$ 1,884,925</u>	<u>\$ 237,781</u>	<u>\$23,998,081</u>	<u>\$ 19,262,696</u>	<u>\$ 1,527,905</u>	<u>\$ 196,953</u>	<u>\$ 20,987,554</u>

The accompanying notes are an integral part of these consolidated financial statements.

UNIVERSITY OF THE NATIONS, KONA, INC.

**Consolidated Statements of Cash Flows**  
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 2,543,013	\$ 1,364,066
Expense Items Not Requiring Current Cash:		
Depreciation	876,151	586,093
Bad Debts Expense	-	42,970
Loss on Sale of Assets	1,313	-
Increase in Accounts Payable and Accrued Expenses	57,552	-
Cash Received Not Related to Income or Expense:		
Decrease in Accounts Receivable	-	51,726
Decrease in Cash Advances	-	155,167
Decrease in Prepaid Expenses	-	6,580
Decrease in Notes Receivable	2,532,221	-
Increase in Deferred Revenue	236,974	-
Income Items Not Creating Current Cash:		
Gain on Sale of Assets	-	(6,000)
Receivable Recorded for Fraud Restitution	-	(300,000)
Decrease in Deferred Income	-	(55,179)
Donations in Kind (Non-cash Investing Activity)	(610,444)	-
Increase in Accounts Receivable	(73,624)	-
Cash Paid Not Related to Current Income or Expense:		
Decrease in Accounts Payable	-	(398,273)
Increase in Inventory	(10,683)	(2,036)
Increase in Prepaid Expenses	(15,299)	-
Increase in Cash Advances	(229,930)	-
Net Cash Provided by Operations	<u>5,307,244</u>	<u>1,445,114</u>

The accompanying notes are an integral part of these consolidated financial statements.

UNIVERSITY OF THE NATIONS, KONA, INC.

**Consolidated Statements of Cash Flows**  
For the Years Ended June 30, 2018 and 2017

<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>2018</b>	<b>2017</b>
Gross Proceeds from Sale of Assets	4,500	-
Purchases of Property and Equipment, Net of \$610,444 in Donated Construction Labor	(3,505,387)	(185,456)
Investment in Condos	(235,000)	-
Net Cash Used by Investing Activities	(3,735,887)	(185,456)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Reduction in Long-Term Debt	(263,567)	(196,992)
Net Cash Used by Financing Activities	(263,567)	(196,992)
<b>NET INCREASE IN CASH FOR THE YEAR</b>	<b>1,307,790</b>	<b>1,062,666</b>
<b>BEGINNING CASH BALANCE</b>	<b>3,165,446</b>	<b>2,102,780</b>
<b>ENDING CASH BALANCE</b>	<b>\$ 4,473,236</b>	<b>\$ 3,165,446</b>

The accompanying notes are an integral part of these consolidated financial statements.



UNIVERSITY OF THE NATIONS, KONA, INC.

**Notes to the Consolidated Financial Statements**

June 30, 2018 and 2017

**Note 1. UNIVERSITY**

The University of the Nations, Kona, Inc. (the University) is a private Christian educational institution located in Kailua-Kona, Hawaii. The University was founded in 1978 and, prior to October 25, 2013, the University's formal name was University of the Nations, Inc.

The University trains individuals to become Christian missionaries who fulfill the University's motto: "To Know God and to Make Him Known". The University grants post-secondary degrees through its seven colleges at its main campus in Kona. The University utilizes a modular class approach where 12 week lecture phases are typically followed by a 12 week practicum, often in a foreign country. The University offers its classes on a calendar quarterly basis. The University also operates a school for the children of students and staff.

The University contracts with outside employment agencies for certain key functions, but is otherwise staffed by volunteers (missionaries). Volunteer staff are responsible for raising their own support and are considered independent contractors and not employees. The University acts as a qualified missions agency and collects and disburses donations to the missionaries. The volunteer staff are individually responsible for any required filings with government agencies.

Two components make up the bulk of the University's revenue: (a) Contributions and Support, which are donations from the general public; and (b) Program-related Tuition and Fees charged to students and staff. Contributions and Support are comprised of donations made to the University's general fund and programs, as well as donations to support the independent missionaries (volunteers) working throughout the world. The University has discretion over the donations received to support its volunteers, thus these transactions are not agency transactions.

There are many *Youth with a Mission* non-profit corporations around the world with which the University is associated. Each corporation is autonomous in control and structure. These financial statements include only the operation controlled by University of the Nations, Kona, Inc., Kailua Kona, Hawai'i, USA campus.

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Method of Accounting:* The University uses the accrual method of accounting for financial statement reporting according to generally accepted accounting principles. Under this method of accounting, revenue is recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

*Basis of Consolidation:* These financial statements include the accounts for all academic and administrative departments of the University. Additionally, the financial statements include the net assets and activities of the University of the Nations Kona Foundation (UNKF), a separate nonprofit corporation that exists to solicit gifts for the University, and which is controlled by the University. All significant inter-company accounts have been eliminated in consolidation.

*Revenue Recognition:* Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Unconditional promises to give within the next year are reflected as current promises to give and are recorded at their net realizable value. Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets.

UNIVERSITY OF THE NATIONS, KONA, INC.

**Notes to the Consolidated Financial Statements**  
June 30, 2018 and 2017

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Net assets released from restriction:* When a donor restriction expires, the related temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Cash and Cash Equivalents:* For the purpose of the statement of cash flows, cash is defined as demand deposits and savings accounts with maturities of three months or less.

*Cash Advances:* The University uses this account to track cash provided in advance to missionaries and students for travel and outreach purposes. The cash advance is maintained in full on the balance sheet until reports are provided upon return that support how the funds were used along with any balance of cash which is redeposited.

*Accounts Receivable:* Accounts receivable primarily represents student and staff fees owed to the University. The accounts receivable gross balance from students and staff was \$282,929 and \$253,167 as of June 30, 2018 and 2017, respectively. Management has recorded an allowance for doubtful accounts equal to 82.5% and 92.6% of those receivables as of June 30, 2018 and 2017, respectively. Management considers these percentages to be reasonable based on the University's recent historic rates of collection of accounts receivable. Accounts receivable as of June 30, 2018, also includes a double payment made to a vendor in the amount of \$43,863. This payment was refunded to the University in July 2018.

*Income Taxes:* The University is exempt from Federal income taxes pursuant to Internal Revenue Code section 501 (c) (3), and exempt from State income taxes under Section 237-23 (b) of the Hawaii Revised Statutes. Therefore, no provision for federal or state income taxes is required for the financial statements.

*Use of Estimates:* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Inventory:* Inventory consists of food supplies and merchandise and is valued at the lower of cost or market on a first-in, first-out basis.

*Fixed Assets:* Land, buildings, equipment, and vehicles are stated at cost or at fair value at date of donation. Major renewals and improvements are capitalized, while maintenance and repairs that do not extend the lives of the assets are charged to operations. Management capitalizes items over \$5,000 with a useful life greater than 1 year. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

*Deferred Tuition and Fees Revenue:* Deferred tuition and fees revenue represent amounts collected from students and staff for tuition, housing fees, and outreach fees in advance of the time of invoice.

*Contributions and Donations:* Under FASB ASC 958-605-25-16, contributions of donated goods and services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

*Functional Allocation of Expenses:* The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.



UNIVERSITY OF THE NATIONS, KONA, INC.

**Notes to the Consolidated Financial Statements**  
June 30, 2018 and 2017

**Note 3. NOTES RECEIVABLE**

Notes receivable consist of various non-interest bearing demand notes. The notes are:

- *Ka Ohana Waiaha (KOW)* - \$2,476,285 as of June 30, 2017. This note was offset against the acquisition of property from KOW in 2018. See Note 5 for further information.
- *Restitution Receivable* - \$300,000. The University has recorded for accounting purposes an expected fraud settlement receivable of \$300,000 which approximates assets in the court's possession which have been ordered to be liquidated and presented to the University. However, the total court ordered restitution is \$3,128,194 and is collectable by the University at some future date. See Note 9 for further information.
- *Kama'aina Hale Apartments* - \$200,000 and \$210,936 as of June 30, 2018 and 2017 respectively. Full repayment is expected based on appropriate timing agreed to by both parties. See Note 5 for further information.
- *Kings/Ahualani* \$45,000 as of June 30, 2017. Payment was received in settlement of this note in 2018.

**Note 4. NET ASSETS**

The University has conformed to FASB ASC 958-210-45-9 "Not-for-Profit Entities, Classifications of Net Assets". Accordingly, the University is required to report information regarding its financial position and activities according to three classes of net assets:

- (a) Unrestricted net assets are not subject to donor-imposed restrictions, or are received with restrictions that are satisfied in the same reporting period. They are available for support of all University's operations and services. Unrestricted net assets may be designated by the board of trustees for specific purpose at any time.
- (b) Temporarily restricted net assets represent restricted donations and funds received from foundations and donors for which the restriction had not yet been fulfilled. Restricted contributions are reported as increases in restricted net assets. When the restriction is met the amount is reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Temporarily restricted net assets as of June 30, 2018 and 2017 were as follows:

	2018	2017
Endowment Balance (Note 7)	\$ 94,719	\$ 89,795
Financial Aid and Other Scholarships	97,565	59,535
Building Funds	232,381	177,358
International Funds	55,701	191,127
Ministry Funds	421,427	484,697
Total	<u>\$ 901,793</u>	<u>\$ 1,002,512</u>

UNIVERSITY OF THE NATIONS, KONA, INC.

**Notes to the Consolidated Financial Statements**  
June 30, 2018 and 2017

**Note 4. NET ASSETS (continued)**

- (c) Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the University. These net assets constitute the University's endowment fund. Income realized by the endowment, as well as unrealized capital appreciation on the endowment, is recorded as an increase in temporarily restricted net assets until the income is appropriated for scholarships. Permanently restricted funds were \$1,770,000 and \$1,755,851 as of June 30, 2018 and 2017 respectively.

**Note 5. RELATED PARTY TRANSACTIONS**

*Economic Interest in KOW:*

Ka Ohana Waiaha (KOW) is a community land trust corporation that was created to fund the purchases of housing for long-term members of the University staff. KOW was formed in 2008 and is tax-exempt for federal and state income tax purposes under Internal Revenue Code 501(c) (3). KOW is a separate entity and is not controlled by the University.

Beginning July 1, 2013, the University leased a parcel of land owned by KOW for \$1 per year. This land comprised 57 undeveloped acres adjacent to the University property. On June 30, 2017, the University also held a note receivable from KOW in the amount of \$2,476,285.

On June 14, 2018, KOW sold the 57 acres to the University along with an additional 5 acres of adjoining land in settlement of the note. The University also paid all fees associated with the transaction, bringing the total cost of the acquisition to \$2,493,145.

KOW also owns Hualalai Village, a condominium development located adjacent to University Property. The University owns eight individual condominium units in Hualalai Village, of which six were purchased as investments of its permanent endowment funds. The eighth unit was purchased during the fiscal year ended June 30, 2018, for \$235,000. All of the units are debt-free.

The University rents the units to staff and students and pays related expenses and association fees to KOW. Net income earned is used for scholarships, in accordance with purpose restrictions established by the endowment donors.

The investments in the condominiums are stated at current realizable value which is the contractual price for which each unit can be sold per deed restrictions. As of both June 30, 2018 and June 30, 2017, this current realizable value was below fair market value. See notes 7 and 10.

*Indemnity Agreement with KHA:*

In August of 2013, a separate nonprofit corporation, Kama'aina Hale Apartments (KHA), was formed. The purpose of KHA is to acquire a 128 unit low cost housing development adjacent to the University's campus. The University has signed an indemnity agreement on behalf of KHA, guaranteeing annual sub-lease payments of \$400,000 to the land owner, Kamehameha Schools Bishop Estate (KSBE). The University does not expect to be required to make payments to KSBE on behalf of KHA.

UNIVERSITY OF THE NATIONS, KONA, INC.

Notes to the Consolidated Financial Statements  
June 30, 2018 and 2017

**Note 6. LONG TERM DEBT**

As of June 30, 2018 and 2017, long term debt consisted of the following:

	2018	2017
Central Pacific Bank Loan payable-1 carries interest rate of 4.0% fixed until September 2019, at which time the rate will adjust to CPB's prevailing fixed interest rate or CPB's base rate plus a margin of 1.5%. (Management estimates a new rate of 6.0%). Monthly payments of principal and interest are \$31,909 per month. The loan term is ten years and matures in 2024. The loan is secured by a first mortgage on the campus property.	\$ 4,933,323	\$ 5,116,040
Central Pacific Bank Loan payable-2 carries interest rate of 4.75% fixed until September 2019, at which time the rate will adjust to CPB's prevailing fixed interest rate or CPB's base rate plus a margin of 1.5%. (Management estimates a new rate of 6.0%). Monthly payments of principal and interest are \$5,701 per month. The loan term is ten years and matures in 2024. The loan is secured by a second mortgage on the campus property.	857,757	938,607
<b>Total Long-Term Debt</b>	<u>5,791,080</u>	<u>6,054,647</u>
<b>Less Current Installments of Long-Term Debt</b>	<u>(217,294)</u>	<u>(205,920)</u>
<b>Net Long-Term Debt</b>	<u><u>\$ 5,573,786</u></u>	<u><u>\$ 5,848,727</u></u>

Total interest paid on long-term debt was \$256,166 and \$267,395 for the years ended June 30, 2018 and 2017, respectively.

As of June 30, 2018, estimated maturities of long-term debt were as follows:

Fiscal Year	
2019	\$ 217,294
2020	147,729
2021	129,273
2022	137,247
2023	145,712
Thereafter	<u>5,013,825</u>
<b>Total</b>	<u><u>\$ 5,791,080</u></u>

**Note 7. ENDOWMENTS**

The University has invested its permanently restricted endowment fund in debt-free condominiums in the Hualalai Village project (See Note 5) and cash restricted for endowment. As of June 30, 2018 and 2017, the permanently restricted endowment net assets amounted to \$1,770,000 and \$1,755,851 respectively.



UNIVERSITY OF THE NATIONS, KONA, INC.

Notes to the Consolidated Financial Statements  
June 30, 2018 and 2017

**Note 7. ENDOWMENTS (continued)**

Changes are shown in the following chart:

	Temporarily Restricted	Permanently Restricted	Total
<b>Endowment net assets June 30, 2016</b>	\$ 43,375	\$ 1,755,851	\$ 1,799,226
Investment Return:			
Net Rental Income	68,420	-	68,420
Endowment Increase (Decrease)	-	-	-
Appropriation of endowment assets for expenditure	(22,000)	-	(22,000)
<b>Endowment net assets June 30, 2017</b>	<u>\$ 89,795</u>	<u>\$ 1,755,851</u>	<u>\$ 1,845,646</u>
Investment Return:			
Net Rental Income	47,424	14,149	61,573
Endowment Increase (Decrease)	-	-	-
Appropriation of endowment assets for expenditure	(42,500)	-	(42,500)
<b>Endowment net assets June 30, 2018</b>	<u>\$ 94,719</u>	<u>\$ 1,770,000</u>	<u>\$ 1,864,719</u>

In addition, an unrestricted endowment of \$150,000 was authorized by the Board in 2018. These funds will be invested in a condominium to provide earnings to fund scholarships for residents of Hawaii Island.

*Interpretation of the law*

The Board of Trustees of the University has interpreted the 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets 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, management considers in its determination to appropriate or accumulate donor restricted endowment funds the following factors:

1. The duration and preservation of the fund
2. The purposes of the University and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University

UNIVERSITY OF THE NATIONS, KONA, INC.

**Notes to the Consolidated Financial Statements**  
June 30, 2018 and 2017

**Note 7. ENDOWMENTS (continued)**

*Return Objectives and Risk Parameters*

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while still maintaining purchasing power of the endowed assets. The University's endowment assets are invested in such a way that will generate long-term, predictable rate of return from rental income (net of expenses) and will preserve the value of the endowment assets.

*Strategies Employed for Achieving Objectives*

In order to meet the endowment's return objectives, the Board of Trustees has stipulated that the fixed monthly rental amount received by the University for each condominium unit is to be used for the benefit of the endowment fund.

*Spending Policy*

It is the policy of the University that it may distribute all the net rental income derived from the endowment assets. In accordance with the purpose restrictions established by the endowment donors, all distributions are to be used exclusively to fund student scholarships.

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets.

**Note 8. CONCENTRATION OF RISK**

The University maintains its cash accounts at Central Pacific Bank. These balances exceed the Federal Deposit Insurance Corporation (FDIC) insured limit per corporate depositor. Management acknowledges the possibility of risk in this arrangement; however, the size and the longevity of the depository institution minimizes such risk. The following represents a summary of deposits as of June 30:

	2018	2017
Fully Insured Deposits	\$ 250,000	\$ 250,000
Uninsured and Uncollateralized	4,223,236	2,915,446
	<u>\$4,473,236</u>	<u>\$ 3,165,446</u>

The University's investments are concentrated in the Hualalai Village condominium development. A large portion of the fundraising for the University is conducted by Loren Cunningham, co-founder of the University and President of the Board of Trustees. The University does not believe that these concentrations represent a material risk of loss with respect to its financial position.

UNIVERSITY OF THE NATIONS, KONA, INC.

Notes to the Consolidated Financial Statements  
June 30, 2018 and 2017

**Note 9. FRAUD LOSS**

Management discovered fraud in January 2017, with the former acting CFO inflating construction invoices and misappropriating the inflated amounts. Management and the FBI investigated the situation, performed extensive internal auditing, and litigated accordingly. During litigation, it was determined that the acting CFO embezzled a total of \$3,128,194. Final judgment was delivered January 22, 2018, and the acting CFO was ordered to repay the amount during and after a lengthy prison term.

The University recognized fraud losses of \$1,153,115 and \$1,675,079 in the years ending June 30, 2017, and June 30, 2016, respectively. In addition, the University has recorded \$300,000 as a non-current receivable to approximate assets in the court's possession that have been ordered liquidated and presented to the University pending the conclusion of appeals. However, the total court ordered restitution of \$3,128,194 is collectable by the University at some future date.

**Note 10. INVESTMENTS**

The University follows FASB ASC 820-10-50-1 which establishes a hierarchy for inputs to be used in measuring fair market value. This maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in each circumstance.

This fair value hierarchy consists of three broad levels:

- Level 1 inputs consist of unadjusted quoted prices in active markets such as stock exchanges for identical assets.
- Level 2 inputs consist of significant other observable inputs such as quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of a financial instrument.
- Level 3 inputs consist of significant unobservable inputs and include situations where there is little, if any, market activity for the investment. The inputs require significant judgment or estimates, such as those associated with discounted cash flow methodologies and appraisals.

Fair values of the Hualalai Condominiums - \* measured on a recurring basis at June 30, 2018 and 2017 are summarized in the following chart:

	Total	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non- Observable Inputs: Level 3
June 30, 2017	\$ 2,095,000	\$ -	\$ -	\$ 2,095,000
June 30, 2018	\$ 2,330,000	\$ -	\$ -	\$ 2,330,000



UNIVERSITY OF THE NATIONS, KONA, INC.

**Notes to the Consolidated Financial Statements**  
June 30, 2018 and 2017

**Note 10. INVESTMENTS (continued)**

\* The Hualalai Condominiums measured at level 3 are based on the real estate value capped at the allowable sales price. The increase in value occurring during the year ending June 30, 2018 was the result of purchasing an additional condominium unit for \$235,000.

There are no other assets or liabilities measured at fair value on a recurring or non-recurring basis.

**Note 11. DONATED SERVICES, MATERIALS, AND FACILITIES**

During the year the University placed the Building J dormitory into service and accordingly capitalized donated labor in addition to purchased costs of its construction. An in-kind donation of \$610,444 was recorded on the books to reflect the estimated value of this donation as required by FASB ASC 958-605-25-16. (See Note 2, *Contributions and Donations*.)

**Note 12. RECENT ACCOUNTING PRONOUNCEMENTS**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements for Not-For-Profit Entities. The standard makes improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for annual reporting periods beginning after December 31, 2017, but early adoption is permitted. The provisions are effective for the University's fiscal year ending June 30, 2019. Management is currently evaluating the impact that the adoption of these provisions will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases, which supersedes FASB Accounting Standards Codification (ASC) Topic 840, Leases, and makes other conforming amendments to U.S. GAAP. ASU 2016-02 requires lessees, among other changes to the lease accounting guidance, to recognize most leases on the balance sheet via a right-of-use asset and lease liability as well as provide additional qualitative and quantitative disclosures. ASU 2016-02 is effective for entity fiscal years beginning December 15, 2019, but permits early adoption, and mandates a modified retrospective transition method. The provisions are effective for the University's fiscal year ending June 30, 2021. Management is currently evaluating the impact that the adoption of these provisions will have on the financial statements, but expects ASU 2016-02 to add significant right-of-use assets and lease liabilities to the statement of financial position.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new standard is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The provisions are effective for the University's fiscal year ending June 30, 2020.

UNIVERSITY OF THE NATIONS, KONA, INC.

**Notes to the Consolidated Financial Statements**

June 30, 2018 and 2017

**Note 12. RECENT ACCOUNTING PRONOUNCEMENTS (continued)**

The amendments should be applied using a retrospective transition method to each period presented. Management is currently evaluating the impact that the adoption of these provisions will have on the financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity also should disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is effective for the entity for annual periods in fiscal years beginning after December 15, 2018 (as amended in August 2015 by ASU 2015-14, Deferral of the Effective Date). The provisions are effective for the University's fiscal year ending June 30, 2020. Management does not expect the adoption of these provisions to have a significant impact on the financial statements.

**Note 13. RECLASSIFICATIONS**

Certain account balances in the 2017 financial statements have been reclassified for comparative purposes to conform to the 2018 financial statement presentation. These had no effect on the Total Assets or Change in Net Asset figures reported for 2017.

**Note 14. PRIOR PERIOD ADJUSTMENT**

During the year, the University discovered that it had incorrectly recorded an adjustment to accrue mission income for the year ending June 30, 2015. Based on this, the University recorded a prior-period adjustment. This adjustment had the following effects on the June 30, 2017 financial statements:

Decrease in Unrestricted Net Assets	\$ 311,200
Decrease in Cash and Cash Equivalents	\$ 311,200

**Note 15. SUBSEQUENT EVENTS**

In preparing these financial statements, the University has evaluated events and transactions for potential recognition or disclosure through December 5, 2018, and there were no significant events to be reported.

**UNIVERSITY OF THE NATIONS, KONA, INC.**

(A Hawai'i Nonprofit Corporation)

LAND USE COMMISSION  
STATE OF HAWAII

2019 DEC 24 A 10:54

**CONSOLIDATED AUDITED FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

UNIVERSITY OF THE NATIONS, KONA, INC.

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees and Management of  
University of the Nations, Kona, Inc.  
Kailua-Kona, Hawaii 96740

We have audited the accompanying consolidated financial statements of University of the Nations, Kona, Inc. (a nonprofit corporation), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of University of the Nations, Kona, Inc. as of June 30, 2019 and 2018, 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.

*Carbonaro CPAs & Management Group*

Hilo, Hawaii  
October 24, 2019

UNIVERSITY OF THE NATIONS, KONA, INC.

**Consolidated Statements of Financial Position**

As of June 30, 2019 and 2018

**ASSETS**

	2019	2018
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents (Notes 2 and 10)	\$ 3,137,739	\$ 4,473,236
Cash Advances (Note 2)	571,498	688,313
Accounts Receivable, Net (Note 2)	69,207	92,334
Inventory (Note 2)	17,994	15,359
Prepaid Expenses	21,392	86,251
Current Portion of Notes Receivable (Note 3)	-	100,000
Total Current Assets	3,817,830	5,455,493
<b>FIXED ASSETS (Note 2)</b>		
Land	9,291,209	9,291,209
Buildings	29,314,216	28,652,492
Assets in Progress	4,133,375	4,043,202
Furniture and Equipment	895,488	407,836
Vehicles	462,685	346,013
Less Accumulated Depreciation	(9,106,329)	(8,208,608)
Net Fixed Assets	34,990,644	34,532,144
<b>NON-CURRENT ASSETS</b>		
Investments in Hualalai Condominiums (Notes 5 and 11)	2,565,000	2,330,000
Notes Receivable (Note 3)	197,712	400,000
Total Non-Current Assets	2,762,712	2,730,000
Total Non-Current Assets and Fixed Assets	37,753,356	37,262,144
<b>TOTAL ASSETS</b>	<b>\$ 41,571,186</b>	<b>\$ 42,717,637</b>

The accompanying notes are an integral part of these consolidated financial statements.

UNIVERSITY OF THE NATIONS, KONA, INC.

**Consolidated Statements of Financial Position**  
As of June 30, 2019 and 2018

**LIABILITIES AND NET ASSETS**

	2019	2018
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 1,427,830	\$ 1,269,807
Mortgages and Notes Payable - Current (Note 7)	157,633	217,294
Deferred Tuition and Fees Revenue (Note 2)	1,583,800	1,010,963
Total Current Liabilities	3,169,263	2,498,064
<b>LONG-TERM LIABILITIES</b>		
Mortgages and Notes Payable (Note 7)	4,426,774	5,573,786
Total Long-Term Liabilities	4,426,774	5,573,786
Total Liabilities	7,596,037	8,071,850
<b>NET ASSETS (Note 4)</b>		
Net Assets Without Donor Restriction	31,307,812	31,973,994
Net Assets With Donor Restriction	2,667,337	2,671,793
Total Net Assets	33,975,149	34,645,787
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 41,571,186</b>	<b>\$ 42,717,637</b>

The accompanying notes are an integral part of these consolidated financial statements.



UNIVERSITY OF THE NATIONS, KONA, INC.

**Consolidated Statements of Activities and Changes in Net Assets**  
For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total 2019	Without Donor Restrictions	With Donor Restrictions	Total 2018
<b>REVENUES AND OTHER SUPPORT</b>						
Student and Staff Fees, Net	\$ 14,437,855	\$ -	\$ 14,437,855	\$ 13,787,410	\$ 6,607	\$ 13,794,017
Contributions and Support	272,387	10,216,568	10,488,955	1,178,547	9,954,832	11,133,379
Sales and Other Revenue	678,579	123,383	801,962	603,006	336,632	939,638
Rental Income on Investments in Hualalai Condominiums, Net (Notes 5 and 9)	5,983	60,250	66,233	2,043	61,573	63,616
Donations In-Kind (Note 12)	-	-	-	610,444	-	610,444
Net Assets Released from Restrictions	10,404,657	(10,404,657)	-	10,446,214	(10,446,214)	-
Total Public Support and Revenue	25,799,461	(4,456)	25,795,005	26,627,664	(86,570)	26,541,094
<b>EXPENSES</b>						
Program Expense	23,897,832	-	23,897,832	21,875,375	-	21,875,375
Management and General Expenses	2,251,758	-	2,251,758	1,884,925	-	1,884,925
Fundraising Expense	316,053	-	316,053	237,781	-	237,781
	26,465,643	-	26,465,643	23,998,081	-	23,998,081
Total Expenses	26,465,643	-	26,465,643	23,998,081	-	23,998,081
<b>CHANGE IN NET ASSETS</b>	(666,182)	(4,456)	(670,638)	2,629,583	(86,570)	2,543,013
<b>NET ASSETS, BEGINNING OF YEAR</b>	31,973,994	2,671,793	34,645,787	29,344,411	2,758,363	32,102,774
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 31,307,812</u>	<u>\$ 2,667,337</u>	<u>\$ 33,975,149</u>	<u>\$ 31,973,994</u>	<u>\$ 2,671,793</u>	<u>\$ 34,645,787</u>

The accompanying notes are an integral part of these consolidated financial statements.

UNIVERSITY OF THE NATIONS, KONA, INC.

**Consolidated Statements of Functional Expenses**  
For the Years Ended June 30, 2019 and 2018

	2019				2018			
	Program Services	Management and General	Fundraising	Total 2019	Program Services	Management and General	Fundraising	Total 2018
Missionary Payments	\$ 9,227,361	\$ -	\$ -	\$ 9,227,361	\$ 9,189,899	\$ -	\$ -	\$ 9,189,899
Outreach Services	5,875,672	-	-	5,875,672	5,295,464	-	-	5,295,464
Occupancy	1,857,320	331,337	22,089	2,210,746	1,354,879	241,703	16,113	1,612,695
Household	1,716,314	429,079	-	2,145,393	1,729,189	432,298	-	2,161,487
Contracted Services	650,669	520,931	130,233	1,301,833	506,909	405,837	101,460	1,014,206
Depreciation Expense	764,299	191,076	-	955,375	700,920	175,231	-	876,151
Schools and Programs	856,840	64,525	-	921,365	709,336	53,418	-	762,754
Supplies	671,304	178,854	44,714	894,872	463,831	123,577	30,894	618,302
Information Technology	405,717	125,114	93,835	624,666	291,533	89,902	67,426	448,861
Travel	492,393	123,099	-	615,492	425,147	106,287	-	531,434
Donations	588,577	-	-	588,577	497,739	-	-	497,739
Merchant Fees	173,900	74,529	-	248,429	120,382	51,593	-	171,975
Interest (Note 7)	187,154	46,789	-	233,943	204,933	51,233	-	256,166
Cost of Sales and Services	204,984	10,834	-	215,818	198,050	10,468	-	208,518
Equipment Rental and Maintenance	109,507	27,833	1,391	138,731	99,761	25,357	1,267	126,385
Legal and Professional	9,080	77,176	4,540	90,796	939	7,974	469	9,382
Telephone	39,307	9,950	498	49,755	36,692	9,288	465	46,445
Printing and Publications	28,185	3,660	4,759	36,604	23,515	3,054	3,971	30,540
Accounting	-	31,625	-	31,625	-	91,479	-	91,479
Postage and Shipping	9,358	5,347	12,031	26,736	10,899	6,226	14,010	31,135
Promotional	17,673	-	1,963	19,636	15,358	-	1,706	17,064
Bad Debt Expense	12,218	-	-	12,218	-	-	-	-
Total Operating Expenses	<u>\$ 23,897,832</u>	<u>\$ 2,251,758</u>	<u>\$ 316,053</u>	<u>\$26,465,643</u>	<u>\$ 21,875,375</u>	<u>\$ 1,884,925</u>	<u>\$ 237,781</u>	<u>\$ 23,998,081</u>

The accompanying notes are an integral part of these consolidated financial statements.

UNIVERSITY OF THE NATIONS, KONA, INC.

**Consolidated Statements of Cash Flows**  
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (670,638)	\$ 2,543,013
Expense Items Not Requiring Current Cash:		
Depreciation	955,375	876,151
Bad Debts Expense	12,218	-
Loss on Sale of Assets	-	1,313
Decrease in Prepaid Expenses	64,859	-
Increase in Accounts Payable and Accrued Expenses	158,023	57,552
Cash Received Not Related to Income or Expense:		
Decrease in Accounts Receivable	10,909	-
Decrease in Cash Advances	116,815	-
Decrease in Notes Receivable	302,288	2,532,221
Increase in Deferred Revenue	572,837	236,974
Income Items Not Creating Current Cash:		
Gain on Sale of Assets	(3,462)	-
Donations in-Kind (Non-cash Investing Activity)	-	(610,444)
Increase in Accounts Receivable	-	(73,624)
Cash Paid Not Related to Current Income or Expense:		
Increase in Inventory	(2,635)	(10,683)
Increase in Prepaid Expenses	-	(15,299)
Increase in Cash Advances	-	(229,930)
Net Cash Provided by Operations	<u>\$ 1,516,589</u>	<u>\$ 5,307,244</u>

Continued on Next Page

The accompanying notes are an integral part of these consolidated financial statements.

UNIVERSITY OF THE NATIONS, KONA, INC.

**Consolidated Statements of Cash Flows**  
For the Years Ended June 30, 2019 and 2018

<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>2019</b>	<b>2018</b>
Gross Proceeds from Sale of Assets	\$ 11,900	\$ 4,500
Purchases of Property and Equipment, Net of \$-0- and \$610,444 in Donated Construction Labor for the years Ended June 30, 2019 and 2018, Respectively	(1,422,313)	(3,505,387)
Investment in Condos	(235,000)	(235,000)
Net Cash Used by Investing Activities	(1,645,413)	(3,735,887)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Reduction in Long-Term Debt	(1,206,673)	(263,567)
Net Cash Used by Financing Activities	(1,206,673)	(263,567)
 <b>NET (DECREASE) INCREASE IN CASH FOR THE YEAR</b>	<b>(1,335,497)</b>	<b>1,307,790</b>
 <b>BEGINNING CASH BALANCE</b>	<b>4,473,236</b>	<b>3,165,446</b>
 <b>ENDING CASH BALANCE</b>	<b>\$ 3,137,739</b>	<b>\$ 4,473,236</b>

The accompanying notes are an integral part of these consolidated financial statements.



UNIVERSITY OF THE NATIONS, KONA, INC.

**Notes to the Consolidated Financial Statements**  
June 30, 2019 and 2018

**Note 1. UNIVERSITY**

The University of the Nations, Kona, Inc. (the University) is a private Christian educational institution located in Kailua-Kona, Hawaii. The University was founded in 1978 and, prior to October 25, 2013, the University's formal name was University of the Nations, Inc.

The University trains individuals to become Christian missionaries who fulfill the University's motto: "To Know God and to Make Him Known". The University grants post-secondary degrees through its seven colleges at its main campus in Kona. The University utilizes a modular class approach where 12 week lecture phases are typically followed by a 12 week practicum, often in a foreign country. The University offers its classes on a calendar quarterly basis. The University also operates a school for the children of students and staff.

The University contracts with outside employment agencies for certain key functions, but is otherwise staffed by volunteers (missionaries). Volunteer staff are responsible for raising their own support and are considered independent contractors and not employees. The University acts as a qualified missions agency and collects and disburses donations to the missionaries. The volunteer staff are individually responsible for any required filings with government agencies.

Two components make up the bulk of the University's revenue: (a) Contributions and Support, which are donations from the general public; and (b) Program-related Tuition and Fees charged to students and staff. Contributions and Support are comprised of donations made to the University's general fund and programs, as well as donations to support the independent missionaries (volunteers) working throughout the world. The University has discretion over the donations received to support its volunteers, thus these transactions are not agency transactions.

There are many *Youth with a Mission* non-profit corporations around the world with which the University is associated. Each corporation is autonomous in control and structure. These financial statements include only the operation controlled by University of the Nations, Kona, Inc., Kailua Kona, Hawai'i, USA campus.

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Method of Accounting:* The University uses the accrual method of accounting for financial statement reporting according to generally accepted accounting principles. Under this method of accounting, revenue is recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

*Basis of Consolidation:* These financial statements include the accounts for all academic and administrative departments of the University. Additionally, the financial statements include the net assets and activities of the University of the Nations Kona Foundation (UNKF), a separate nonprofit corporation that exists to solicit gifts for the University, and which is controlled by the University. All significant inter-company accounts have been eliminated in consolidation.

*Revenue Recognition:* Contributions received are recorded as with or without restrictions, depending on the existence and/or nature of any donor restrictions. Unconditional promises to give within the next year are reflected as current promises to give and are recorded at their net realizable value. Grants and other contributions of cash are reported as net assets with restrictions if they are received with donor stipulations that limit the use of the donated assets.

UNIVERSITY OF THE NATIONS, KONA, INC.

**Notes to the Consolidated Financial Statements**  
June 30, 2019 and 2018

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Net assets released from restriction:* When a donor restriction expires, the related net assets with restrictions they are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

*Cash and Cash Equivalents:* For the purpose of the statement of cash flows, cash is defined as demand deposits and savings accounts with maturities of three months or less.

*Cash Advances:* The University uses this account to track cash provided in advance to missionaries and students for travel and outreach purposes. The cash advance is maintained in full on the balance sheet until receipts are provided to support the use of the funds along with the return of any unused cash.

*Accounts Receivable:* Accounts receivable primarily represents student and staff fees owed to the University. The accounts receivable gross balance from students and staff was \$305,612 and \$282,929 as of June 30, 2019 and 2018, respectively. Management has recorded an allowance for doubtful accounts equal to 80.72% and 82.5% of those receivables as of June 30, 2019 and 2018, respectively. Management considers these percentages to be reasonable based on the University's recent historic rates of collection of accounts receivable. Accounts receivable as of June 30, 2018, also included a double payment made to a vendor in the amount of \$43,863. This payment was refunded to the University in July 2018.

*Income Taxes:* The University is exempt from Federal income taxes pursuant to Internal Revenue Code section 501 (c) (3), and exempt from State income taxes under Section 237-23 (b) of the Hawaii Revised Statutes. Therefore, no provision for federal or state income taxes is required for the financial statements.

*Use of Estimates:* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Inventory:* Inventory consists of food supplies and merchandise and is valued at the lower of cost or market on a first-in, first-out basis.

*Fixed Assets:* Land, buildings, equipment, and vehicles are stated at cost or at fair value at date of donation. Major renewals and improvements are capitalized, while maintenance and repairs that do not extend the lives of the assets are charged to operations. Management capitalizes items over \$5,000 with a useful life greater than 1 year. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

*Deferred Tuition and Fees Revenue:* Deferred tuition and fees revenue represent amounts collected from students and staff for tuition, housing fees, and outreach fees in advance of the time of invoice.

*Contributions and Donations:* Under FASB ASC 958-605-25-16, contributions of donated goods and services that create or enhance non-financial assets; or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation; are recorded at their fair values in the period received.



UNIVERSITY OF THE NATIONS, KONA, INC.

Notes to the Consolidated Financial Statements  
June 30, 2019 and 2018

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Functional Allocation of Expenses:* The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*Liquidity:* The University structures its financial assets to be available as its general expenditure, liabilities, and other obligations come due. In addition, the University has a \$1 million line of credit (Note 8) to help ensure it has sufficient liquidity during the Summer when there are fewer students and in case of an emergency requiring significant financial assets. The Net Rental Income from the University's board-designated Hawaii Island Scholarship Endowment fund is unavailable to management for general expenditure. Additionally, financial assets with donor restrictions are withheld from financial assets available for expenditure. (Note 6) The University invests cash in excess of daily requirements in interest bearing accounts.

**Note 3. NOTES RECEIVABLE**

Notes receivable consist of various non-interest bearing demand notes. The notes are:

- *Restitution Receivable - \$197,712.* In the fiscal year ended June 30, 2017, the University discovered fraud on the part of the former CFO. In addition to losses, the University recorded a fraud settlement receivable of \$300,000 to approximate assets seized by the court which have been ordered liquidated and presented to the University. During the fiscal year ended June 30, 2019, the University received \$102,288 in fraud compensation from various sources leaving a recorded receivable balance of \$197,712. However, the remaining \$3,025,906 of the court-ordered restitution remains collectable by the University.
- *Kama'aina Hale Apartments - \$200,000 as of June 30, 2018.* Full repayment was received in 2019. See Note 5 for further information.

**Note 4. NET ASSETS**

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. University of the Nations, Kona, Inc. has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the University's financial statements:

The financial statements include a new disclosure about liquidity and availability of resources (Note 6).

The temporarily restricted and permanently restricted net asset classes have been combined and renamed Net Assets With Donor Restrictions. The unrestricted net asset class has been renamed Net Assets Without Donor Restrictions.

Net assets, revenue, and support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

UNIVERSITY OF THE NATIONS, KONA, INC.

Notes to the Consolidated Financial Statements  
June 30, 2019 and 2018

**Note 4. NET ASSETS (continued)**

Net Assets Without Donor Restrictions include all resources that are not subject to donor-imposed stipulations or contributions with donor-imposed restrictions that are met during the same year as the contribution is made. They are available for support of all organizational operations and services. Net Assets Without Donor Restrictions may be designated by the board of directors for specific purpose at any time.

Net Assets Without Donor Restrictions consist of the following:

	2019	2018
Board-Designated Endowment for Hawaii Island Scholarships	\$ 226,497	\$ 150,000
Undesignated Net Assets	31,081,315	31,823,994
Total Net Assets Without Donor Imposed Restrictions	<u>\$ 31,307,812</u>	<u>\$ 31,973,994</u>

Net Assets With Donor Restrictions include amounts that the donor subjects to restrictions in perpetuity and amounts subject to legal or donor-imposed stipulations that may or will be met either by actions of the University and/or passage of time. Contributions with restriction are reported as increases in Net Assets With Donor Restrictions. When the restriction is met the amount is reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Net Assets With Donor Restriction through Perpetuity are subject to donor-imposed stipulations that must be maintained permanently by the University. These net assets constitute the University's endowment funds. Income realized by the endowment, as well as unrealized capital appreciation on the endowment, is recorded as an increase in Net Assets With Donor restrictions until the income is appropriated for student scholarships.

Net Assets With Donor Restrictions represent funds received from donors to be used for specific purposes. Net assets are released from donor restrictions primarily by incurring expenses that satisfy the restricted purpose, except for Net Assets With Restriction through perpetuity. Net Assets With Donor Restrictions consist of the following as of June 30:

	2019	2018
Ministry Funds	\$ 473,723	\$ 421,427
Building Funds	138,539	232,381
International Funds	98,123	55,701
Financial Aid and Other Scholarships	95,635	97,565
Endowment Balance (Note 9)	91,317	94,719
Total Net Assets With Time or Donor Imposed Restrictions	<u>897,337</u>	<u>901,793</u>

Net Assets With Donor Restriction through Perpetuity

Endowment Funds:

Scholarships	1,770,000	1,770,000
Total Net Assets With Donor Restriction through Perpetuity	<u>1,770,000</u>	<u>1,770,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 2,667,337</u>	<u>\$ 2,671,793</u>



NIVERSITY OF THE NATIONS, KONA, INC.

**Notes to the Consolidated Financial Statements**  
June 30, 2019 and 2018

**Note 4. NET ASSETS (continued)**

The changes have the following effect on net assets at June 30, 2018:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted Net Assets	\$ 31,823,994	\$ -
Unrestricted Board Designated Endowment	150,000	
Temporarily Restricted Net Assets	901,793	
Permanently Restricted Net Assets	1,770,000	
Net Assets Without Donor Restriction		31,973,994
Net Assets With Donor Restriction		2,671,793
Total Net Assets	<u>\$ 34,645,787</u>	<u>\$ 34,645,787</u>

**Note 5. RELATED PARTY TRANSACTIONS**

*Economic Interest in Ka Ohana Waiaha:*

Ka Ohana Waiaha (KOW) is a community land trust corporation that was created to fund the purchases of housing for long-term members of the University staff. KOW was formed in 2008 and is a tax-exempt for federal and state income tax purposes under Internal Revenue Code 501(c)(3). KOW is a separate entity and is not controlled by the University.

Beginning July 1, 2013, the University leased a parcel of land owned by KOW for \$1 per year. This land comprised 57 undeveloped acres adjacent to the University property. On July 1, 2017, the University also held a note receivable from KOW in the amount of \$2,476,285.

On June 14, 2018, KOW sold the 57 acres to the University along with an additional 5 acres of adjoining land in settlement of the note. The University also paid all fees associated with the transaction, bringing the total cost of acquisition to \$2,493,145.

KOW also owns Hualalai Village, a condominium development located adjacent to University Property. The University owns nine individual condominium units in Hualalai Village, of which seven were purchased as investments of its permanent endowment funds. The ninth unit was purchased during the fiscal year ended June 30, 2019, for \$235,000. All of the units are debt-free.

The University rents the units to staff and students and pays related expenses and association fees to KOW. Net income earned is used for scholarships, in accordance with purpose restrictions established by the endowment donors.

The investments in the condominiums are stated at current realizable value which is the contractual price for which each unit can be sold per deed restrictions. As of both June 30, 2019 and June 30, 2018 this current realizable value was below fair market value.

*Indemnity Agreement with KHA:*

In August of 2013, a separate nonprofit corporation, Kama'aina Hale Apartments (KHA), was formed to acquire a 128 unit low cost housing development adjacent to the University's campus. The University has signed an indemnity agreement on behalf of KHA, guaranteeing annual sub-lease payments of \$400,000 to the land owner, Kamehameha Schools Bishop Estate (KSBE). The University does not expect to be required to make payments to KSBE on behalf of KHA.

NIVERSITY OF THE NATIONS, KONA, INC.

**Notes to the Consolidated Financial Statements**  
June 30, 2019 and 2018

**Note 6. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

Financial assets available for general expenditures within one year, at June 30, 2019 are as follows:

Cash and Cash Equivalents	\$ 3,137,739
Cash Advances	571,498
Accounts Receivable, Net	69,207
Total Financial Assets at year-end	<u>3,778,444</u>
Less amounts unavailable for general expenditures:	
Donor Restricted Financial Assets	(897,337)
Board of Director Designated Financial Assets	<u>(2,413)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,878,694</u></u>

**Note 7. LONG TERM DEBT**

As of June 30, 2019 and 2018, long term debt consisted of the following:

	<u>2019</u>	<u>2018</u>
Central Pacific Bank Loan payable-1 carries interest rate of 4.0% fixed until September 2019, at which time the rate will be raised to 4.51%. Monthly payments of principal and interest were \$31,909 until September 1, 2019, at which time they were reduced to \$28,817. The loan matures in 2024 and is secured by a first mortgage on the compaus property.	\$ 4,584,407	\$ 4,933,323
Central Pacific Bank Loan payable-2 was fully paid in December of 2018.	-	857,757
<b>Total Long-Term Debt</b>	<u>4,584,407</u>	<u>5,791,080</u>
<b>Less Current Installments of Long-Term Debt</b>	<u>(157,633)</u>	<u>(217,294)</u>
<b>Net Long-Term Debt</b>	<u><u>\$ 4,426,774</u></u>	<u><u>\$ 5,573,786</u></u>

Total interest paid on long-term debt was \$233,943 and \$256,166 for the years ended June 30, 2019 and 2018, respectively.

As of June 30, 2019, estimated maturities of long-term debt were as follows:

<u>Fiscal Year</u>	
2020	\$ 157,633
2021	149,214
2022	156,084
2023	163,270
2024	170,789
Thereafter	<u>3,787,417</u>
Total	<u><u>\$ 4,584,407</u></u>

NIVERSITY OF THE NATIONS, KONA, INC.

**Notes to the Consolidated Financial Statements**  
June 30, 2019 and 2018

**Note 8. LINE OF CREDIT**

The University also holds a \$1,000,000 line of credit with Central Pacific Bank available for short-term working capital needs. Any loan under this line of credit would be at the bank base rate of interest plus 0.25% and would be secured by all assets of the University. To date, the University has not made any use of this line of credit as of June 30, 2019 and 2018.

**Note 9. ENDOWMENTS**

The University has invested its net assets with restrictions through perpetuity in debt-free condominiums in the Hualalai Village project (See Note 5). The endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principals (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

As of June 30, 2019 and 2018, the net assets with restrictions through perpetuity amounted to \$1,770,000.

Changes are shown in the following chart:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>With Donor Restrictions Through Perpetuity</b>	<b>Total</b>
<b>Endowment net assets June 30, 2017</b>	\$ -	\$ 89,795	\$ 1,755,851	\$ 1,845,646
Investment Return:				
Net Rental Income	-	47,424	14,149	61,573
Board Designated Endowment Funds	150,000	-	-	-
Appropriation of endowment assets for expenditure	-	(42,500)	-	107,500
<b>Endowment net assets June 30, 2018</b>	<u>\$ 150,000</u>	<u>\$ 94,719</u>	<u>\$ 1,770,000</u>	<u>\$ 2,014,719</u>
Investment Return:				
Net Rental Income	2,413	60,250	-	62,663
Board Designated Endowment Funds	74,084	-	-	74,084
Appropriation of endowment assets for expenditure	-	(63,652)	-	(63,652)
<b>Endowment net assets June 30, 2019</b>	<u>\$ 226,497</u>	<u>\$ 91,317</u>	<u>\$ 1,770,000</u>	<u>\$ 2,087,814</u>

Endowments without donor restrictions totaling \$226,497 were authorized by the Board of Trustees. These funds have been invested in a condominium to provide earnings to fund scholarships for residents of Hawaii Island. The net rental income from this condominium in fiscal year 2019 was \$2,413.



UNIVERSITY OF THE NATIONS, KONA, INC.

Notes to the Consolidated Financial Statements

June 30, 2019 and 2018

**Note 9. ENDOWMENTS (continued)**

*Interpretation of the law*

The Board of Trustees of the University has interpreted the 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 net assets with restrictions through perpetuity as (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with restrictions through perpetuity is classified as net assets with restrictions 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, management considers in its determination to appropriate or accumulate donor restricted endowment funds the following factors:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University

*Return Objectives and Risk Parameters*

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while still maintaining purchasing power of the endowed assets. The University's endowment assets are invested in such a way that will generate a long-term, predictable rate of return from rental income (net of expenses) and will preserve the value of the endowment assets.

*Strategies Employed for Achieving Objectives*

In order to meet the endowment's return objectives, the Board of Trustees has stipulated that the fixed monthly rental amount received by the University for each condominium unit is to be used for the benefit of the endowment fund.

*Spending Policy*

It is the policy of the University that it may distribute all the net rental income derived from the endowment assets. In accordance with the purpose restrictions established by the endowment donors, all distributions are to be used exclusively to fund student scholarships.



UNIVERSITY OF THE NATIONS, KONA, INC.

Notes to the Consolidated Financial Statements  
June 30, 2019 and 2018

**Note 9. ENDOWMENTS (concluded)**

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in Net Assets With Donor Restrictions.

**Note 10. CONCENTRATION OF RISK**

The University maintains its cash accounts at Central Pacific Bank. These balances exceed the Federal Deposit Insurance Corporation (FDIC) insured limit per corporate depositor. Management acknowledges the possibility of risk in this arrangement; however, the size and the longevity of the depository institution minimize such risk.

Balances over \$500,000 in the operations checking account are transferred nightly in and out of an investment account with Federated Investors of Kansas City, Missouri. This investment account is made up of government obligations and earnings are credited to the University monthly. Central Pacific Bank acts as the University's agent in these transactions, but this investment account is not insured by the FDIC.

The following represents a summary of cash balances as of June 30, 2019 and 2018:

	2019	2018
Fully Insured Deposits	\$ 250,000	\$ 250,000
Uninsured and Uncollateralized	2,887,739	4,223,236
	<u>\$ 3,137,739</u>	<u>\$ 4,473,236</u>

The University's endowment investments are concentrated in the Hualalai Village condominium development. Also, a large portion of the fundraising for the University is conducted by Loren Cunningham, co-founder of the University and President of the Board of Trustees. The University does not believe that these concentrations represent a material risk of loss with respect to its financial position.

**Note 11. INVESTMENTS**

The University follows FASB ASC 820-10-50-1 which establishes a hierarchy for inputs to be used in measuring fair market value. This maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in each circumstance.

UNIVERSITY OF THE NATIONS, KONA, INC.

Notes to the Consolidated Financial Statements  
June 30, 2019 and 2018

**Note 11. INVESTMENTS (continued)**

This fair value hierarchy consists of three broad levels:

- Level 1 inputs consist of unadjusted quoted prices in active markets such as stock exchanges for identical assets.
- Level 2 inputs consist of significant other observable inputs such as quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of a financial instrument.
- Level 3 inputs consist of significant unobservable inputs and include situations where there is little, if any, market activity for the investment. The inputs require significant judgment or estimates, such as those associated with discounted cash flow methodologies and appraisals.

Fair values of the Hualalai Condominiums measured on a recurring basis at June 30, 2019 and 2018 are summarized in the following chart:

	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non- Observable Inputs: Level 3	Total
June 30, 2018	\$ -	\$ -	\$ 2,330,000	\$ 2,330,000
June 30, 2019	\$ -	\$ -	\$ 2,565,000	\$ 2,565,000

The Hualalai Condominiums measured at level 3 are based on the real estate value capped at the allowable sales price. The increase in value occurring during the year ending June 30, 2019 and 2018 was the result of purchasing an additional condominium unit for \$235,000 during each of the years.

There are no other assets or liabilities measured at fair value on a recurring or non-recurring basis.

**Note 12. DONATED SERVICES, MATERIALS, AND FACILITIES**

In Fiscal Year Ending June 30, 2018, the University placed the Building J dormitory into service and accordingly capitalized donated labor in addition to purchased costs of its construction. An in-kind donation of \$610,444 was recorded on the books to reflect the estimated value of this donation as required by FASB ASC 958-605- 25-16. (See Note 2, Contributions and Donations.)

UNIVERSITY OF THE NATIONS, KONA, INC.

**Notes to the Consolidated Financial Statements**  
June 30, 2019 and 2018

**Note 13. RECENT ACCOUNTING PRONOUNCEMENTS**

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize revenue from the transfer of promised goods or services in an amount that reflects the consideration the entity expects to receive for those goods or services. An entity also should disclose sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from its contracts with customers. The new standard is effective for the University's fiscal year ending June 30, 2020. Management does not expect the adoption of these provisions to have a significant impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases, which requires lessees, among other changes, to recognize most leases on the balance sheet as assets and liabilities as well as provide additional qualitative and quantitative disclosures. ASU 2016-02 is effective for the University's fiscal year ending June 30, 2022, but permits early adoption and mandates a modified retrospective transition method. Management is currently evaluating the impact that the adoption of these provisions will have on the financial statements, but expects ASU 2016-02 to add significant assets and liabilities to the statement of financial position.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new standard is effective for the University's fiscal year ending June 30, 2020 and should be applied using a retrospective transition method to each period presented. Management does not expect the adoption of these provisions to have a significant impact on the financial statements.

**Note 14. RECLASSIFICATIONS**

Certain account balances in the financial statements for the fiscal year ended June 30, 2018, have been reclassified for comparative purposes to conform to the presentation for fiscal year ended June 30, 2019. These had no effect on the Total Assets or Change in Net Asset figures reported for the fiscal year ended June 30, 2018.

**Note 15. SUBSEQUENT EVENTS**

In preparing these financial statements, the University has evaluated events and transactions for potential recognition or disclosure through October 24, 2019, and there were none to be reported.



Form **990**Department of the Treasury  
Internal Revenue Service**Return of Organization Exempt From Income Tax**

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

▶ Do not enter social security numbers on this form as it may be made public.

▶ Go to [www.irs.gov/Form990](http://www.irs.gov/Form990) for instructions and the latest information.

OMB No. 1545-0047

**2017****Open to Public Inspection****A** For the 2017 calendar year, or tax year beginning **07/01/17**, and ending **06/30/18****B** Check if applicable:

- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Final return/terminated
- ☐ Amended return
- ☐ Application pending

**C** Name of organization **University of the Nations, Kona, Inc.**

Doing business as

Number and street (or P.O. box if mail is not delivered to street address)

**75-5851 Kuakini Highway #433**

City or town, state or province, country, and ZIP or foreign postal code

**Kailua-Kona HI 96740-2136****F** Name and address of principal officer:**Loren Cunningham****75-5851 Kuakini Hwy #433****Kailua-Kona HI 96740****D** Employer identification number**99-0240539****E** Telephone number  
**808-326-4453****G** Gross receipts **25,931,963****H(a)** Is this a group return for subsidiaries? ☐ Yes ☒ No**H(b)** Are all subsidiaries included? ☐ Yes ☐ No

If "No," attach a list. (see instructions)

**I** Tax-exempt status: ☒ 501(c)(3) ☐ 501(c) ( ) (Insert no.) ☐ 4947(a)(1) or ☐ 527**J** Website: **www.uofn kona.edu****H(c)** Group exemption number ▶**K** Form of organization: ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶**L** Year of formation: **1985** **M** State of legal domicile: **HI****Part I Summary**

Activities & Governance		Revenue		Expenses		Net Assets or Fund Balances	
1 Briefly describe the organization's mission or most significant activities: <b>To educate and equip young people from all nations in spirituality, integrity, personal life skills, and business skills to be multiplied around the world.</b>							
2 Check this box <input type="checkbox"/> If the organization discontinued its operations or disposed of more than 25% of its net assets.							
3 Number of voting members of the governing body (Part VI, line 1a)		3	11				
4 Number of independent voting members of the governing body (Part VI, line 1b)		4	8				
5 Total number of individuals employed in calendar year 2017 (Part V, line 2a)		5	3				
6 Total number of volunteers (estimate if necessary)		6	1340				
7a Total unrelated business revenue from Part VIII, column (C), line 12		7a	0				
7b Net unrelated business taxable income from Form 990-T, line 34		7b	0				
8 Contributions and grants (Part VIII, line 1h)		Prior Year	Current Year				
9 Program service revenue (Part VIII, line 2g)		11,099,545	11,133,379				
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)		12,155,604	14,421,347				
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		6,000	-1,313				
12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)		125,917	197,936				
13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)		23,387,066	25,751,349				
14 Benefits paid to or for members (Part IX, column (A), line 4)		212,694	533,905				
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)		40,252	109,427				
16a Professional fundraising fees (Part IX, column (A), line 11e)			0				
b Total fundraising expenses (Part IX, column (D), line 25) ▶		237,781					
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)		20,616,939	23,175,448				
18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)		20,869,885	23,818,780				
19 Revenue less expenses. Subtract line 18 from line 12		2,517,181	1,932,569				
20 Total assets (Part X, line 16)		Beginning of Current Year	End of Year				
21 Total liabilities (Part X, line 26)		40,454,865	42,717,637				
22 Net assets or fund balances. Subtract line 21 from line 20		8,040,891	8,071,850				
		32,413,974	34,645,787				

**Part II Signature Block**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

<b>Sign Here</b>	Signature of officer <i>Martin Rediger</i>		Date <i>2/24/19</i>	
	<b>Martin Rediger</b>		<b>Treasurer/Chairman</b>	
<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if PTIN self-employed
	<b>Gretchen Kremeyer</b>	<b>Gretchen Kremeyer</b>		
	Firm's name ▶	Firm's EIN ▶		
	<b>Carbonaro CPAs &amp; Management Group</b>			
	Firm's address ▶	Phone no. <b>808-242-5002</b>		
	<b>1885 Main St Ste 408</b>			
	<b>Wailuku, HI 96793</b>			

May the IRS discuss this return with the preparer shown above? (see instructions) ☒ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Form **990** (2017)

DAA



Form 990 (2017) **University of the Nations,**

99-0240539

Page **2****Part III** Statement of Program Service AccomplishmentsCheck if Schedule O contains a response or note to any line in this Part III ☐

1 Briefly describe the organization's mission:

To educate and equip young people from all nations in spirituality, integrity, personal life skills, and business skills to be multiplied around the world.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? ☐ Yes ☒ No

If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? ☐ Yes ☒ No

If "Yes," describe these changes on Schedule O.

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code: ) (Expenses \$ 21,705,075 including grants of \$ 533,905 ) (Revenue \$ 14,421,347 )  
 University of the Nations, Kona, Inc. (UNK) provides training in seven different areas: Arts & Sports, Christian Ministries, Communication, Counseling & Health Care, Education, Humanities & International Studies, and Science & Technology. UNK utilizes a live-learn lifestyle with quarterly modular courses. UNK's education includes field work in many countries around the world.  
 UNK is a legally independent, stand-alone campus of the University of the Nations (U of N). The U of N is a global university, offering over 650 courses in over 160 nations. The U of N was established by Youth With A Mission (YWAM), an international movement of Jesus-followers from many backgrounds, cultures, and traditions.

4b (Code: ) (Expenses \$ including grants of \$ ) (Revenue \$ )

4c (Code: ) (Expenses \$ including grants of \$ ) (Revenue \$ )

4d Other program services (Describe in Schedule O.)

(Expenses \$ including grants of \$ ) (Revenue \$ )

4e Total program service expenses ► 21,705,075



**Part IV Checklist of Required Schedules**

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A	<input checked="" type="checkbox"/>	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)?	<input checked="" type="checkbox"/>	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I		<input checked="" type="checkbox"/>
4 <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II		<input checked="" type="checkbox"/>
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III		<input checked="" type="checkbox"/>
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I		<input checked="" type="checkbox"/>
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II		<input checked="" type="checkbox"/>
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III		<input checked="" type="checkbox"/>
9 Did the organization report an amount in Part X, line 21, for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV		<input checked="" type="checkbox"/>
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V	<input checked="" type="checkbox"/>	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI	<input checked="" type="checkbox"/>	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VI		<input checked="" type="checkbox"/>
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII		<input checked="" type="checkbox"/>
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX	<input checked="" type="checkbox"/>	
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X		<input checked="" type="checkbox"/>
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X		<input checked="" type="checkbox"/>
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII		<input checked="" type="checkbox"/>
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional	<input checked="" type="checkbox"/>	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	<input checked="" type="checkbox"/>	
14a Did the organization maintain an office, employees, or agents outside of the United States?		<input checked="" type="checkbox"/>
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	<input checked="" type="checkbox"/>	
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? If "Yes," complete Schedule F, Parts II and IV	<input checked="" type="checkbox"/>	
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? If "Yes," complete Schedule F, Parts III and IV	<input checked="" type="checkbox"/>	
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)		<input checked="" type="checkbox"/>
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II		<input checked="" type="checkbox"/>
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III		<input checked="" type="checkbox"/>



Form 990 (2017) **University of the Nations,**  
**Part IV Checklist of Required Schedules (continued)**

99-0240539

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	Yes	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H		X
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?		
21 Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or domestic government on Part IX, column (A), line 1? If "Yes," complete Schedule I, Parts I and II	X	
22 Did the organization report more than \$5,000 of grants or other assistance to or for domestic individuals on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III	X	
23 Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? If "Yes," complete Schedule J		X
24a Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a		X
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
c Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?		
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
25a Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I		X
b Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I		X
26 Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? If "Yes," complete Schedule L, Part II		X
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? If "Yes," complete Schedule L, Part II		X
28 Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):		
a A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV		X
b A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV		X
c An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? If "Yes," complete Schedule L, Part IV		X
29 Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M		X
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M		X
31 Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I		X
32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II		X
33 Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Schedule R, Part I		X
34 Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1	X	
35a Did the organization have a controlled entity within the meaning of section 512(b)(13)?		X
b If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Schedule R, Part V, line 2		
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2		X
37 Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI		X
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O.	X	

Form 990 (2017)



**Part V** Statements Regarding Other IRS Filings and Tax ComplianceCheck if Schedule O contains a response or note to any line in this Part V ☐

	Yes	No
<b>1a</b> Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	1a	649
<b>b</b> Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b	0
<b>c</b> Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	X
<b>2a</b> Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	3
<b>b</b> If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <i>Note.</i> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b	X
<b>3a</b> Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	X
<b>b</b> If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O	3b	
<b>4a</b> At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	X
<b>b</b> If "Yes," enter the name of the foreign country: See instructions for filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR).		
<b>5a</b> Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	X
<b>b</b> Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	X
<b>c</b> If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c	
<b>6a</b> Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a	X
<b>b</b> If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
<b>7 Organizations that may receive deductible contributions under section 170(c).</b>		
<b>a</b> Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	X
<b>b</b> If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	X
<b>c</b> Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	X
<b>d</b> If "Yes," indicate the number of Forms 8282 filed during the year	7d	
<b>e</b> Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	X
<b>f</b> Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	X
<b>g</b> If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
<b>h</b> If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
<b>8 Sponsoring organizations maintaining donor advised funds.</b> Did a donor advised fund maintained by the sponsoring organization have excess business holdings at any time during the year?	8	
<b>9 Sponsoring organizations maintaining donor advised funds.</b>		
<b>a</b> Did the sponsoring organization make any taxable distributions under section 4966?	9a	
<b>b</b> Did the sponsoring organization make a distribution to a donor, donor advisor, or related person?	9b	
<b>10 Section 501(c)(7) organizations.</b> Enter:		
<b>a</b> Initiation fees and capital contributions included on Part VIII, line 12	10a	
<b>b</b> Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b	
<b>11 Section 501(c)(12) organizations.</b> Enter:		
<b>a</b> Gross income from members or shareholders	11a	
<b>b</b> Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11b	
<b>12a Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?	12a	
<b>b</b> If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b	
<b>13 Section 501(c)(29) qualified nonprofit health insurance issuers.</b>		
<b>a</b> Is the organization licensed to issue qualified health plans in more than one state? <i>Note.</i> See the instructions for additional information the organization must report on Schedule O.	13a	
<b>b</b> Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b	
<b>c</b> Enter the amount of reserves on hand	13c	
<b>14a</b> Did the organization receive any payments for indoor tanning services during the tax year?	14a	X
<b>b</b> If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O	14b	



Form 990 (2017) **University of the Nations,**

99-0240539

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**Part VI** **Governance, Management, and Disclosure** For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions. Check if Schedule O contains a response or note to any line in this Part VI ☒

**Section A. Governing Body and Management**

	1a	1b	Yes	No
1a Enter the number of voting members of the governing body at the end of the tax year	11			
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.				
b Enter the number of voting members included in line 1a, above, who are independent		8		
2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?				X
3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person?				X
4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?				X
5 Did the organization become aware during the year of a significant diversion of the organization's assets?				X
6 Did the organization have members or stockholders?				X
7a Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?				X
b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?				X
8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:				
a The governing body?			X	
b Each committee with authority to act on behalf of the governing body?			X	
9 Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O				X

**Section B. Policies** (This Section B requests information about policies not required by the Internal Revenue Code.)

	Yes	No
10a Did the organization have local chapters, branches, or affiliates?		X
b If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?		
11a Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	X	
b Describe in Schedule O the process, if any, used by the organization to review this Form 990.		
12a Did the organization have a written conflict of interest policy? If "No," go to line 13	X	
b Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	X	
c Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	X	
13 Did the organization have a written whistleblower policy?	X	
14 Did the organization have a written document retention and destruction policy?	X	
15 Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a The organization's CEO, Executive Director, or top management official		X
b Other officers or key employees of the organization		X
If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions).		
16a Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?		X
b If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?		

**Section C. Disclosure**

- 17 List the states with which a copy of this Form 990 is required to be filed **▶ HI**
- 18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.  
☐ Own website ☒ Another's website ☒ Upon request ☐ Other (explain in Schedule O)
- 19 Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.
- 20 State the name, address, and telephone number of the person who possesses the organization's books and records: **▶**

Univ. of the Nations Kona, Inc  
Kailua-Kona

75-5851 Kuakini Hwy #433

HI 96740

808-326-4453



**Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**Check if Schedule O contains a response or note to any line in this Part VII ☐**Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees****1a** Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former** directors or trustees that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Loren Cunningham	50.00									
President	0.00	X		X				21,544	0	0
(2) Dave Bateman	20.00									
Vice Pres/Secretary	1.00	X		X				0	0	0
(3) Karen Curtis	5.00									
Vice President	1.00	X		X				0	0	0
(4) Alan Lim	1.00									
Trustee	0.00	X						0	0	0
(5) Daniel Choi	3.00									
Trustee	0.00	X						0	0	0
(6) Martin Rediger	40.00									
Treasurer/Chairman	0.00	X		X				0	0	0
(7) Woo Won Kang	50.00									
Trustee/IT Director	0.00	X						6,944	0	0
(8) Wes Reinheller	5.00									
Trustee	0.00	X						0	0	0
(9) Doug Fears	5.00									
Trustee	0.00	X						0	0	0
(10) Chong Ho Won	20.00									
Trustee	0.00	X						58,635	0	0
(11) Michael Berg	1.00									
Trustee	0.00	X						0	0	0

**Part VII** Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

[illegible]

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2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization 0

3 Did the organization list any **former** officer, director, or trustee, key employee, or highest compensated employee on line 1a? If "Yes," complete Schedule J for such individual

4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? If "Yes," complete Schedule J for such individual

5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? If "Yes," complete Schedule J for such person

	Yes	No
3		X
4		X
5		X

## Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ►



**Part VIII** Statement of RevenueCheck if Schedule O contains a response or note to any line in this Part VIII ☐

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
<b>Contributions, Gifts, Grants and Other Similar Amounts</b>	<b>1a</b> Federated campaigns	<b>1a</b>				
	<b>b</b> Membership dues	<b>1b</b>				
	<b>c</b> Fundraising events	<b>1c</b>				
	<b>d</b> Related organizations	<b>1d</b>				
	<b>e</b> Government grants (contributions)	<b>1e</b>				
	<b>f</b> All other contributions, gifts, grants, and similar amounts not included above	<b>1f</b> 11,133,379				
	<b>g</b> Noncash contributions included in lines 1a-1f: \$					
<b>h</b> Total. Add lines 1a-1f		11,133,379				
<b>Program Service Revenue</b>	<b>2a</b> Outreach Fees	Busn. Code 611600	6,023,304	6,023,304		
	<b>b</b> Tuition Fees	611600	5,953,888	5,953,888		
	<b>c</b> Housing Fees	611600	909,500	909,500		
	<b>d</b> Guest Fees	611600	309,494	309,494		
	<b>e</b> Student Spouse/Child Fees	611600	257,950	257,950		
	<b>f</b> All other program service revenue	611600	967,211	967,211		
	<b>g</b> Total. Add lines 2a-2f		14,421,347			
<b>Other Revenue</b>	<b>3</b> Investment income (including dividends, interest, and other similar amounts)					
	<b>4</b> Income from investment of tax-exempt bond proceeds					
	<b>5</b> Royalties					
	<b>6a</b> Gross rents	(i) Real (ii) Personal				
	<b>b</b> Less: rental exps					
	<b>c</b> Rental inc. or (loss)					
	<b>d</b> Net rental income or (loss)					
	<b>7a</b> Gross amount from sales of assets other than inventory	(i) Securities (ii) Other				
	<b>b</b> Less: cost or other basis & sales exps		1,313			
	<b>c</b> Gain or (loss)		-1,313			
	<b>d</b> Net gain or (loss)		-1,313			-1,313
	<b>8a</b> Gross income from fundraising events (not including \$ of contributions reported on line 1c). See Part IV, line 18	a				
<b>b</b> Less: direct expenses	b					
<b>c</b> Net income or (loss) from fundraising events						
<b>9a</b> Gross income from gaming activities. See Part IV, line 19	a					
<b>b</b> Less: direct expenses	b					
<b>c</b> Net income or (loss) from gaming activities						
<b>10a</b> Gross sales of inventory, less returns and allowances	a	377,237				
<b>b</b> Less: cost of goods sold	b	179,301				
<b>c</b> Net income or (loss) from sales of inventory		197,936			197,936	
<b>Miscellaneous Revenue</b>			<b>Busn. Code</b>			
<b>11a</b>						
<b>b</b>						
<b>c</b>						
<b>d</b> All other revenue						
<b>e</b> Total. Add lines 11a-11d						
<b>12</b> Total revenue. See instructions.			25,751,349	14,421,347	0	196,623



Form 990 (2017) **University of the Nations,**

99-0240539

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**Part IX Statement of Functional Expenses**

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX ☐**Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.**

	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21	126,262	126,262		
2 Grants and other assistance to domestic individuals. See Part IV, line 22	17,000	17,000		
3 Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16	390,643	390,643		
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	109,427	109,427		
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages				
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)				
9 Other employee benefits				
10 Payroll taxes				
11 Fees for services (non-employees):				
a Management				
b Legal	9,382	939	7,974	469
c Accounting	91,479		91,479	
d Lobbying				
e Professional fundraising services. See Part IV, line 7				
f Investment management fees				
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O.)	1,014,206	506,909	405,837	101,460
12 Advertising and promotion	17,064	15,358		1,706
13 Office expenses	679,977	498,245	132,857	48,875
14 Information technology	448,861	291,533	89,902	67,426
15 Royalties				
16 Occupancy	1,659,140	1,391,571	250,991	16,578
17 Travel	531,434	425,147	106,287	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	256,166	204,933	51,233	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	876,151	700,920	175,231	
23 Insurance	121,335	108,915	12,420	
24 Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a <b>Missionary Payments</b>	9,189,899	9,189,899		
b <b>Outreach Services</b>	5,205,883	5,205,883		
c <b>Household Expenses</b>	2,161,487	1,729,189	432,298	
d <b>Schools and Programs</b>	585,407	544,409	40,998	
e All other expenses	327,577	247,893	78,417	1,267
25 <b>Total functional expenses.</b> Add lines 1 through 24e	23,818,780	21,705,075	1,875,924	237,781
26 <b>Joint costs.</b> Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720)				



**Part X Balance Sheet**Check if Schedule O contains a response or note to any line in this Part X ☐

		(A) Beginning of year		(B) End of year
<b>Assets</b>	1 Cash—non-interest bearing	3,935,029	1	5,161,549
	2 Savings and temporary cash investments		2	
	3 Pledges and grants receivable, net		3	
	4 Accounts receivable, net	50,619	4	92,334
	5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		5	
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Complete Part II of Schedule L		6	
	7 Notes and loans receivable, net	224,028	7	200,000
	8 Inventories for sale or use	4,676	8	15,359
	9 Prepaid expenses and deferred charges	70,952	9	86,251
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 38,697,550		
	b Less: accumulated depreciation	10b 8,208,608	10c	30,488,942
	11 Investments—publicly traded securities		11	
	12 Investments—other securities. See Part IV, line 11		12	
	13 Investments—program-related. See Part IV, line 11		13	
	14 Intangible assets		14	
	15 Other assets. See Part IV, line 11	10,719,649	15	6,673,202
16 <b>Total assets.</b> Add lines 1 through 15 (must equal line 34)	40,454,865	16	42,717,637	
<b>Liabilities</b>	17 Accounts payable and accrued expenses	1,212,255	17	1,269,807
	18 Grants payable		18	
	19 Deferred revenue	773,989	19	1,010,963
	20 Tax-exempt bond liabilities		20	
	21 Escrow or custodial account liability. Complete Part IV of Schedule D		21	
	22 Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22	
	23 Secured mortgages and notes payable to unrelated third parties	6,054,647	23	5,791,080
	24 Unsecured notes and loans payable to unrelated third parties		24	
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D		25	
	26 <b>Total liabilities.</b> Add lines 17 through 25	8,040,891	26	8,071,850
	<b>Net Assets or Fund Balances</b>	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.		
27 Unrestricted net assets		29,655,611	27	31,973,994
28 Temporarily restricted net assets		1,002,512	28	901,793
29 Permanently restricted net assets		1,755,851	29	1,770,000
Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.				
30 Capital stock or trust principal, or current funds			30	
31 Paid-in or capital surplus, or land, building, or equipment fund			31	
32 Retained earnings, endowment, accumulated income, or other funds			32	
33 <b>Total net assets or fund balances</b>		32,413,974	33	34,645,787
34 <b>Total liabilities and net assets/fund balances</b>		40,454,865	34	42,717,637

**Part XI Reconciliation of Net Assets**Check if Schedule O contains a response or note to any line in this Part XI ☐

1	Total revenue (must equal Part VIII, column (A), line 12)	1	25,751,349
2	Total expenses (must equal Part IX, column (A), line 25)	2	23,818,780
3	Revenue less expenses. Subtract line 2 from line 1	3	1,932,569
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	32,413,974
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	610,444
7	Investment expenses	7	
8	Prior period adjustments	8	-311,200
9	Other changes in net assets or fund balances (explain in Schedule O)	9	
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	34,645,787

**Part XII Financial Statements and Reporting**Check if Schedule O contains a response or note to any line in this Part XII ☐

- 1 Accounting method used to prepare the Form 990: ☐ Cash ☒ Accrual ☐ Other \_\_\_\_\_  
If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.

- 2a Were the organization's financial statements compiled or reviewed by an independent accountant? \_\_\_\_\_  
If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both:

☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis

- b Were the organization's financial statements audited by an independent accountant? \_\_\_\_\_  
If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both:

☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separate basis

- c If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? \_\_\_\_\_  
If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.

- 3a As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133? \_\_\_\_\_

- b If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits.

	Yes	No
2a		X
2b	X	
2c	X	
3a		X
3b		

Form 990 (2017)



**SCHEDULE A**  
**(Form 990 or 990-EZ)**Department of the Treasury  
Internal Revenue Service**Public Charity Status and Public Support**

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ.

▶ Go to [www.irs.gov/Form990](http://www.irs.gov/Form990) for instructions and the latest information.

OMB No. 1545-0047

**2017**Open to Public  
Inspection

Name of the organization

**University of the Nations,  
Kona, Inc.**

Employer identification number

**99-0240539****Part I Reason for Public Charity Status** (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is: (For lines 1 through 12, check only one box.)

- 1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2 ☒ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E (Form 990 or 990-EZ).)
- 3 ☐ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state: .....
- 5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II.)
- 6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
- 8 ☐ A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
- 9 ☐ An agricultural research organization described in **section 170(b)(1)(A)(ix)** operated in conjunction with a land-grant college or university or a non-land grant college of agriculture (see instructions). Enter the name, city, and state of the college or university: .....
- 10 ☐ An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete Part III.)
- 11 ☐ An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).**
- 12 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2).** See **section 509(a)(3).** Check the box in lines 12a through 12d that describes the type of supporting organization and complete lines 12e, 12f, and 12g.
- a ☐ **Type I.** A supporting organization operated, supervised, or controlled by its supported organization(s), typically by giving the supported organization(s) the power to regularly appoint or elect a majority of the directors or trustees of the supporting organization. **You must complete Part IV, Sections A and B.**
- b ☐ **Type II.** A supporting organization supervised or controlled in connection with its supported organization(s), by having control or management of the supporting organization vested in the same persons that control or manage the supported organization(s). **You must complete Part IV, Sections A and C.**
- c ☐ **Type III functionally integrated.** A supporting organization operated in connection with, and functionally integrated with, its supported organization(s) (see instructions). **You must complete Part IV, Sections A, D, and E.**
- d ☐ **Type III non-functionally integrated.** A supporting organization operated in connection with its supported organization(s) that is not functionally integrated. The organization generally must satisfy a distribution requirement and an attentiveness requirement (see instructions). **You must complete Part IV, Sections A and D, and Part V.**
- e ☐ Check this box if the organization received a written determination from the IRS that it is a Type I, Type II, Type III functionally integrated, or Type III non-functionally integrated supporting organization.
- f Enter the number of supported organizations:
- g Provide the following information about the supported organization(s).

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1–10 above (see instructions))	(iv) Is the organization listed in your governing document?		(v) Amount of monetary support (see instructions)	(vi) Amount of other support (see instructions)
			Yes	No		
(A)						
(B)						
(C)						
(D)						
(E)						
<b>Total</b>						

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule A (Form 990 or 990-EZ) 2017



**Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ▶	(a) 2013	(b) 2014	(c) 2015	(d) 2016	(e) 2017	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 <b>Total.</b> Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 <b>Public support.</b> Subtract line 5 from line 4.						

**Section B. Total Support**

Calendar year (or fiscal year beginning in) ▶	(a) 2013	(b) 2014	(c) 2015	(d) 2016	(e) 2017	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.)						
11 <b>Total support.</b> Add lines 7 through 10						
12 Gross receipts from related activities, etc. (see instructions)					12	

13 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ☐

**Section C. Computation of Public Support Percentage**

14 Public support percentage for 2017 (line 6, column (f) divided by line 11, column (f))	14	%
15 Public support percentage from 2016 Schedule A, Part II, line 14	15	%
16a <b>33 1/3% support test—2017.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization <input type="checkbox"/>		
b <b>33 1/3% support test—2016.</b> If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization <input type="checkbox"/>		
17a <b>10%-facts-and-circumstances test—2017.</b> If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and <b>stop here.</b> Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
b <b>10%-facts-and-circumstances test—2016.</b> If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and <b>stop here.</b> Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
18 <b>Private foundation.</b> If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions <input type="checkbox"/>		



**Part III Support Schedule for Organizations Described in Section 509(a)(2)**

(Complete only if you checked the box on line 10 of Part I or if the organization failed to qualify under Part II.  
If the organization fails to qualify under the tests listed below, please complete Part II.)

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ▶	(a) 2013	(b) 2014	(c) 2015	(d) 2016	(e) 2017	(f) Total
<b>1</b> Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
<b>2</b> Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
<b>3</b> Gross receipts from activities that are not an unrelated trade or business under section 513						
<b>4</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
<b>5</b> The value of services or facilities furnished by a governmental unit to the organization without charge						
<b>6</b> Total. Add lines 1 through 5						
<b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons						
<b>b</b> Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
<b>c</b> Add lines 7a and 7b						
<b>8</b> Public support. (Subtract line 7c from line 6.)						

**Section B. Total Support**

Calendar year (or fiscal year beginning in) ▶	(a) 2013	(b) 2014	(c) 2015	(d) 2016	(e) 2017	(f) Total
<b>9</b> Amounts from line 6						
<b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources						
<b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
<b>c</b> Add lines 10a and 10b						
<b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
<b>12</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.)						
<b>13</b> Total support. (Add lines 9, 10c, 11, and 12.)						
<b>14</b> First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here <input type="checkbox"/>						

**Section C. Computation of Public Support Percentage**

<b>15</b> Public support percentage for 2017 (line 8, column (f) divided by line 13, column (f))	<b>15</b>	%
<b>16</b> Public support percentage from 2016 Schedule A, Part III, line 15	<b>16</b>	%

**Section D. Computation of Investment Income Percentage**

<b>17</b> Investment income percentage for 2017 (line 10c, column (f) divided by line 13, column (f))	<b>17</b>	%
<b>18</b> Investment income percentage from 2016 Schedule A, Part III, line 17	<b>18</b>	%
<b>19a</b> 33 1/3% support tests—2017. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>b</b> 33 1/3% support tests—2016. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
<b>20</b> Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions <input type="checkbox"/>		



**Part IV Supporting Organizations**

(Complete only if you checked a box in line 12 on Part I. If you checked 12a of Part I, complete Sections A and B. If you checked 12b of Part I, complete Sections A and C. If you checked 12c of Part I, complete Sections A, D, and E. If you checked 12d of Part I, complete Sections A and D, and complete Part V.)

**Section A. All Supporting Organizations**

- 1 Are all of the organization's supported organizations listed by name in the organization's governing documents? If "No," describe in **Part VI** how the supported organizations are designated. If designated by class or purpose, describe the designation. If historic and continuing relationship, explain.
- 2 Did the organization have any supported organization that does not have an IRS determination of status under section 509(a)(1) or (2)? If "Yes," explain in **Part VI** how the organization determined that the supported organization was described in section 509(a)(1) or (2).
- 3a Did the organization have a supported organization described in section 501(c)(4), (5), or (6)? If "Yes," answer (b) and (c) below.
- b Did the organization confirm that each supported organization qualified under section 501(c)(4), (5), or (6) and satisfied the public support tests under section 509(a)(2)? If "Yes," describe in **Part VI** when and how the organization made the determination.
- c Did the organization ensure that all support to such organizations was used exclusively for section 170(c)(2)(B) purposes? If "Yes," explain in **Part VI** what controls the organization put in place to ensure such use.
- 4a Was any supported organization not organized in the United States ("foreign supported organization")? If "Yes," and if you checked 12a or 12b in Part I, answer (b) and (c) below.
- b Did the organization have ultimate control and discretion in deciding whether to make grants to the foreign supported organization? If "Yes," describe in **Part VI** how the organization had such control and discretion despite being controlled or supervised by or in connection with its supported organizations.
- c Did the organization support any foreign supported organization that does not have an IRS determination under sections 501(c)(3) and 509(a)(1) or (2)? If "Yes," explain in **Part VI** what controls the organization used to ensure that all support to the foreign supported organization was used exclusively for section 170(c)(2)(B) purposes.
- 5a Did the organization add, substitute, or remove any supported organizations during the tax year? If "Yes," answer (b) and (c) below (if applicable). Also, provide detail in **Part VI**, including (i) the names and EIN numbers of the supported organizations added, substituted, or removed; (ii) the reasons for each such action; (iii) the authority under the organization's organizing document authorizing such action; and (iv) how the action was accomplished (such as by amendment to the organizing document).
- b **Type I or Type II only.** Was any added or substituted supported organization part of a class already designated in the organization's organizing document?
- c **Substitutions only.** Was the substitution the result of an event beyond the organization's control?
- 6 Did the organization provide support (whether in the form of grants or the provision of services or facilities) to anyone other than (i) its supported organizations, (ii) individuals that are part of the charitable class benefited by one or more of its supported organizations, or (iii) other supporting organizations that also support or benefit one or more of the filing organization's supported organizations? If "Yes," provide detail in **Part VI**.
- 7 Did the organization provide a grant, loan, compensation, or other similar payment to a substantial contributor (defined in section 4958(c)(3)(C)), a family member of a substantial contributor, or a 35% controlled entity with regard to a substantial contributor? If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).
- 8 Did the organization make a loan to a disqualified person (as defined in section 4958) not described in line 7? If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).
- 9a Was the organization controlled directly or indirectly at any time during the tax year by one or more disqualified persons as defined in section 4946 (other than foundation managers and organizations described in section 509(a)(1) or (2))? If "Yes," provide detail in **Part VI**.
- b Did one or more disqualified persons (as defined in line 9a) hold a controlling interest in any entity in which the supporting organization had an interest? If "Yes," provide detail in **Part VI**.
- c Did a disqualified person (as defined in line 9a) have an ownership interest in, or derive any personal benefit from, assets in which the supporting organization also had an interest? If "Yes," provide detail in **Part VI**.
- 10a Was the organization subject to the excess business holdings rules of section 4943 because of section 4943(f) (regarding certain Type II supporting organizations, and all Type III non-functionally integrated supporting organizations)? If "Yes," answer 10b below.
- b Did the organization have any excess business holdings in the tax year? (Use Schedule C, Form 4720, to determine whether the organization had excess business holdings.)

	Yes	No
1		
2		
3a		
3b		
3c		
4a		
4b		
4c		
5a		
5b		
5c		
6		
7		
8		
9a		
9b		
9c		
10a		
10b		



**Part IV Supporting Organizations (continued)**

- 11 Has the organization accepted a gift or contribution from any of the following persons?
- a A person who directly or indirectly controls, either alone or together with persons described in (b) and (c) below, the governing body of a supported organization?
- b A family member of a person described in (a) above?
- c A 35% controlled entity of a person described in (a) or (b) above? If "Yes" to a, b, or c, provide detail in **Part VI**.

	Yes	No
11a		
11b		
11c		

**Section B. Type I Supporting Organizations**

- 1 Did the directors, trustees, or membership of one or more supported organizations have the power to regularly appoint or elect at least a majority of the organization's directors or trustees at all times during the tax year? If "No," describe in **Part VI** how the supported organization(s) effectively operated, supervised, or controlled the organization's activities. If the organization had more than one supported organization, describe how the powers to appoint and/or remove directors or trustees were allocated among the supported organizations and what conditions or restrictions, if any, applied to such powers during the tax year.
- 2 Did the organization operate for the benefit of any supported organization other than the supported organization(s) that operated, supervised, or controlled the supporting organization? If "Yes," explain in **Part VI** how providing such benefit carried out the purposes of the supported organization(s) that operated, supervised, or controlled the supporting organization.

	Yes	No
1		
2		

**Section C. Type II Supporting Organizations**

- 1 Were a majority of the organization's directors or trustees during the tax year also a majority of the directors or trustees of each of the organization's supported organization(s)? If "No," describe in **Part VI** how control or management of the supporting organization was vested in the same persons that controlled or managed the supported organization(s).

	Yes	No
1		

**Section D. All Type III Supporting Organizations**

- 1 Did the organization provide to each of its supported organizations, by the last day of the fifth month of the organization's tax year, (i) a written notice describing the type and amount of support provided during the prior tax year, (ii) a copy of the Form 990 that was most recently filed as of the date of notification, and (iii) copies of the organization's governing documents in effect on the date of notification, to the extent not previously provided?
- 2 Were any of the organization's officers, directors, or trustees either (i) appointed or elected by the supported organization(s) or (ii) serving on the governing body of a supported organization? If "No," explain in **Part VI** how the organization maintained a close and continuous working relationship with the supported organization(s).
- 3 By reason of the relationship described in (2), did the organization's supported organizations have a significant voice in the organization's investment policies and in directing the use of the organization's income or assets at all times during the tax year? If "Yes," describe in **Part VI** the role the organization's supported organizations played in this regard.

	Yes	No
1		
2		
3		

**Section E. Type III Functionally-Integrated Supporting Organizations**

- 1 Check the box next to the method that the organization used to satisfy the Integral Part Test during the year (see instructions).
- a ☐ The organization satisfied the Activities Test. Complete **line 2** below.
- b ☐ The organization is the parent of each of its supported organizations. Complete **line 3** below.
- c ☐ The organization supported a governmental entity. Describe in **Part VI** how you supported a government entity (see instructions).

**2 Activities Test. Answer (a) and (b) below.**

- a Did substantially all of the organization's activities during the tax year directly further the exempt purposes of the supported organization(s) to which the organization was responsive? If "Yes," then in **Part VI** identify those supported organizations and explain how these activities directly furthered their exempt purposes, how the organization was responsive to those supported organizations, and how the organization determined that these activities constituted substantially all of its activities.
- b Did the activities described in (a) constitute activities that, but for the organization's involvement, one or more of the organization's supported organization(s) would have been engaged in? If "Yes," explain in **Part VI** the reasons for the organization's position that its supported organization(s) would have engaged in these activities but for the organization's involvement.
- 3 Parent of Supported Organizations. Answer (a) and (b) below.
- a Did the organization have the power to regularly appoint or elect a majority of the officers, directors, or trustees of each of the supported organizations? Provide details in **Part VI**.
- b Did the organization exercise a substantial degree of direction over the policies, programs, and activities of each of its supported organizations? If "Yes," describe in **Part VI** the role played by the organization in this regard.

	Yes	No
2a		
2b		
3a		
3b		



**Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations**

- 1 ☐ Check here if the organization satisfied the Integral Part Test as a qualifying trust on Nov. 20, 1970 (explain in Part VI). See instructions. All other Type III non-functionally integrated supporting organizations must complete Sections A through E.

Section A - Adjusted Net Income		(A) Prior Year	(B) Current Year (optional)
1	Net short-term capital gain	1	
2	Recoveries of prior-year distributions	2	
3	Other gross income (see instructions)	3	
4	Add lines 1 through 3.	4	
5	Depreciation and depletion	5	
6	Portion of operating expenses paid or incurred for production or collection of gross income or for management, conservation, or maintenance of property held for production of income (see instructions)	6	
7	Other expenses (see instructions)	7	
8	<b>Adjusted Net Income</b> (subtract lines 5, 6 and 7 from line 4).	8	
Section B - Minimum Asset Amount		(A) Prior Year	(B) Current Year (optional)
1	Aggregate fair market value of all non-exempt-use assets (see instructions for short tax year or assets held for part of year):		
a	Average monthly value of securities	1a	
b	Average monthly cash balances	1b	
c	Fair market value of other non-exempt-use assets	1c	
d	<b>Total</b> (add lines 1a, 1b, and 1c)	1d	
e	<b>Discount</b> claimed for blockage or other factors (explain in detail in Part VI):		
2	Acquisition indebtedness applicable to non-exempt-use assets	2	
3	Subtract line 2 from line 1d.	3	
4	Cash deemed held for exempt use. Enter 1-1/2% of line 3 (for greater amount, see instructions).	4	
5	Net value of non-exempt-use assets (subtract line 4 from line 3)	5	
6	Multiply line 5 by .035.	6	
7	Recoveries of prior-year distributions	7	
8	<b>Minimum Asset Amount</b> (add line 7 to line 6)	8	
Section C - Distributable Amount			Current Year
1	Adjusted net income for prior year (from Section A, line 8, Column A)	1	
2	Enter 85% of line 1.	2	
3	Minimum asset amount for prior year (from Section B, line 8, Column A)	3	
4	Enter greater of line 2 or line 3.	4	
5	Income tax imposed in prior year	5	
6	<b>Distributable Amount.</b> Subtract line 5 from line 4, unless subject to emergency temporary reduction (see instructions).	6	
7	<input type="checkbox"/> Check here if the current year is the organization's first as a non-functionally integrated Type III supporting organization (see instructions).		



**Part V** Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations (continued)

Section D - Distributions		Current Year
1	Amounts paid to supported organizations to accomplish exempt purposes	
2	Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity	
3	Administrative expenses paid to accomplish exempt purposes of supported organizations	
4	Amounts paid to acquire exempt-use assets	
5	Qualified set-aside amounts (prior IRS approval required)	
6	Other distributions (describe in Part VI). See instructions.	
7	<b>Total annual distributions.</b> Add lines 1 through 6.	
8	Distributions to attentive supported organizations to which the organization is responsive (provide details in Part VI). See instructions.	
9	Distributable amount for 2017 from Section C, line 6	
10	Line 8 amount divided by line 9 amount	

Section E - Distribution Allocations (see instructions)	(i) Excess Distributions	(ii) Underdistributions Pre-2017	(iii) Distributable Amount for 2017
1 Distributable amount for 2017 from Section C, line 6			
2 Underdistributions, if any, for years prior to 2017 (reasonable cause required-explain in Part VI). See instructions.			
3 Excess distributions carryover, if any, to 2017:			
a			
b From 2013			
c From 2014			
d From 2015			
e From 2016			
f Total of lines 3a through e			
g Applied to underdistributions of prior years			
h Applied to 2017 distributable amount			
i Carryover from 2012 not applied (see instructions)			
j Remainder. Subtract lines 3g, 3h, and 3i from 3f.			
4 Distributions for 2017 from Section D, line 7: \$			
a Applied to underdistributions of prior years			
b Applied to 2017 distributable amount			
c Remainder. Subtract lines 4a and 4b from 4.			
5 Remaining underdistributions for years prior to 2017, if any. Subtract lines 3g and 4a from line 2. For result greater than zero, explain in Part VI. See instructions.			
6 Remaining underdistributions for 2017. Subtract lines 3h and 4b from line 1. For result greater than zero, explain in Part VI. See instructions.			
7 Excess distributions carryover to 2018. Add lines 3j and 4c.			
8 Breakdown of line 7:			
a Excess from 2013			
b Excess from 2014			
c Excess from 2015			
d Excess from 2016			
e Excess from 2017			

**Part V**

**Supplemental Information.** Provide the explanations required by Part II, line 10; Part II, line 17a or 17b; Part III, line 12; Part IV, Section A, lines 1, 2, 3b, 3c, 4b, 4c, 5a, 6, 9a, 9b, 9c, 11a, 11b, and 11c; Part IV, Section B, lines 1 and 2; Part IV, Section C, line 1; Part IV, Section D, lines 2 and 3; Part IV, Section E, lines 1c, 2a, 2b, 3a and 3b; Part V, line 1; Part V, Section B, line 1e; Part V, Section D, lines 5, 6, and 8; and Part V, Section E, lines 2, 5, and 6. Also complete this part for any additional information. (See instructions.)

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**SCHEDULE D  
(Form 990)**Department of the Treasury  
Internal Revenue Service**Supplemental Financial Statements**

► Complete if the organization answered "Yes" on Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b.  
► Attach to Form 990.

► Go to [www.irs.gov/Form990](http://www.irs.gov/Form990) for instructions and the latest information.

OMB No. 1545-0047

**2017**Open to Public  
Inspection

Name of the organization

University of the Nations,  
Kona, Inc.

Employer identification number

99-0240539

**Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts.**  
Complete if the organization answered "Yes" on Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year .....		
2 Aggregate value of contributions to (during year) .....		
3 Aggregate value of grants from (during year) .....		
4 Aggregate value at end of year .....		
5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? .....		<input type="checkbox"/> Yes <input type="checkbox"/> No
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? .....		<input type="checkbox"/> Yes <input type="checkbox"/> No

**Part II Conservation Easements.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply).

<input type="checkbox"/> Preservation of land for public use (e.g., recreation or education)	<input type="checkbox"/> Preservation of a historically important land area
<input type="checkbox"/> Protection of natural habitat	<input type="checkbox"/> Preservation of a certified historic structure
<input type="checkbox"/> Preservation of open space	

2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year.

	Held at the End of the Tax Year
a Total number of conservation easements .....	2a
b Total acreage restricted by conservation easements .....	2b
c Number of conservation easements on a certified historic structure included in (a) .....	2c
d Number of conservation easements included in (c) acquired after 7/25/06, and not on a historic structure listed in the National Register .....	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ► .....

4 Number of states where property subject to conservation easement is located ► .....

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? .....

6 Staff and volunteer hours devoted to monitoring, inspecting, handling of violations, and enforcing conservation easements during the year ► .....

7 Amount of expenses incurred in monitoring, inspecting, handling of violations, and enforcing conservation easements during the year ► \$ .....

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? .....

9 In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements.

**Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.**  
Complete if the organization answered "Yes" on Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items.

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items:

(i) Revenue included on Form 990, Part VIII, line 1 .....

(ii) Assets included in Form 990, Part X .....

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items:

a Revenue included on Form 990, Part VIII, line 1 .....

b Assets included in Form 990, Part X .....

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule D (Form 990) 2017



Schedule D (Form 990) 2017 **University of the Nations,** **99-0240539** Page **2**  
**Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)**

3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply):

- a ☐ Public exhibition  
b ☐ Scholarly research  
c ☐ Preservation for future generations  
d ☐ Loan or exchange programs  
e ☐ Other .....

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII.

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

**Part IV Escrow and Custodial Arrangements.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIII and complete the following table:

	Amount
c Beginning balance	1c
d Additions during the year	1d
e Distributions during the year	1e
f Ending balance	1f

2a Did the organization include an amount on Form 990, Part X, line 21, for escrow or custodial account liability? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided on Part XIII

**Part V Endowment Funds.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	1,845,646	1,799,226	1,755,851	1,802,483	1,741,114
b Contributions					
c Net investment earnings, gains, and losses	61,573	68,420	43,625	35,233	61,369
d Grants or scholarships	42,500	22,000	250	81,865	
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	1,864,719	1,845,646	1,799,226	1,755,851	1,802,483

2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:

- a Board designated or quasi-endowment ▶ %  
b Permanent endowment ▶ 94.92 %  
c Temporarily restricted endowment ▶ 5.08 %  
The percentages on lines 2a, 2b, and 2c should equal 100%.

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

- (i) unrelated organizations  
(ii) related organizations

	Yes	No
3a(i)		X
3a(ii)		X
3b		

b If "Yes" on line 3a(ii), are the related organizations listed as required on Schedule R?

4 Describe in Part XIII the intended uses of the organization's endowment funds.

**Part VI Land, Buildings, and Equipment.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		9,291,209		9,291,209
b Buildings		28,652,492	7,765,237	20,887,255
c Leasehold improvements				
d Equipment		407,836	237,762	170,074
e Other		346,013	205,609	140,404
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.)				30,488,942



**Part VII Investments—Other Securities.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 12.) ▶		

**Part VIII Investments—Program Related.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

(a) Description of investment	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 13.) ▶		

**Part IX Other Assets.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 11d. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) <b>Assets in Progress</b>	<b>4,043,202</b>
(2) <b>Investment in Hualalai Condos</b>	<b>2,330,000</b>
(3) <b>Fraud Restitution</b>	<b>300,000</b>
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 15.) ▶	<b>6,673,202</b>

**Part X Other Liabilities.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 25.) ▶	

2. Liability for uncertain tax positions. In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740). Check here if the text of the footnote has been provided in Part XIII ☐





**Part XIII** Supplemental Information *(continued)*

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**SCHEDULE E**  
(Form 990 or 990-EZ)Department of the Treasury  
Internal Revenue Service**Schools**

- ▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 13, or Form 990-EZ, Part VI, line 48.  
▶ Attach to Form 990 or Form 990-EZ.  
▶ Go to [www.irs.gov/Form990](http://www.irs.gov/Form990) for the latest information.

OMB No. 1545-0047

**2017**Open to Public  
Inspection

Name of the organization

**University of the Nations,  
Kona, Inc.**

Employer identification number

**99-0240539****Part I**

	YES	NO
1 Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?	<b>X</b>	
2 Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?	<b>X</b>	
3 Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe. If "No," please explain. If you need more space, use Part II. <b>The nondiscriminatory policy is included on the School's website and on all admissions applications and brochures.</b>		<b>X</b>
4 Does the organization maintain the following?		
a Records indicating the racial composition of the student body, faculty, and administrative staff?	<b>X</b>	
b Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	<b>X</b>	
c Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	<b>X</b>	
d Copies of all material used by the organization or on its behalf to solicit contributions? If you answered "No" to any of the above, please explain. If you need more space, use Part II.	<b>X</b>	
5 Does the organization discriminate by race in any way with respect to:		
a Students' rights or privileges?		<b>X</b>
b Admissions policies?		<b>X</b>
c Employment of faculty or administrative staff?		<b>X</b>
d Scholarships or other financial assistance?		<b>X</b>
e Educational policies?		<b>X</b>
f Use of facilities?		<b>X</b>
g Athletic programs?		<b>X</b>
h Other extracurricular activities? If you answered "Yes" to any of the above, please explain. If you need more space, use Part II.		<b>X</b>
6a Does the organization receive any financial aid or assistance from a governmental agency?		<b>X</b>
b Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" on either line 6a or line 6b, explain on Part II.		<b>X</b>
7 Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If "No," explain on Part II.	<b>X</b>	



**Part II**

**Supplemental Information.** Provide the explanations required by Part I, lines 3, 4d, 5h, 6b, and 7, as applicable. Also provide any other additional information. See instructions.

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**SCHEDULE F  
(Form 990)**Department of the Treasury  
Internal Revenue Service

Name of the organization

**Statement of Activities Outside the United States**

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 14b, 15, or 16.

▶ Attach to Form 990.

▶ Go to [www.irs.gov/Form990](http://www.irs.gov/Form990) for instructions and the latest information.

OMB No. 1545-0047

**2017**Open to Public  
Inspection**University of the Nations,  
Kona, Inc.**

Employer identification number

**99-0240539****Part I** General Information on Activities Outside the United States. Complete if the organization answered "Yes" on Form 990, Part IV, line 14b.

1 For grantmakers. Does the organization maintain records to substantiate the amount of its grants and other assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☒ Yes ☐ No

2 For grantmakers. Describe in Part V the organization's procedures for monitoring the use of its grants and other assistance outside the United States.

3 Activities per Region. (The following Part I, line 3 table can be duplicated if additional space is needed.)

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in the region	(d) Activities conducted in the region (by type) (such as, fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in the region	(f) Total expenditures for and investments in the region
South Asia			Program Service	U of N Outreach	2,054,666
(1) Europe			Program Service	U of N Outreach	1,027,333
(2) East Asia and the Pacific			Program Service	U of N Outreach	702,911
(3) Sub-Saharan Africa			Program Service	U of N Outreach	594,771
(4) South America			Program Service	U of N Outreach	378,491
(5) Middle East and North Africa			Program Service	U of N Outreach	270,350
(6) North America			Program Service	U of N Outreach	270,350
(7) Russia and Neighboring States			Program Service	U of N Outreach	54,070
(8) Central America and the Caribbean			Program Service	U of N Outreach	54,070
(9)					
(10)					
(11)					
(12)					
(13)					
(14)					
(15)					
(16)					
(17)					
3a Sub-total					5,407,012
b Total from continuation sheets to Part I					
c Totals (add lines 3a and 3b)					5,407,012

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule F (Form 990) 2017



Schedule F (Form 990) 2017 **University of the Nations,** **99-0240539**Page **2****Part II** **Grants and Other Assistance to Organizations or Entities Outside the United States.** Complete if the organization answered "Yes" on Form 990, Part IV, line 15, for any recipient who received more than \$5,000. Part II can be duplicated if additional space is needed.

1	(a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of noncash assistance	(h) Description of noncash assistance	(i) Method of valuation (book, FMV, appraisal, other)
(1)			Sub-Saharan Africa	YWAM Ministry	46,280	Wire			
(2)			Sub-Saharan Africa	YWAM Ministry	22,419	Wire			
(3)			East Asia and the Pacific	YWAM Ministry	53,350	Wire			
(4)			Europe	YWAM Ministry	70,000	Wire			
(5)			South Asia	YWAM Ministry	63,000	Wire			
(6)			East Asia and the Pacific	YWAM Ministry	22,200	Wire			
(7)			East Asia and the Pacific	YWAM Ministry	5,550	Wire			
(8)			East Asia and the Pacific	YWAM Ministry	5,450	Wire			
(9)			East Asia and the Pacific	YWAM Ministry	24,000	Wire			
(10)			Sub-Saharan Africa	YWAM Ministry	8,058	Wire			
(11)									
(12)									
(13)									
(14)									
(15)									
(16)									

2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter

▶ 10

3 Enter total number of other organizations or entities

▶ 0

Schedule F (Form 990) 2017

Schedule F (Form 990) 2017 **University of the Nations,****99-0240539**Page **3**

**Part III** **Grants and Other Assistance to Individuals Outside the United States.** Complete if the organization answered "Yes" on Form 990, Part IV, line 16.  
 Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Region	(c) Number of recipients	(d) Amount of cash grant	(e) Manner of cash disbursement	(f) Amount of noncash assistance	(g) Description of noncash assistance	(h) Method of valuation (book, FMV, appraisal, other)
(1) Scholarships	East Asia and the Pacific	11	31,262	Check			
(2) Scholarships	South America	2	2,750	Check			
(3) Scholarships	North America	2	3,000	Check			
(4) Scholarships	Europe	3	6,000	Check			
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							
(13)							
(14)							
(15)							
(16)							
(17)							
(18)							

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Schedule F (Form 990) 2017



**Part IV Foreign Forms**

- 1 Was the organization a U.S. transferor of property to a foreign corporation during the tax year? If "Yes," the organization may be required to file Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation (see Instructions for Form 926) ☐ Yes ☒ No
- 2 Did the organization have an interest in a foreign trust during the tax year? If "Yes," the organization may be required to separately file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (see Instructions for Forms 3520 and 3520-A; don't file with Form 990) ☐ Yes ☒ No
- 3 Did the organization have an ownership interest in a foreign corporation during the tax year? If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations (see Instructions for Form 5471) ☐ Yes ☒ No
- 4 Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? If "Yes," the organization may be required to file Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund (see Instructions for Form 8621) ☐ Yes ☒ No
- 5 Did the organization have an ownership interest in a foreign partnership during the tax year? If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships (see Instructions for Form 8865) ☐ Yes ☒ No
- 6 Did the organization have any operations in or related to any boycotting countries during the tax year? If "Yes," the organization may be required to separately file Form 5713, International Boycott Report (see Instructions for Form 5713; don't file with Form 990) ☐ Yes ☒ No

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Schedule F (Form 990) 2017

**Part V Supplemental Information**

Provide the information required by Part I, line 2 (monitoring of funds); Part I, line 3, column (f) (accounting method; amounts of investments vs. expenditures per region); Part II, line 1 (accounting method); Part III (accounting method); and Part III, column (c) (estimated number of recipients), as applicable. Also complete this part to provide any additional information. See instructions.

**Part I, Line 2 - Procedures for Monitoring the Use of Grant Funds**

University of the Nations, Kona, Inc. is part of YWAM (Youth With a Mission), a global movement of Christians united in a common purpose to know God and make Him known. YWAM staff serve in over 180 nations and a family of ministries. University of the Nations, Kona, Inc. is a multiplier for missions and makes grants and donations to various YWAM locations around the world. The Organization controls the donated funds and reserves the right to withhold future grants and donations.

Mission support donations require a completed application and funds are distributed only to active YWAM locations. A global network of leaders further assists to hold YWAM locations accountable. For a YWAM base to receive approval for a mission account they must have a Kona staff sponsor, a person who will vouch for the YWAM location and leadership, that they are a part of YWAM, and follow YWAM foundational values and Christian beliefs.

For offerings and restricted fund donations, approval by the Organization's leadership is required. Approval of the Finance Working Group is further required to set up a new restricted fund. Approval for donations and grants can only be given by responsible individuals who are aware of the various needs and typically have a personal relationship with those receiving the funds. Kona staff generally send outreach teams to YWAM locations receiving funding.



**Part V****Supplemental Information**

Provide the information required by Part I, line 2 (monitoring of funds); Part I, line 3, column (f) (accounting method; amounts of investments vs. expenditures per region); Part II, line 1 (accounting method); Part III (accounting method); and Part III, column (c) (estimated number of recipients), as applicable. Also complete this part to provide any additional information. See instructions.

**Part I, Line 3 - Activities per Region**

Region	Expenditures	Investments
South Asia	\$ 2,054,666	\$ 0
Europe	\$ 1,027,333	\$ 0
East Asia and the Pacific	\$ 702,911	\$ 0
Sub-Saharan Africa	\$ 594,771	\$ 0
South America	\$ 378,491	\$ 0
Middle East and North Africa	\$ 270,350	\$ 0
North America	\$ 270,350	\$ 0
Russia and Neighboring States	\$ 54,070	\$ 0
Central America and the Caribbean	\$ 54,070	\$ 0

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**SCHEDULE I  
(Form 990)**Department of the Treasury  
Internal Revenue Service**Grants and Other Assistance to Organizations,  
Governments, and Individuals in the United States**  
Complete if the organization answered "Yes" on Form 990, Part IV, line 21 or 22.  
▶ Attach to Form 990.▶ Go to [www.irs.gov/Form990](http://www.irs.gov/Form990) for the latest information.

OMB No. 1545-0047

**2017****Open to Public  
Inspection**

Name of the organization

**University of the Nations,  
Kona, Inc.**

Employer identification number

**99-0240539****Part I General Information on Grants and Assistance**

- 1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☒ Yes ☐ No
- 2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States.

**Part II Grants and Other Assistance to Domestic Organizations and Domestic Governments.** Complete if the organization answered "Yes" on Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

1	(a) Name and address of organization or government	(b) EIN	(c) IRC section (if applicable)	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of noncash assistance	(h) Purpose of grant or assistance
(1)	YWAM Ships Kona 75-5687 Ali'i Dr. Kailua-Kona HI 96740	45-3452689	501c3	11,859				YWAM Ministry
(2)	YWAM - Costa Rica PO Box 603 Bentonville AR 72712	81-1177382	501c3	9,000				YWAM Ministry
(3)	Summer Institute of Linguistics 112211 John Wycliffe Blvd. Orlando FL 32882	75-1840827	501c3	58,182				Bible Translation
(4)	YWAM Northern Arizona, Inc. PO Box 30776 Flagstaff AZ 86003	86-1014029	501c3	6,980				YWAM Ministry
(5)	PhotogenX International 75-5851 Kuakini Hwy #207 Kailua-Kona HI 96740	26-0635449	501c3	5,330				YWAM Ministry
(6)	Island Breeze Ministries 10115 Grand View Rd., Apt. 102 Kansas City MO 64137	20-1630850	501c3	7,333				YWAM Ministry
(7)	The Send 5061 N. 30th St. Colorado Springs CO 80919	82-5368845	501c3	8,500				Missionary Sending
(8)								
(9)								

- 2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table **7**
- 3 Enter total number of other organizations listed in the line 1 table **0**

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule I (Form 990) (2017)

DAA



Schedule I (Form 990) (2017) **University of the Nations,** **99-0240539**Page **2****Part III** **Grants and Other Assistance to Domestic Individuals.** Complete if the organization answered "Yes" on Form 990, Part IV, line 22.  
Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of noncash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of noncash assistance
<b>1 Scholarships</b>	<b>8</b>	<b>13,000</b>			
<b>2 YWAM Ministry</b>	<b>5</b>	<b>4,000</b>			
<b>3</b>					
<b>4</b>					
<b>5</b>					
<b>6</b>					
<b>7</b>					

**Part IV** **Supplemental Information.** Provide the information required in Part I, line 2; Part III, column (b); and any other additional information.

See Schedule I Supplemental Information Worksheet

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Supplemental Information		2017
SCHEDULE I (Form 990)	For calendar year 2017, or tax year beginning 07/01/17, and ending 06/30/18	
Name of the organization	University of the Nations, Kona, Inc.	Employer identification number 99-0240539

Part I, Line 2 - Procedures for Monitoring the Use of Grant Funds

University of the Nations, Kona, Inc. is part of YWAM (Youth With a Mission), a global movement of Christians united in a common purpose to know God and make Him known. YWAM staff serve in over 180 nations and a family of ministries. Each YWAM location is legally separate but is held accountable to YWAM foundational values and Christian beliefs. University of the Nations, Kona, Inc. is a multiplier for missions and makes grants and donations to various YWAM locations around the world. We want to help YWAM locations and staff who are seeking to present the whole gospel for the whole person throughout the whole world. The Organization controls the donated funds and reserves the right to withhold future grants and donations.

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Mission support donations require a completed application and funds are distributed only to active YWAM locations. YWAM locations operate with team leadership that holds individuals accountable. A global network of leaders further assists to hold YWAM locations accountable. For a YWAM base to receive approval for a mission account they must have a Kona staff sponsor, a person who will vouch for the YWAM location and leadership, that they are a part of YWAM, and follow YWAM foundational values and Christian beliefs.

For offerings and restricted fund donations, approval by the Organization's leadership is required. Approval of the Finance Working Group is further required to set up a new restricted fund. Approval for donations and grants can only be given by responsible individuals who are aware of the various needs and typically have a personal relationship with those



<b>SCHEDULE I</b> <b>(Form 990)</b>	<b>Supplemental Information</b>		<b>2017</b>
		For calendar year 2017, or tax year beginning <b>07/01/17</b> , and ending <b>06/30/18</b>	
Name of the organization		University of the Nations, Kona, Inc.	Employer identification number
			99-0240539

receiving the funds. Kona staff generally send outreach teams to YWAM  
locations receiving funding.

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**SCHEDULE O**  
(Form 990 or 990-EZ)Department of the Treasury  
Internal Revenue Service**Supplemental Information to Form 990 or 990-EZ**Complete to provide information for responses to specific questions on  
Form 990 or 990-EZ or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

▶ Go to [www.irs.gov/Form990](http://www.irs.gov/Form990) for the latest information.

OMB No. 1545-0047

**2017****Open to Public  
Inspection**Name of the organization **University of the Nations,  
Kona, Inc.**Employer identification number  
**99-0240539**

Form 990, Part VI, Line 11b - Organization's Process to Review Form 990  
University of the Nations, Kona Inc.'s Form 990 is prepared by an  
independent CPA firm. Before the 990 is filed, it is reviewed in detail by  
the School's Financial Services staff. Campus leadership and the Audit  
Committee provide an upper level review and the governing Board of  
Directors is provided a copy for review prior to being filed with the IRS.

## Form 990, Part VI, Line 12c - Enforcement of Conflicts Policy

The Organization requires Board Members to review the conflict of interest  
policy and sign an annual disclosure statement.

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## Form 990, Part VI, Line 19 - Governing Documents Disclosure Explanation

Governing documents and the Form 990 are available to the public upon  
request. The Form 990 is also available on the Organization's website:  
[www.uofnkona.edu](http://www.uofnkona.edu).



**SCHEDULE R  
(Form 990)**Department of the Treasury  
Internal Revenue Service

Name of the organization

**Related Organizations and Unrelated Partnerships**

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.

▶ Attach to Form 990.

▶ Go to [www.irs.gov/Form990](http://www.irs.gov/Form990) for instructions and the latest information.

OMB No. 1545-0047

**2017****Open to Public  
Inspection**University of the Nations,  
Kona, Inc.

Employer identification number

99-0240539

**Part I Identification of Disregarded Entities.** Complete if the organization answered "Yes" on Form 990, Part IV, line 33.

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1)					
(2)					
(3)					
(4)					
(5)					

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**Part II Identification of Related Tax-Exempt Organizations.** Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) Univ. of the Nations Kona Found. 75-5851 Kuakini Hwy #433 84-1567990 Kailua-Kona HI 96740	Charitable	HI	501c3	12b	N/A	X	
(2)							
(3)							
(4)							
(5)							

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Schedule R (Form 990) 2017

**Part III**

**Identification of Related Organizations Taxable as a Partnership.** Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Dispro- portionate alloc.?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) .....												
(2) .....												
(3) .....												
(4) .....												

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**Part IV**

**Identification of Related Organizations Taxable as a Corporation or Trust.** Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
(1) .....									
(2) .....									
(3) .....									
(4) .....									



**Part V Transactions With Related Organizations.** Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.**Note:** Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.**1** During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II–IV?

- a Receipt of (i) interest, (ii) annuities, (iii) royalties, or (iv) rent from a controlled entity
- b Gift, grant, or capital contribution to related organization(s)
- c Gift, grant, or capital contribution from related organization(s)
- d Loans or loan guarantees to or for related organization(s)
- e Loans or loan guarantees by related organization(s)

- f Dividends from related organization(s)
- g Sale of assets to related organization(s)
- h Purchase of assets from related organization(s)
- i Exchange of assets with related organization(s)
- j Lease of facilities, equipment, or other assets to related organization(s)

- k Lease of facilities, equipment, or other assets from related organization(s)
- l Performance of services or membership or fundraising solicitations for related organization(s)
- m Performance of services or membership or fundraising solicitations by related organization(s)
- n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- o Sharing of paid employees with related organization(s)

- p Reimbursement paid to related organization(s) for expenses
- q Reimbursement paid by related organization(s) for expenses

- r Other transfer of cash or property to related organization(s)
- s Other transfer of cash or property from related organization(s)

**2** If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.

(a) Name of related organization	(b) Transaction type (a–s)	(c) Amount involved	(d) Method of determining amount involved
(1)			
(2)			
(3)			
(4)			
(5)			
(6)			

**Part VI** **Unrelated Organizations Taxable as a Partnership.** Complete if the organization answered "Yes" on Form 990, Part IV, line 37.

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	
(1)													
(2)													
(3)													
(4)													
(5)													
(6)													
(7)													
(8)													
(9)													
(10)													
(11)													



**Part VII****Supplemental Information.**

Provide additional information for responses to questions on Schedule R. See Instructions.

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